

**CHAPTER 70-6 MAINTENANCE AND IMPROVEMENT FUNDING ALLOCATION**

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**70-6.1 INTRODUCTION**

- A. PURPOSE - Establish the Indian Health Service (IHS) guidelines for the distribution of Maintenance and Improvement (M&I) funds for the upkeep of Federal and tribal healthcare facilities.
- B. BACKGROUND - The IHS receives an annual Congressional appropriation specifically for the M&I activities in Federally-owned buildings, and tribally-owned space that is used to provide healthcare services pursuant to contract or compact arrangements executed under the provisions of the Indian Self Determination and Education Assistance Act (P.L. 93-638). M&I funds are to support and enhance the delivery of health care and preventive health services and to safeguard interests in real property.

The IHS M&I funds are distributed to four categories: routine maintenance, M&I projects, environmental compliance, and demolition.

- (1) Routine Maintenance Funds - Routine maintenance funds are used to pay non-personnel costs for the following typical maintenance activities: emergency repairs, preventive maintenance activities, maintenance supplies and materials, building service equipment replacement, upkeep activities, training, and local projects. This amount is also referred to as "sustainment" or the amount necessary to sustain a facility in its current condition. The modified University of Oklahoma formula<sup>1</sup> is used to calculate routine maintenance requirements.
- (2) M&I Project Funds - IHS Area Offices shall develop priority lists of larger projects to reduce the Backlog of Essential Maintenance and Repair (BEMAR). Although tribes with tribally-owned facilities may take their individual shares of the M&I project pool funds, those in Areas with a Federal facility inventory, the M&I project pool funds may be restricted for Federal facilities to ensure that Federal stewardship responsibilities are maintained. Generally, M&I projects in this category require levels of expertise that

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<sup>1</sup> The University of Oklahoma formula originated in the late 1950s when a group of researchers at the university conducted a comprehensive study on budgeting for hospital building maintenance. The researchers came to the conclusion that while there was no easy or simple way of estimating building maintenance funds that was accurate enough to be used in justifying fund appropriations, a satisfactory estimate could be worked out through the use of factors applied to the "current replacement cost" which would make allowance for age, type of construction, and use.

may not be available at the local facility. Such projects accomplish major repairs and improvements of primary mechanical, electrical, and other building systems as well as public law compliance and program-related alterations. Program-related alteration projects include changes to existing facilities for more efficient utilization, for new patient care equipment, and to accommodate new treatment methodologies.

- (3) Environmental Compliance Funds - The FY 1993 House and Senate Conference Report on IHS Appropriations established an annual earmark of \$3 million for the purpose of conducting an environmental management program for IHS and tribal healthcare facilities. Environmental compliance and remediation funds are available for all IHS and tribal healthcare facilities on a competitive basis, with the most acute environmental threats and hazards having the highest priority. These funds are allocated based on a priority of need and are not distributed as tribal shares. At least once per year, projects will be solicited from the Area Offices.
- (4) Demolition Funds - The IHS has a number of Federally-owned buildings that are vacant or obsolete and no longer needed. Demolition of these buildings reduces hazards and liability. Congressional language in the annual Interior Appropriations earmarks funds to be placed in a Demolition Fund, available until expended, to be used for demolition of Federal buildings. These funds are allocated based on a priority of need and are not distributed as tribal shares. At least once per year, projects will be solicited from the Area Offices. The use of demolition funds to reduce the overall cost of a new replacement facility is not an appropriate use of M&I funds. In the construction of replacement facilities, the cost to demolish the existing facilities (i.e., the facility or facilities being replaced) must be included in the new construction funding.

C. OBJECTIVES - The specific M&I objectives include:

- (1) Providing routine maintenance and repairs for facilities;
- (2) Achieving compliance with buildings and grounds accreditation standards of the Joint Commission on Accreditation of Healthcare Organizations or other applicable accreditation bodies;
- (3) Providing improvements to facilities for enhanced patient care;
- (4) Ensuring that health care facilities meet building codes and standards;
- (5) Ensuring compliance with executive orders and public laws relative to building requirements, e.g., energy conservation, seismic, environmental, handicapped accessibility, historic preservation, and security; and

- (4) Meeting facilities program management objectives established to ensure management and oversight of Federal facilities.

D. USE OF M&I FUNDS - Appropriate use of M&I funds may include:

- (1) The maintenance and repair of real property, e.g., service contracts, parts, bench stock (supplies and materials), and expendable tools required to perform the duties by the facilities employees;
- (2) Training (including travel and tuition) of maintenance personnel in topics which are directly related to the performance of duties in maintenance and repair of the real property;
- (3) Improvement projects which expand real property building systems, e.g., electrical, plumbing, fire protection;
- (4) Environmental remediation projects; or
- (5) Demolition projects.

Examples of activities that should not be funded using M&I funds include:

- (1) Maintenance and repair of personal property equipment;
- (2) Salaries of permanent and temporary staffing;
- (3) Expenditures of operational activities;
- (4) Construction of new program space;
- (5) Replacement and repair of biomedical equipment;
- (6) Purchase and installation of communication systems, telephones, computers and associated hardware, and electronic security surveillance systems; or
- (8) Utility costs.

## **70-6.2 ELIGIBILITY**

A. M&I ELIGIBILITY - Eligibility for M&I funding is determined by building ownership and the type of healthcare program operating in the building.

- (1) Government-owned building - M&I eligible if it supports an IHS-approved program.
- (2) Tribally-owned building - M&I eligible if it supports an IHS-approved program pursuant to a Self-Governance contract or compact.
- (3) Leased building - M&I eligible only if the lease is "nominal/no cost", not full service for maintenance, or "\$1/year" and supports an IHS-approved program.
- (4) Village-built clinics - not eligible to receive M&I funding.
- (5) Land - not eligible to receive M&I funding.
- (6) Housing, Quarters, and other Quarters-related facilities (e.g., garages) - not eligible to receive M&I funding (these units are excluded because rental collection funds are used to maintain these facilities).

- (7) Space scheduled to open in a later fiscal year - not eligible to receive M&I funding.
  - (8) Urban program facilities - not eligible to receive M&I funding.
  - (9) Contract health care services - not eligible to receive M&I funding since the contractual agreement includes all costs associated with the services.
- B. IHS-APPROVED (AGENCY-RELATED) PROGRAM SPACE. Only the portion of an M&I eligible building that is actually utilized by IHS-approved healthcare programs and otherwise eligible for the specific type of facilities appropriation funding is eligible for M&I funding. The actual space in use by IHS-approved healthcare programs and used by IHS-funded staff is considered when determining agency-related program space, which may be the entire building or a portion of the building. Refer to the Technical Handbook chapter on Facilities Supportable Space for additional guidance on agency-related program space.
- C. PROJECTED ('P') BUILDINGS. Projected or 'P' buildings are buildings that are scheduled to come on-line to provide IHS-approved programs in the future. They are eligible for M&I funds based on the quarter of the fiscal year that the facility opens. [Note: Distribution of the M&I/Equipment funds for active 'P' buildings is made upon receipt of the Real Property Voucher for Federal facilities or Area Office notification for tribal facilities.
- D. SUPPORTABLE SPACE - The total supportable space within a service unit is limited by the 'maximum supportable space' required to support IHS-approved programs. Maximum supportable space is defined as the quantity of health facilities space that is directly supportable by the resources of the IHS Facilities Appropriation. Refer to the Technical Handbook chapter on Facilities Supportable Space for additional guidance on which space qualifies as supportable space.

The maximum supportable space for a service unit is determined as a whole, not on a building-by-building basis or individual tribe. This value is calculated either using the Health Facilities Planning Manual (HFPM) or the Health Systems Planning (HSP) computer program, or the maximum supportable space formula using user population and number of tribes. IHS HQ Division of Facilities Planning and Construction (DFPC) must validate and approve the HFPM/HSP value before it is used in the funding allocation. IHS HQ, Division of Program Statistics, collects and validates the user population and tribal data for the maximum supportable space formula.

The summation of all the supportable space in a service unit may not exceed its maximum supportable space value. Even if a building is M&I eligible, its entire space may not be allocated M&I funds if the service unit has reached its 'maximum

supportable space value'. Each building can be fully, partially, or not supported depending on the maximum supportable space value for the service unit.

- E. REGIONAL FACILITIES - "Regional" facilities are defined as facilities that provide regional services over multiple service units. Regional facilities are not counted in the maximum supportable space value for any one tribe or service unit. This only applies to that portion of the facility that provides regional services.

In order to be established as regional services, the regional nature of the function must be specified in the Area Master Plan and these services must receive Headquarters certification. The only facilities not requiring certification are Congressionally-mandated Youth Regional Treatment Facilities (YRTCs), one per IHS Area except for the California Area that has two YRTCs authorized and the Phoenix Area that also has a satellite facility.

### 70-6.3 ALLOCATION METHODOLOGY

- A. GENERAL - Calculating the M&I routine maintenance allocation is performed using the Modified University of Oklahoma Formula (M-UOF).
- B. M-UOF - Each building eligible to receive M&I funds within a given service unit has an M-UOF value calculated using the following formula:

$$\text{M-UOF} = [\text{space}] \times [\text{quarters}] / 4 \times [\text{construction index}] \times [\text{intensity}] \times [\text{location index}] \times [\text{replacement cost}]$$

Where:

**Space** - Gross Square Meter (gsm) [owned buildings] or Net Square Meter (nsm) [leased space] of the M&I-eligible, IHS-approved program space in the facility, multiplied by the 'supportable space percentage' for the facility.

**Quarters** - number of full quarters the facility is in use. Quarters are defined as follows:

- 0 - Facility opens between July 1 and September 30 of the fiscal year.
- 1 - Facility opens between April 1 and June 30 of the fiscal year.
- 2 - Facility opens between January 1 and March 31 of the fiscal year.
- 3 - Facility opens between October 1 and December 31 of the fiscal year.

- 4 - Full quarters, facility is in operation for the entire fiscal year.

**Construction Index** - The construction index reflects a "maintenance factor" within the UOF based on the type of building construction. This is a percentage factor dependent on the types of materials used in the construction of the building. There are four different values that can be used.

- 0.0110 - 1.10%, Fire resistant building, Class A  
0.0130 - 1.30%, Masonry and wood building, Class B  
0.0175 - 1.75%, Wood frame building, Class C  
0.0200 - 2.00%, Temporary structure, trailer, Class T

**Intensity** - Another "maintenance factor" that is a percentage factor dependent upon the use and occupancy of the building.

- 0.25 - 25%, Buildings of minimal use such as warehouses, less than five-day-a-week clinics, vacant or excess buildings in the first year that the facility is vacant/excess, etc.  
1.0 - 100%, Buildings with normal intensity of use of occupancy such as health centers and offices which are used typically 8 hours/day, 5 days/week  
1.5 - 150%, Buildings such as hospitals and service buildings used intensively, i.e. 24 hours/day, 7 days/week  
0.0 - Vacant or excess buildings after the first year that the facility is vacant/excess.

**Location Index** - Location Index is a factor to adjust cost based on a specific location. These location index factors are usually updated annually to reflect current location data.

**Replacement Cost Code** - Replacement cost is the cost to replace one square meter of the facility. Replacement costs are usually updated annually to reflect current national industry data for the various types of facilities.

- (1) Hospitals
- (2) Health Centers, Health Stations, Laboratories, and Outpatient Clinics
- (3) Youth Regional Treatment Centers
- (4) Office Buildings (e.g., service unit, OEHE, or Area offices; hospital support offices; service buildings; heating plants; educational, counseling, child care center, and cafeteria buildings; storage buildings for records, equipment, hazardous material, health care supplies, tools and furniture; leased buildings (except for full-service leases); etc.)

Note: The Location Index and the Replacement Cost Code are the two components to calculate the "current replacement cost" used

within the M-UOF value.

- C. BASE BUDGET - A self-governance tribe or tribal organization may elect to enter into a base budget agreement for M&I. HQ will continue to allocate the M&I funds (routine maintenance and project) to the Area Office as calculated using the M-UOF. The Area Office will then distribute the funds for the base budget agreement from these Area M&I funds.
- D. AREA ALLOCATIONS - After earmarks and rescissions, the remaining M&I funding is allocated to the Area Offices as routine maintenance and projects funds.
- (1) Routine Maintenance Funds - The routine maintenance allocation for an Area Office is equal to the summation of the M-UOF values of the individual facilities in that Area.
  - (2) M&I Project Pool - The remaining M&I funds, after routine maintenance funds are allocated, are distributed as M&I project pool funds. Each Area Office is allocated funding for M&I projects as a straight percentage of the M-UOF value for the Area. The Area Office will receive the same pro rata percentage of the available M&I project pool comparable to the percentage of M-UOF value. For example, if an Area Office receives 12.5% of the total national M-UOF value, they will also receive 12.5% of the M&I project pool.
  - (3) Every Area Office shall develop an allocation methodology for determining the distribution of routine maintenance and M&I project pool funds to their respective service units, Funds Managers, installations, etc. A portion of the funds distributed by HQ as routine maintenance may be withheld and rolled into the Area project pool.
  - (4) Area Project Pool - The Area project pools shall be managed using the following principles:
    - (a) Only IHS, through the Area Director, has the authority to allocate M&I pool project funds.
    - (b) Tribes and tribal organizations operating federal facilities cannot withdraw from the M&I pool and remain eligible for Area M&I pool projects on a competitive basis.
    - (c) M&I project pool funds for federal facilities can only be passed to tribes in a P.L. 93-638 Title I or Title V construction project agreement.
    - (d) Tribes and tribal organizations operating their own health facilities can voluntarily withdraw from the M&I pool and receive their allocation of M&I funds directly as routine funding through their existing funding agreements.
  - (5) The Area Office should develop processes to consider and use

selected FRPC and HHS metrics in the planning, budget, and priority-setting processes. These metrics include:

- (a) Utilization,
- (b) Condition Index (CI),
- (c) Mission Dependency,
- (d) Operating Costs, and
- (e) Repair Needs; i.e., the Backlog of Essential Maintenance, Alteration, and Repair (BEMAR).

Ideally, the M&I pool projects are prioritized by considering these metrics. This should be done during the development of the Area Office Facility Engineering Program Plan (FEPP). At the beginning of each fiscal year, each service unit/installation is given a percentage of the allocated M&I distribution for maintenance and repair activities. The service unit/installation is encouraged to use these funds to reduce Facilities Engineering Deficiencies System (FEDS) items that are directly linked to BEMAR and CI. The remaining allocated M&I distribution is set aside for Area M&I pool projects. The Area Offices review annual plans from the service units and fund the Area pool projects based on a priority system. Life safety, general safety and handicapped compliance items generally receive the highest weight and priority; structural, mechanical, electrical, utilities, grounds, painting and roof M&R items generally are next in priority; and program deficiencies generally receive the lowest priority. By funding FEDS items, IHS is progressing towards meeting the HHS goal to improve the CI of every building to 90 or greater.

#### **70-6.4 BUDGET FORMATION**

The budget formation is an annual process that usually starts in October and concludes in September upon the IHS annual appropriations. (Note: this process also captures the data used in the equipment funds allocation.)

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Month	Action	Step
October	Area Office	<u>Tribal Consultation</u> - Review Maintenance & Improvement/Equipment (M&I/E) tables with each tribe or tribal organization. Confirm existing data in the Healthcare Facilities Data System (HFDS), validate any changes to existing buildings, and validate all Projected "P" building records already in the HFDS. By email to HQ, provide basis if a "P" building should be converted into an "N" building. Enter new Projected "P" tribal buildings and additions to existing buildings in HFDS, and complete the appropriate M-UOF and equipment factors on the M&I/E form.
October	Area Office	<u>Verify Federal Buildings</u> - Verify the M&I/E factors for the M-UOF and equipment allocation equations on the M&I/E form in HFDS for existing Federal buildings.
October	Area Office	<u>Projected Federal Buildings</u> - Validate all Projected "P" building records already in the HFDS and enter any new Projected "P" Federal and buildings and additions to existing buildings as appropriate. Area Offices must also complete the appropriate entries on the M&I/E form. For Federal buildings, the "P" code will be changed to an "N" (active) by HQ after the requisite Real Property vouchers are received and approved.
November	HQ	<u>Workload/User Population Data</u> - Using the latest available data from IHS Division of Program Statistics, HQ will enter workload data for individual facilities and user population data for the service units.
November	Area Office	<u>Review of Workload/User Population Data</u> - Each Area Office is responsible for ensuring that all Federal and tribal installations have the correct workload values: Hospital Admissions (HA), Inpatient Days (IPD), Outpatient Visits (OPV), and Community Health Aide Practitioner (CHAP) visits (Alaska only). Review the workload and user population data and verify it is correct and matches what was previously submitted to IHS Division of Program Statistics. This data was submitted and subsequently verified by each Area Statistician, however it is strongly recommended that each Area Office review it and ensure it matches what was submitted and verified.
November	Area Office	<u>Non-Reporting Tribal Sites</u> - Tribal facilities that generate workload under P.L. 93-638, but don't report through the IHS Division of Program Statistics may provide workload data to their Area Statistician for approval. Workload data approved by the Area Statistician and submitted to HQ will be included in the table for the M&I/E calculations. The data must be certified by the Area Statistician and cover the same year as the RPMS data or the nearest earlier year.
November	Area Office	<u>M&amp;I Eligible and Equipment Eligible Buildings</u> - The "M&I Eligible" and "Eq Eligible (Equipment)" fields in HFDS determine inclusion in the distribution calculations. If the building is eligible for M&I and/or Equipment funds, then the field should have a value of "Y". If either is not eligible, then that respective field should have a value of "N". If the Tribe is a Self-Governance Tribe and has elected to enter into a Base Budget agreement for M&I, Equipment or both, then the respective field ("M&I Eligible" and/or "Eq Eligible (Equipment)") should have a value of "B". Also, if a "B" code is used for either the "M&I Eligible" or "Equipment Eligible" fields, the corresponding "BB Effective FY", "BB Expiration FY", and "BB Span Years" fields will need to be completed. Also, notify HQ of the negotiated funding level.

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Month	Action	Step
November	Area Office	<p><u>Maximum Supportable Space Value</u> - The Maximum Supportable Space value is defined as the quantity of health facilities space that is directly supportable by the resources of the IHS Facilities Appropriation. Establishing the Maximum Supportable Space value is determined for a service unit either using: (1) a Health Facilities Planning Manual (HFPM) or Health Systems Planning (HSP) analysis; or (2) by calculation. The larger result of the two methods may be used.</p> <p>The first method is to use the HFPM or HSP computer program to determine the maximum supportable space value for a service unit. HQ DFPC must validate and approve the HFPM/HSP value before it is used in the funding allocation.</p> <p>The second method is the Maximum Supportable Space formula. Refer to the Technical Handbook Chapter on Facilities Supportable Space.</p>
November	Area Office	<p><u>Supportable Space by Service Unit</u> - Each Area Office needs to review the supported space for all eligible facilities and make necessary adjustments to ensure the Maximum Supportable Space value is not being exceeded for the corresponding service unit.</p> <p>Step 1: The quantity of agency-related program space in each building is verified. Only actual space used for IHS-funded health programs and primarily used by IHS-funded staff is considered when determining program space. However, regional facilities are excluded from the aggregated agency-related program space for an individual service unit.</p> <p>Step 2: Adjust the 'supportable space percentage' for the facilities within the service unit until the total supportable space is at or below the maximum supportable space value. Each building can be fully, partially, or not supported depending on the maximum supportable space value for the service unit. The summation of all the supportable space in a service unit may not exceed its maximum supportable space value.</p>
December	HQ	<u>Replacement Cost Factors</u> - HQ will update the replacement cost factors and locality factors.
January	HQ	<u>M&amp;I/E DRAFT Projected Allocations</u> - HQ will distribute M&I/E <b>DRAFT</b> Projected Allocation reports to the Area Offices. At this point, Area Offices will no longer have access to make additional changes in the data. The M&I/E <b>DRAFT</b> Projected Allocation reflects only the routine maintenance allocation (i.e., M-UOF value).
January	Area Offices	<u>Review of the M&amp;I/E DRAFT Allocations</u> - Area Offices will review and confirm the <b>DRAFT</b> report or notify HQ of corrections still needed.
February	HQ	<u>M&amp;I/E FINAL Projected Allocations</u> - Upon final adjustments, HQ will recalculate and distribute the M&I/E <b>FINAL</b> Projected Allocation report to the Area Offices. The data is now archived and no further adjustments in the M&I/E Projected Allocations will be made.
September (subject to final Appropriation)	Area Offices	<u>Review of M&amp;I/E Actual Allocations</u> - After the IHS budget is appropriated, Area Offices may notify HQ of adjustments to the M&I/E data for P buildings (on line for fewer quarters than initially expected) or buildings that are no longer eligible for M&I/E funding. However, no upward adjustments are allowed.
September (subject to final Appropriation)	HQ	<u>M&amp;I/E Actual Allocations</u> - HQ will calculate and distribute the M&I/E Actual Allocation report to the Area Offices. The M&I pool funding allocation is added to the M&I routine funding allocation for the total M&I allocation.