



UW SYSTEM 2007-09 CAPITAL BUDGET

FREQUENTLY ASKED QUESTIONS

Questions related to state-supported projects

1. Q: Is the 2007-09 Capital Budget a big increase over past biennia?
A: No. Actually, the general fund supported borrowing in this budget for all state agencies is \$447 million (and \$13 million for non-state purposes).
The total \$460 million compares to recent Capital Budgets of:

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*)
2. Q: Is the UW System receiving a disproportionate share of the State’s 2007-09 Capital Budget?
A: No. The UW is about 63% of all state space and would receive about 63% of the Capital Budget in the SBC recommendation.
3. Q: Is the UW System receiving everything it requested in the Capital Budget?
A: No. Individual campuses requested more than 30 additional state-funded projects totaling \$440 million that were not forwarded by the Board of Regents for funding in this biennium.
4. Q: How are state-supported projects prioritized by the UW System Board of Regents?
A: The UW System’s and UW institutions’ staff work through a rigorous, competitive project justification and development process that results in a priority list, ranked by score. This process and ranking criteria are approved by the Regents, and the final prioritization and justification that is approved by the Regents becomes the UW System’s Capital Budget recommendation to the Department of Administration for consideration by the Building Commission.
5. Q: Is the UW building a lot of new space while neglecting maintenance?
A: No. Most projects are remodeling or replacement--demolishing old, obsolete buildings and eliminating backlog maintenance. All of the projects combined would add less than 4% of new space.
6. Q: Does new space create additional operating and maintenance costs?
A: Much of the new space being requested is replacement space and will enable demolition of older buildings that excessively draw on operating and capital funding to keep them operational. New space that incorporates sustainable design features will be more efficient.

7. Q: How will maintenance of new space be funded?
 A: Institutions are required to provide a maintenance plan using existing resources with each project. However, the UW System campuses have been reallocating maintenance costs for several years and may in the future request additional resources.

8. Q: How can a 40-year-old building be obsolete? Aren't older buildings valuable?
 A: Some of the UW System's most prized and desirable buildings are the oldest. The UW is committed to the reuse of buildings whenever possible for two reasons:
 1. a commitment to preservation of any building with historic significance; and
 2. a commitment to sustainable practices that require the reuse of buildings where feasible.

The majority of UW System buildings were constructed between the 1950's and 1970's. Most were designed for a single purpose and for a 30-40 year life cycle. These facilities need to be renovated for use as a modern educational facility. In some cases, the building is not able to be remodeled at all due to limitations in the original construction or a cost/benefit basis.

9. Q: What is being done in new construction to prevent future obsolescence?
 A: New buildings are designed to be highly functional and allow for future remodeling. The span in structural bays and floor to ceiling clearance are designed to allow for flexible interior walls and future program changes.

10. Q: What proportion of the UW System's 2007-09 Major Projects is supported by tax revenue?
 A: 28% of the project funding is state supported,
 15% is provided by gifts and grants, and
 57% is university program revenue.

11. Q: What effect will a reduction in the recommended \$460 million General Fund Supported Borrowing level have on UW major projects?
 A: It will increase costs for projects that must eventually be completed. In addition:

- Some of the projects are planned to rectify unsound building conditions that have already been delayed for years.
- The delay in these projects will in turn delay other major projects planned for funding in a future biennia.
- Several projects have private gift contributions that offset state costs. Donors expect that the state will proceed with the project in a reasonable timeframe and that the value of the gift will not be diminished by inflation.
- To keep outdated facilities operational, the state and campuses will have to spend maintenance funding that is needed for other projects on temporary fixes.
- Construction delay will ultimately delay improvements in student instruction, especially in the area of technology.

12. Q: What is the proposed \$460 million bonding level based on?
 A: 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%.

Questions related to UW program revenue-funded projects

13. Q: Do all students pay for the cost of all program revenue-funded projects?
 A: No. Most projects are funded through a fee for the service the student chooses to use. For example, residence hall and food service costs are only paid by those students choosing those services. The services must be responsive to the student-customers.
14. Q: Why do UW campuses need new residence halls?
 A: Most UW residence halls were designed for student needs 40 years ago. Just as family housing needs have changed drastically, student housing needs have as well. Most Freshman and Sophomore housing will continue as traditional double rooms with large shared baths on each floor. Upper division students who prefer to live on campus require groups of small individual bedrooms around a small shared living space with kitchenettes. The UW System has limited the design of new residence halls to basic amenities available at other universities.
15. Q: Are private, off-campus housing alternatives better options for students?
 A: While private sector housing is an important part of every university community, many students request on-campus housing as their first priority. University housing is generally safer and less expensive than private sector alternatives. Students enjoy living on campus and paying a single price for all-inclusive services, and having a lease matching the academic calendar. On-campus housing provides living-learning experiences that promote academic success and student retention.
16. Q: Do new or renovated residence halls increase the cost of overall education?
 A: No. Unless a student is able to commute from home, he or she will have to pay rent somewhere. Residence halls are generally less expensive and more convenient than off campus alternatives. Where feasible, residence hall upgrades are undertaken at the same time as infrastructure/maintenance improvements for cost efficiencies. Currently most campuses do not provide housing for upper division students, forcing students into off-campus housing.
17. Q: Two projects are funded with increases in student segregated fees paid by all students. What process was used to approve projects funded with student fees?
 A: Student Governments have responsibility for segregated fee approval and at a minimum student government associations vote on fees to support student facilities. Students are deeply involved in every step of the process from building condition assessments to design and cost estimates. Some institutions hold a campus wide referendum or survey prior to project and fee approval, though such a vote is not mandatory.
18. Q: Does the quality of facilities and appearance of a campus really make a difference in student recruitment?
 A: 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 (APPA).*

19. Q: What is the relationship between project funding and economic impact?

A: The direct employment generated by only the construction portion of 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.

<p>Direct impact of a typical \$10 million project:</p> <p>A/E and other fees 20%: \$2 m</p> <p><u>Construction costs:</u> \$8 m</p> <p style="padding-left: 40px;">Materials 50%: \$4 m</p> <p style="padding-left: 40px;">Labor 50%: \$4 m</p> <p style="padding-left: 80px;">48 jobs @\$40/hr.</p>	<p>Direct impact of the \$779 million UW System Capital Budget:</p> <p>A/E and other fees 20%: \$157 m</p> <p><u>Construction costs:</u> \$622 m</p> <p style="padding-left: 40px;">Materials 50%: \$311 m</p> <p style="padding-left: 40px;">Labor 50%: \$311 m</p> <p style="padding-left: 80px;">3,745 jobs @\$40/hr.</p>
<p>Industry economic multiplier: 2.2</p> <p>\$779 million x 2.2 = \$1.713 billion</p> <p>Over 20,000 total jobs</p>	

20. Q: Would these jobs be created by the private sector anyway?

A: No. The jobs created are construction industry employees that would likely be unemployed without the work created by the state building program.

The Federal Bureau of Labor Statistics reports that Wisconsin experienced one of the "biggest losses" in the nation in construction jobs between Feb. 2006 and Feb. 2007; down 3,700 jobs (3%).

While university students benefit from the facilities created through the state building program, all of the funding ultimately flows directly into the private sector through jobs in the economy.