

**The University of Wisconsin System
Board of Regents
2009-11 Capital Budget
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Capital Planning and Budget**



2009-11 Capital Budget Request

Major Projects In millions	GFSB	Gift Grants	PRSB	Total
New Major Projects using GFSB	\$139.7		\$24.0	\$163.7
New Major Projects without GFSB		\$88.9	\$257.0	\$345.9
Advance Enumerations from 2007-09	\$97.4		\$27.8	\$125.2
All Agency Funds				
Maintenance/Repair/Renovation (UW only)	\$130.0		\$25.0	\$155.0

The Board is also requesting a capital budget that would require \$139.7 million in state-supported bonding for new major projects, remodeling and expanding academic facilities. The university has pledged \$88.9 million of private matching funds for these projects. In addition, the Board is seeking authority to construct \$257 million of new projects that will not require any state support. The Board is also requesting \$130 million in state-supported bonding for maintenance, repair and renovation of existing academic facilities.

The submitted budget is responsive to the economic climate. Although UW System received \$550 million of funding requests from the institutions for new state bonding for 2009-11 alone, it has trimmed those requests and is recommending \$140 million in 2009-11 and \$155 million in 2011-13 for the highest priority projects.

The projects comprising the 2009-11 Capital Budget will only impact about 2.1% of our total of 56.5 million total square feet of space that the UW owns and operates. That percentage of space impact is roughly equivalent to that of a half bath in an average home.



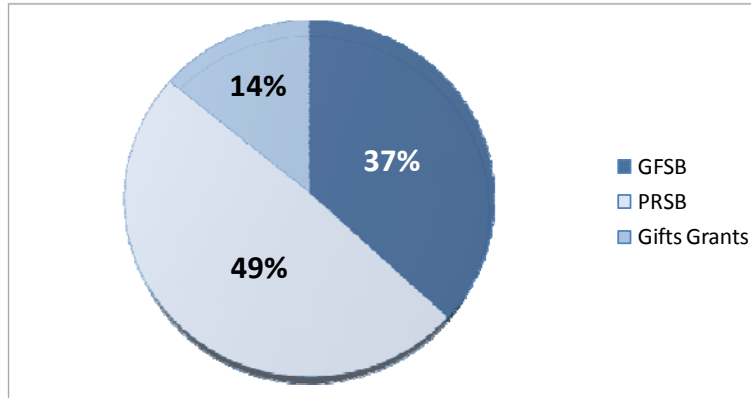
2009-11 Capital Budget Request

2009-11 Advance Enumeration Recommendation

Major Projects In millions	GFSB	Gift Grants	PRSB	Total
New Major Projects using GFSB	\$155.5	\$69.0	\$7.2	\$233.0
Existing Advance Enumerations from 2007-09 for 2011-13	\$50.8		\$27.8	\$78.6



2009-11 Major Projects Funding Sources

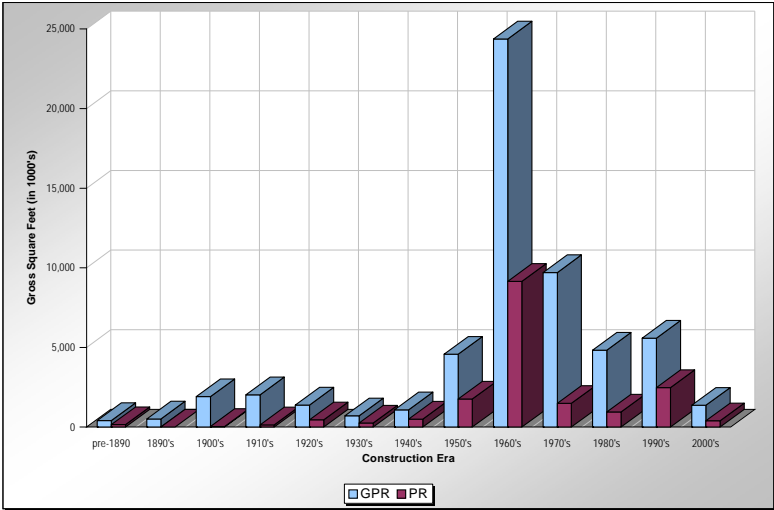


2009-11 Capital Budget Request

Immediate Positive Impact on Wisconsin's Economy

- \$1.7 billion statewide
- 20,000 Wisconsin jobs

Chronology of UW Construction



- The graph above shows the square footage of university space constructed by decade. Because of the magnitude of construction in the 1960's and 70's the majority of our space is becoming obsolete and in need of significant renovation or replacement.
- Many of these buildings were built for a 30 to 40 year life and are not easily renovated for changing purposes. Incidentally, this chart mirrors the national picture for public universities across the country.

Comparison of General Fund Supported Borrowing for All State Projects

Approximate figures in millions	2001-03	2003-05	2005-07	2007-09	2009-11 Projected
UW General Fund Supported Borrowing for Major Projects	\$167	\$192 \$142 existing	\$150	\$218	\$237 \$140 new
All Other State GFSB Major Projects	\$113	\$28	\$50	\$50	\$75
Statewide GFSB for All Agency (including UW)	\$165	\$210	\$200	\$125	\$200 UW \$130
Total New GFSB for the Biennium	\$445	\$430	\$400	\$393	\$512
Adjusted for Inflation: Engineering News Record	\$445	→			\$605

- The chart above shows the trend in total state supported borrowing for all state construction over the last four biennia. The amount of actual bonding authorized for capital projects has declined from \$445 million in 2001-03 to \$393 in 2007-09.
- If the 2001-03 amount had only kept pace with construction inflation (ENR index) the equivalent amount would \$605 million in 2009.

- This chart above is the basis of the 2009-11 general fund bonding request.
- The request is for \$237 million in borrowing for major projects of which \$140 is new borrowing and \$97 million was already enumerated for release in 2009.
- Notice that the amount for UW major projects increased from \$150 million in 2005-07 to \$218 million in 2007-09. However, because the overall amount of state borrowing declined, the All Agency maintenance fund was reduced by \$75 million.
- This budget request is built on a target of total state borrowing of \$512 million which is a significant increase over 2007, but significantly less than the inflation-related amount that I described.

General Fund Major Project Priority Criteria

Physical Development 40%

- Codes, Health/Safety
- Infrastructure, maintenance
- Facility reuse

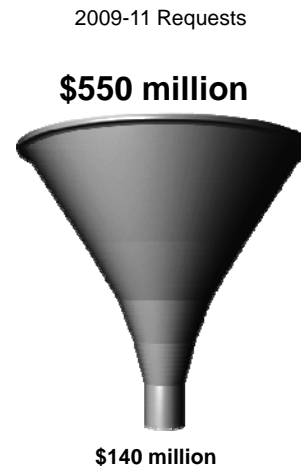
Institutional Planning 25%

- Number 1 Institutional priority for 2009-11
- Priority rank in prior biennia
- Project development and sequence

Programming 35%

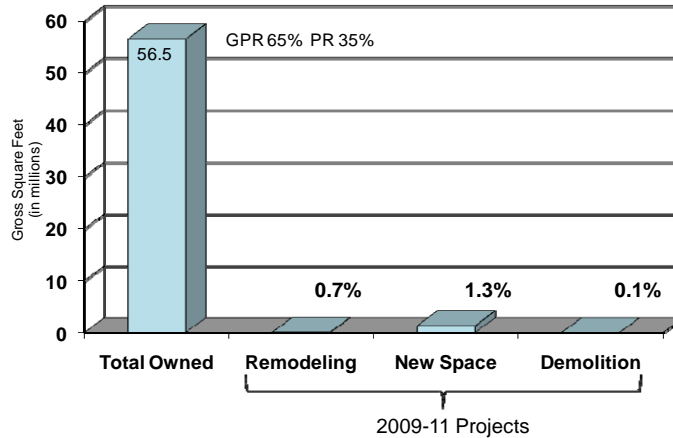
- Collaboration, innovation, outreach
- Space needs, utilization, and functionality
- Core facility, operational impact

#1 influencing criteria was institutional rank



- Long-range planning is the backbone of Capital Budget planning.
- Because of the enormous backlog of capital improvements needed at every campus, the most difficult task is prioritizing these needs.
- The System office received \$550 million of funding request for new state bonding for 2009-11 alone; of that amount we are recommending \$140 million in 2009-11 and \$155 million in 2011-13 for the highest priorities.
- I've outlined the core criteria for prioritization here and the full descriptions are in your budget document. Evaluating the application of the criteria we learned that the priority rank given by the institution was the most influencing factor because all the other factors are so close.

Square Footage Comparisons



- Each capital budget is comprised of some fairly large numbers which may seem a little overwhelming.
- This chart offers the context of the recommend projects in relation to the 56.5 million total square of space we own and operate.
- The projects comprising the 2009-11 budget will only impact about 2.1% of total space. For comparison, the space impact is roughly equivalent to a half bath in an average home.
- About 65% of the total space is GPR-supported functions and 35% PR. That split is about the same for the square feet impacted by projects.

Capital Budget – Annual Debt Service

Estimated at 4.75% bonding rate (P&I)

<u>General Fund</u>		
Major Projects	\$18.6 million	
Maintenance	<u>\$10.2 million</u>	
	\$28.8 million	
Program Revenue	\$24.5 million	Self-supporting
<hr/>		
Gift Funds	\$89 million	Saves \$140 million in debt service.

- The figures presented in the Capital Budget are amounts of bonding revenue requested.
- This table shows the practical impact to the state and university as a result of the bond issues.
- The request for bonding for capital projects boils down to the debt service. The request is a one-time base increase in debt service support of approximately \$28.8 million on 20 year bonds.

- The program revenue bonds receive no state support as program revenue operations pay the debt service.
- Finally, the budget contains \$89 million in cash contributions to major projects that save the state and university \$7 million annually or 140 million over 20 years.

Examples of Accomplishments

UW-River Falls Student Union



- The university and state are proud of projects that are accomplished on behalf of students, faculty, staff, and countless public users. Here are two examples of award winning buildings recently completed. The UW-River Falls Student Union, and the UW-Madison Microbial Sciences Building.
- The impact of each of these building on the respective campus is much greater than simply providing adequate space. Each is a showcase of how architecture can improve the student experience and enhance the mission of the university.

UW System Classrooms

1,600 general assignment classrooms

34% need technology improvements

36% need remodeling



- The budget proposal contains \$10 million in funding to continue a successful classroom and technology improvement program.
- The UW System's 13 universities have about 1,600 general assignment classrooms of which 34% need technology improvements and 36% need remodeling – the is overlap between the two.

UW System Classrooms



Progress:

Since 1995, upgraded 461 classrooms

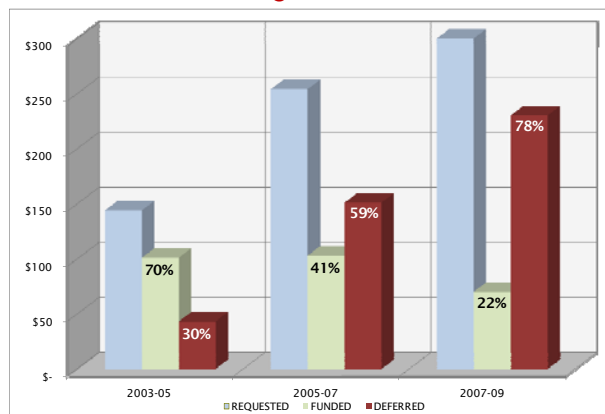
Progress:

Since 1995, reduced the percentage of classrooms without core technology from 81% to 30% (target 16%)



- Progress has been made since the program began in 1995 with 461 classrooms being upgraded and reducing the number without core technology from 81% to 30%. We estimate that 16% do not need computer technology for their academic purpose.
- I should note that this does not include the UW Colleges because the counties provide those capital improvements.

Maintenance Funding: A Look at Three Biennia



- Turning to our request for maintenance, repair and renovation, we are facing a growing backlog that we must continue to address.
- This is old news. What is new - is the ground we have lost recently. In 2003, we were able to fund about 70% of the institutions' priority requests; this biennium we will only fund about 22% due to the reduced funding I mentioned earlier and the growing backlog.

2009-11 Capital Maintenance Request: \$130 million GFSB

- The estimated deferred maintenance backlog exceeds \$800 million
- Project requests are prioritized through several filters
- The backlog will grow in 2009-11
- \$200 million needed to "break even"



- We would have needed to provide more than \$200 million of projects in this biennium to have made any reduction in the backlog of deferred maintenance.
- We are requesting \$130 million in state support for maintenance which admittedly will actually grow our backlog, but will allow us to address the most critical needs.

Capital Budget Request Summary

General Fund Supported Borrowing

- Prioritizes institutional requests for funding with limited GFSB for 2009-11
- Provides a planning framework for 2011-13 and 2013-15
- Advance enumerates three high-priority projects
- Recommends a balanced approach to new projects and maintenance

Program Revenue Supported Borrowing

Evaluates requested project considering:

- Campus long-range plan
- Alternatives available
- Financing and fee impact

To be determined

- Financing for high-cost heating plant infrastructure
- Accelerated funding for deferred priority projects

- In summary, the Capital Budget request attempts to target an aggressive, but responsible and reasonable amount of state support and provide a framework for our six-year plan.
- Our most critical challenges going forward will be factoring in the undetermined, but very expensive cost of heating plant infrastructure and finding new ways to meet the institutions' needs at a faster pace than current planning anticipates.