

UW System Board of Regents
Presentation of the 2007-09 Capital Budget
April 12, 2007
Assistant Vice President David Miller



**State Building Commission
2007-09 Capital Budget**

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The State Building Commission passed a 2007-09 Capital Budget on March 19 which now goes to the full legislature for final approval. This budget represents a significant investment in UW System's academic and student life facilities.

**UW System Facilities:
It's All About Students**

In a 2005 survey of 13,782 students at 46 universities...

- 74% said facilities related to their major were "extremely important" or "very important" in choosing a college.
- 42% rated residence halls as a key part of college selection.
- About 30% said they rejected a college because of inadequate facilities.

The Impact of Facilities on Recruitment and Retention of Students; Cain & Reynolds, 2005; Association of Higher Education Facilities Officers (APFA).


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Why is the capital Budget so important to our mission and UW students, faculty and staff? The goal of our work is not construction, but education. I've shared these statistics before and they are still quite relevant.

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Capital Budget Process Timeline

2006 February	UW institutions submit requests to UWSA as part of their six-year plans.
March	Summary of requests presented to the PPF Committee
June	Regent direction for final budget content and amount
August	Regent action on budget recommendations
September	Regent request submitted to DOA
2007 February	DOA staff recommended budget sent to the SBC
March	State Building Comm. action on the Capital Budget
May/June	Joint Finance Committee action on budget
June/July	Full Legislature votes on the Capital & Biennial Budget



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We are in the home stretch of a lengthy planning and approval process. You will recall we presented capital budget options and recommendations last summer and those plans are now finally entering the funding stage.

State Building Commission 2007-09 Capital Budget

Major Projects	GFSB <small>In millions</small>	Gift/Grants <small>In millions</small>	PRSB <small>In millions</small>	TOTAL <small>In millions</small>
New Major Projects using GFSB	\$117.5	\$45.6	\$8.8	\$171.9
New Major Projects without GFSB		\$73.4	\$432.9	\$506.3
Advance Enumerations from 2005-07	\$100.8			\$100.8
Major Project Totals	\$218.3	\$119.0	\$441.7	\$779.0
Percent	28%	15%	57%	100%

All Agency Fund	GFSB	Gifts/Grants	PR	TOTAL
Approx. UW System Totals: <small>(In millions)</small>	\$125	\$2	\$53.4	\$180.4

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State support of the UW System major projects is about 28% while program revenue and gifts will fund about 72% of projects. Unfortunately, while this is a large investment, we are not investing in our state supported instructional facilities at nearly the same rate as our student life facilities, and gifts are comprising a growing share of academic facility costs.

Student Life and Services



Madison Univ. Square

Classroom Renovations



Whitewater

Core Academic Facilities



La Crosse

Utilities



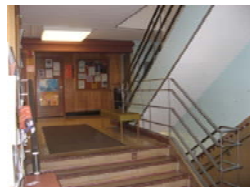
Madison West Campus

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The Capital Budget makes investments in four key areas. Student life and services, classrooms, core instructional facilities, and infrastructure.

UW-Superior Demolitions Make Way for a New Academic Building

Sundquist Hall c.1950



Converted Residence Hall

McCaskill Hall c. 1959



Converted Elementary School

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To highlight just one of the new core academic facilities, these pictures show two obsolete buildings that will be demolished after construction of the new academic building. Sundquist, a 1950 residence hall is now home to the majority of faculty on campus. A series of maintenance projects have kept the building on life support pending construction of the new building. McCaskill Hall is a 1959 elementary school converted to house classrooms and offices.

Harvey Hall Theatre Historical Remodeling and Renovation

UW-Stout's only Theatre/Auditorium

- Instruction and Performance



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At UW Stout, the Harvey Hall Theater is infamous for its deplorable condition. We are pleased that Stout's only theater space will finally be renovated rather than facing closing its doors.

2007-09 UW System Major Projects – All Funds

EAU	Academic Building Davies Center	OSH	Academic Building Softball Stadium Residence Hall Facilities Maintenance Relocation Elmwood Center Remodeling
EXT	Lowell Hall Guestroom Remodel	PKS	Communication Arts Residence Hall
GBY	Rose & Wood Halls Remodeling	PLT	Tri State Initiative (Engineering) Williams Fieldhouse
LAC	Academic Building Stadium & Fields	RVF	Health & Human Performance Field South Fork Suites Addition
MSN	BioStar IV (Wisconsin Institute for Discovery) University Square Sterling Hall Human Ecology Parking Ramps Expansions Chadbourne & Barnard Halls Renovation Lakeshore Residence Hall Music Performance Bldg. S. Union/Memorial Union Theater Renov.	STP	Military Science Relocation Maintenance Bldg Remodel/Addn. Residence Hall Residence Halls Renovation
MIL	Physics North Wing Remodeling (All Agency) Programming - Engineering Campus Programming - Public Health Campuses	STO	Harvey Hall Theater Price Commons 2nd Floor Renov.
		SUP	Academic Building
		WTW	Drumlin Hall Renovation Residence Hall Multi Sport Facility

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In all there are 36 major projects funded in this capital budget, this list by campus includes both general fund and program revenue projects. The regent folders contain a complete list of all project and specific budgets.

Two Biennia Planning and Construction Maintains Schedule and Donor Support

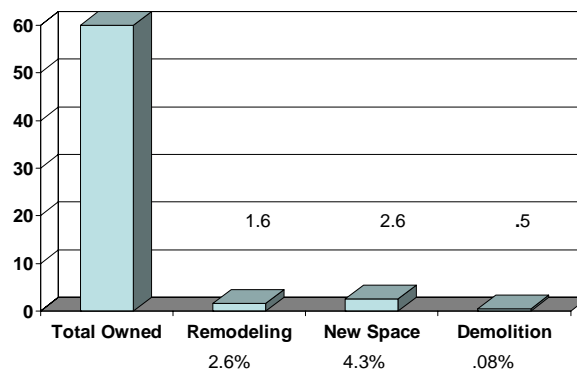
Campus	State Support	Gifts	Total
UW-La Crosse	\$38.0	\$6.0	\$44.0
UW-Parkside	\$32.1	\$2.1	\$34.2
UW-Oshkosh	\$40.0	\$8.0	\$48.0
	\$6.3		\$6.3
UW-Superior	\$25.3	\$7.0	\$32.3
Total	\$141.7	\$25.1	\$166.8

2007-09	2009-11
\$72.6	\$69.1

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A milestone in campus planning is achieved in the capital budget by advancing four key projects with the total funding spread over two biennia. The traditional funding method would have enumerated only one or two of the projects in 2007-09 and the remaining projects in 2009-11. However, project schedules do not follow biennial budgets and it all of the funding for a particular project is not needed in the biennium in which it is enumerated. Multi-biennial funding allows four major academic buildings to proceed simultaneously by providing only the funding actually needed in each biennium.

**Total Space Owned Compared to
Space Affected by Capital Budget Projects**
In Millions



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The UW System has approximately 60 million square feet of space. While this is a significant capital budget, it only adds or remodels about six percent of our total space.

State Building Commission Capital Budget

- General fund borrowing in the state building program has declined.

	<u>Actual</u>
2001-03 GFSB authorized	\$445 million
2003-05 “	\$430 million
2005-07 “	\$400 million
2007-09 GFSB Recommended	\$460 million

- \$460M is about \$98 million less than construction inflation since 2001-03.
(Engineering News Record (ENR) Index: \$445M 7/1/01 adjusted for inflation: \$543M 1/1/07)
- At \$460 million, the Capital Budget leaves \$430 million of state agency requests unfunded.
- The state has kept general fund debt service at 3.5% to 4.0% of annual GPR. If all authorized borrowing occurs, debt service is projected to peak at 3.93%.
- UW institution requests for 2009-11 Major Projects already total \$442 million GFSB. (Compared to \$218M GFSB in the 2007-09 SBC budget.)

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If we look at the total state wide General Fund Supported Borrowing for capital projects over four biennia we see that the \$460 million recommended by the Building Commission is just slightly higher than the amount in 2001-03 after two biennia of decline.

The Building Commission budget is about \$98 million less than construction inflation since 2001-03. In other words if the 2001-03 Capital Budget had kept pace with construction inflation it would now be at \$543 million.

This budget keeps annual debt service in check by not exceeding 4% of projected annual GPR. Again, while this is a good budget for the UW, it is in the context of a large backlog of needed improvements. UW institutions have already sent us major project requests totaling more than \$442 million for 2009-11, compared to the \$218 million in this budget.

Future Impact

	Scenario with SBC Budget		Scenario with Reduced Budget	
Biennium	Projected GFSB <small>(in millions)</small>	Allocated (residual) <small>(in millions)</small>	Projected GFSB <small>(in millions)</small>	Comparison (+ / -) <small>(in millions)</small>
2007-09	\$460	\$460 (\$0)	\$400	\$460 (-\$60)
2009-11	\$478	\$399 (\$79)	\$429	\$478 + 60 = \$538 (-\$109)
2011-13	\$512	\$392 (\$120)	\$460	\$512 + \$109 = \$621 (-\$161)
2013-15	\$548	TBD	\$493	\$548 + \$161 = \$709 (-\$216)

Projections based on 3.5% annual inflation

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In the Building Commission process, motions were offered to reduce the total state GFSB from \$460 million to \$400 million. Here we examine the future impact of such a reduction by adding 3.5% annual inflationary growth to each amount.

In long-range planning the state has already committed funding into 2011-13. Of the anticipated \$512 million GFSB available in 2011-13, \$392 million is already committed, leaving only \$120 million for all state agencies additional projects.

If the 2007-09 Capital Budget is reduced to \$400 million and then grows at the same rate of inflation, the net loss in available GFSB is \$216 million by 2013. It would take until 2011 to grow back to \$460 million.

Economic Impact: UW System Capital Projects

Direct impact of a typical \$10 million project:	Direct impact of \$779 million UW System Capital Budget:
A/E and other fees 20%: \$2 m	A/E and other fees 20%: \$157 m
<u>Construction costs: \$8 m</u>	<u>Construction costs: \$622 m</u>
Materials 50%: \$4 m	Materials 50%: \$311 m
Labor 50%: \$4 m	Labor 50%: \$311 m
48 jobs @\$40/hr.	3,745 jobs @\$40/hr.

Industry economic multiplier: 2.2

\$779 million x 2.2 = \$1.713 billion

Over 20,000 total jobs

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If we look at only the direct employment generated by the construction portion of capital projects we see that the typical \$10 million project will create about 48 jobs. This is not including the jobs created by the purchasing of materials and equipment.

The UW's major projects alone will create about 3,745 construction jobs.

If we include the industry economic multiplier of 2.2 to the UW's major projects, including materials and equipment, the impact is over 20,000 jobs.

Energy Conservation

The State Capital Budget also contains a fund of \$50 million Program Revenue Supported Borrowing to be shared by all state agencies to complete energy saving projects. The savings generated is to be used to pay the debt service on the bonds. The UW System looks forward to implementing many energy saving projects through this program.