



## 2005-07 Capital Budget Recommendations

### Introduction

- This Capital Budget request follows planning set out in previous biennia in both the kinds of projects we are recommending and the level funding requested.
- This request focuses on enhancing our current facilities through remodeling and renovation.
- I would like to thank Nancy Ives who worked so hard on this budget before retiring last month
- To provide some context for the Capital Budget, we note that:

### **UW System Capital Facilities**

- 63% state holdings
- 1,814 buildings
- 56 million square feet of space
- Replacement value \$6.5 billion  
(excluding furnishings & equipment)

- This does not include the 13 two-year colleges that are owned by the county of location and operated by the UW.
- Like most operations Capital Budget has a language all its own
- We have a short cheat-sheet here of common terms

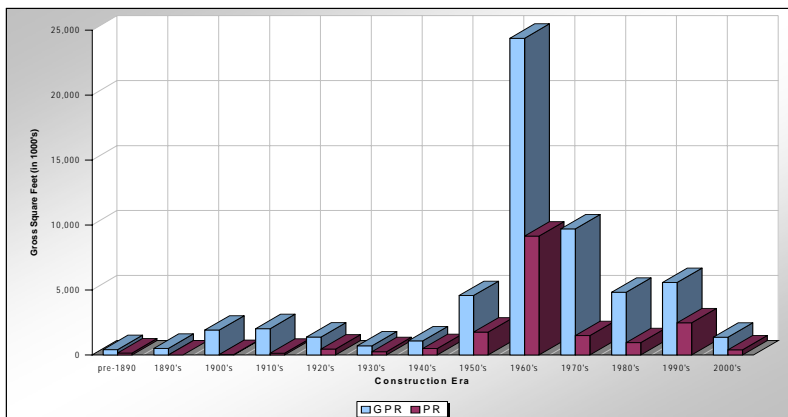
## Capital Budget Terminology

- GFSB - General Fund Supported Borrowing  
20 year state-issued bonds repaid with GPR
  - PRSB - Program Revenue Supported Borrowing  
20 year state-issued bonds repaid with UW PR
  - Major Projects – require specific enumeration; over \$500,000
  - All Agency – Building Commission approves funding for maintenance
  - DSF – Division of State Facilities within the Dept. of Administration
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- GFSB examples: classrooms, labs faculty and administration offices
  - PRSB examples: residence halls, student unions
  - The capital building program has a positive economic impact on the entire state.

## Investing in UW Facilities: Investing in Wisconsin

- The request would have an economic impact of over \$1.5 billion in 2005-07. (2.0 multiplier – all funds)
- State investment of \$469 million in borrowing leverages \$324 million in gifts, grants and program revenue.
- Direct impact:
  - to Manufacturers/Suppliers \$395 million
  - to Wisconsin labor force 6,000 industry jobs
- Income, sales and corporate tax revenue to WI

### Chronology of UW Construction



- We have a wide variety of facilities,
- You can see from this chart that while we have a number of buildings constructed in the first half of the 20<sup>th</sup> century, the vast majority were built in the 1960's and 70's.
- While some of these buildings can be remodeled to meet changing needs
- Some were built to only last 30-40 years or constructed in ways that prevent updating.



## Reshaping the Campus Environment



- Those changing needs reshape the campus environment.
- We wouldn't expect to walk into any of our classrooms today and find them as they were used decades ago.
- The changes brought about by people – require physical changes as well.

## The Millennials – Today's Students:

- Use technology as natural part of their environment
- See out-dated technology as a barrier to learning
- Doing is more important than knowing
- Learn interactively
- "Customer service" is expected
- UW facilities should to meet the needs of students, faculty and staff

Source: EDUCAUSE review: Diana Oblinger, July, 2003



- Today's students come to us with greater differences in expectations than previous generations.

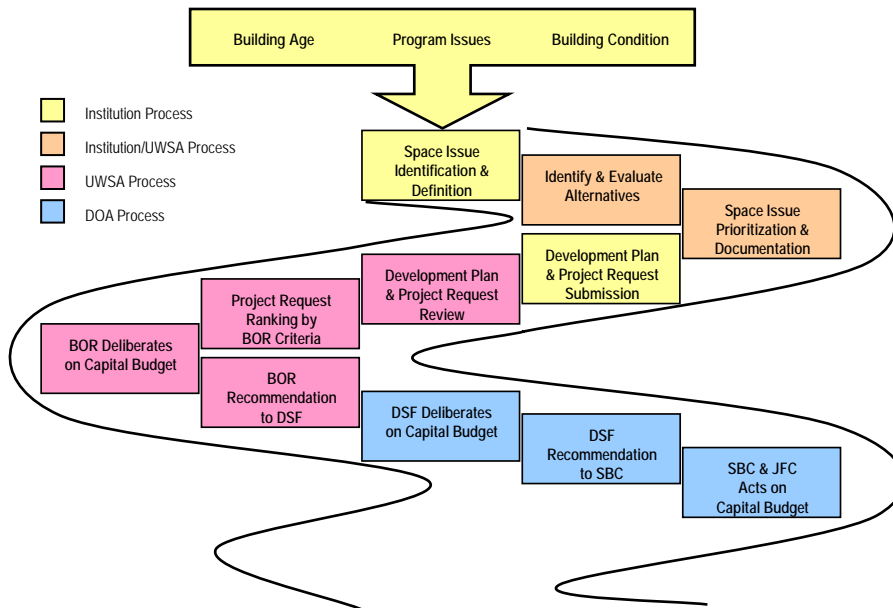
- We need to be sure that our facilities meet the needs of – and attract – students, faculty and staff.

## Trends in academic design



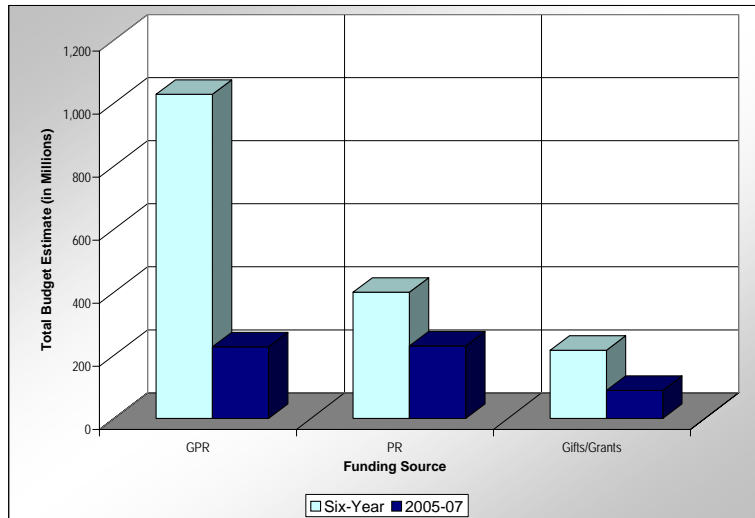
- Most of the changes we see in classroom design involve technology. Computers did not exist when most of these buildings were built.
- To be used properly, technology requires changes in the facility.
- Faculty and students use PC's or laptops through the regular curriculum
- Use movable tables instead of tablet arm chairs to facilitate student interaction – These changes increase the average square foot needed per student from about 15 to 22.
- Create study space that is inviting for study groups and use daylighting.

# 2005-07 Planning & Enumeration



- Planning capital projects is a long and winding road with lots of speed bumps!
- Relax! I'm not going to walk you through this lengthy process, but even a quick glance shows the complexity of planning.
- Extensive long-range planning goes into developing biennial budget requests by UW Institutions, UW System, and the Dept. of Administration.
- The process begins at the institutions with facility needs,
- Working with UW System to develop plans, UW System and Regents recommendations, and finally the Division of State Facilities, Building Commission and Legislature.

## Six-Year Development Plans and 2005-07 Funding Request

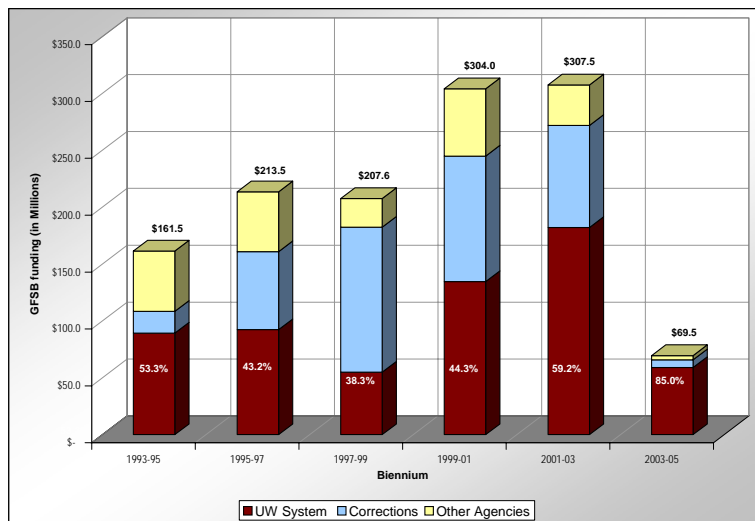


- The institutions and UW System develop evolving six-YEAR plans of facility needs.
- This chart indicates the institutions' requests for the next six YEARS in green by fund source and this biennial request in blue.
- For GPR funded facilities, institutions' requests total over \$1 billion, the request for this biennium is \$227 million.
- Fiscal realities prevent us from requesting funding to meet this demand.
- This has the effect of stretching these six-year plans out over 10 years.
  
- To evaluate which projects should be requested biennia the Board approves ranking criteria. The core of this criteria is:

# Regent Ranking Criteria

1. Maximize the use and life of existing facilities;
2. Provide the quality and quantity of space needed to support high priority academic programs;
3. Contribute to regent, systemwide, and institutional initiatives such as collaboration, economic development, and improved technology.

## GFSB Funding History of All State Major Projects

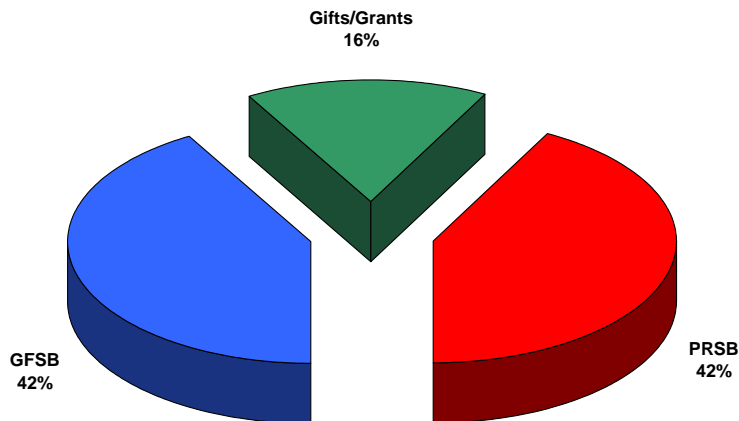


- Both the UW System and the state look at past levels of bonding as a predictor of future bonding.
- Looking at bonding for all state agencies for the past six biennia we see a steady level of bonding.
- Here we see that the most bonding occurred for the UW System in 2001-03 with \$182 million.
- While we received 85% of the state's bonding for major projects in this biennium, that only amounted to \$59 million and no new facilities.
- In this request we are looking to get the building program back on track.



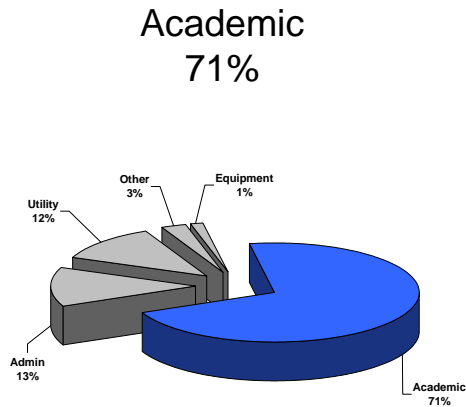
- Of course, the lack of funds in 2003-05 only delayed facility need into future biennia.
- Note that during this time Corrections was the main competitor for state bonding. That building cycle is complete.
- It is time to reinvest in classrooms to bring UW facilities to collegiate standards.

## 2005-07 Major Project Funding Sources



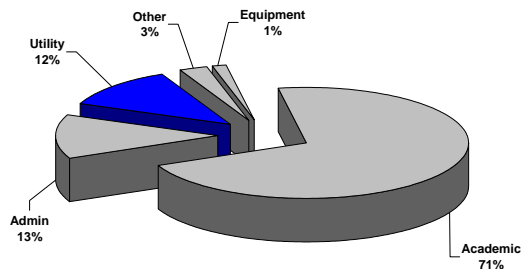
- Of the 36 major projects requested for 2005-07.
- Equal portions are General Fund Supported and Program Revenue supported
- Gifts and Grants make up 16%.
- Combined, PR and Gifts and Grants make up 58% of Major Projects.
- This includes a single gift of \$31 million to renovate and expand the Education building at UW-Madison.
- However, this one time event cannot become a precedent for replacing the state's responsibility for academic buildings.

# 2005-07 Bonding for GPR Major Projects



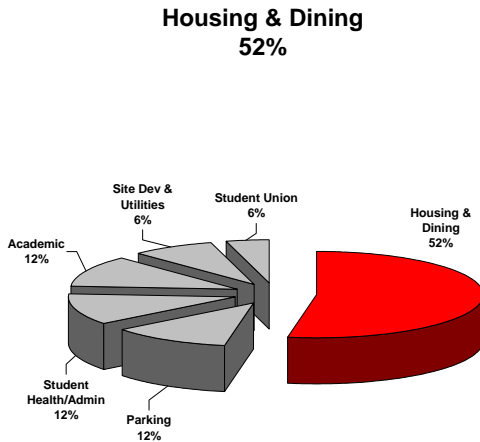
- Any project that is partially general fund supported is considered a GPR project.
- Of 20 GPR projects we are requesting for 2005-07, 71% are academic facilities such as classrooms and labs.  
(The full list and details are on page C-8 of your budget document.)

## Utilities 12%



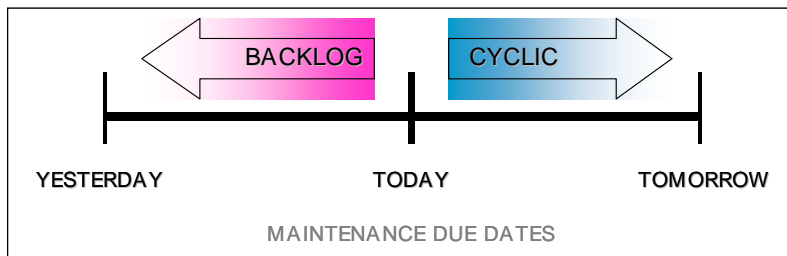
- Utilities comprise 12% of the GPR projects such as replacing these asbestos pipes with clean ones.

## 2005-07 Bonding for Non-GPR Major Projects



- We are requesting 16 Non-GPR projects that are comprised completely of program revenue and gifts and grants.
- Of these student housing and dining comprise 52% of the request.  
(The full list of details can be found on page C-9 of your budget document.)

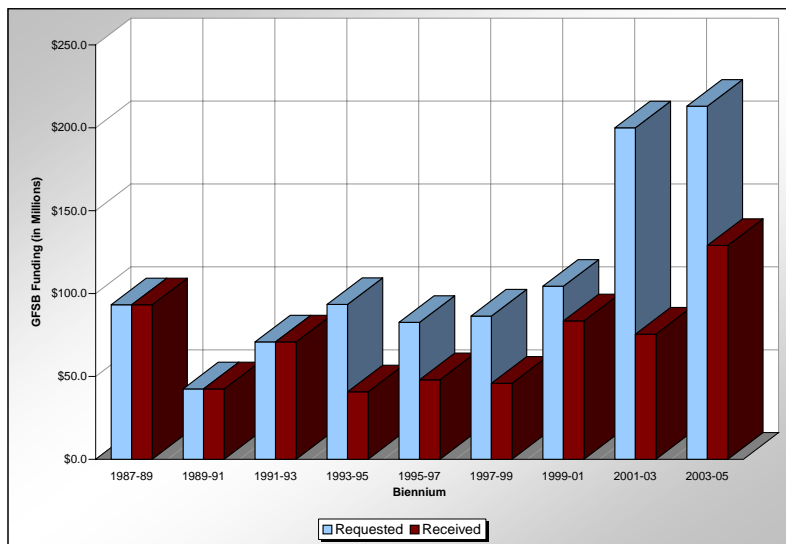
## Maintenance (All Agency Funds)



- Maintenance – The Legislature approves a biennial total amount for maintenance needs for all state agencies and the Building Commission with DSF staff releases the funding to agencies for projects as needed. The UW System generally receives about 60% of the total

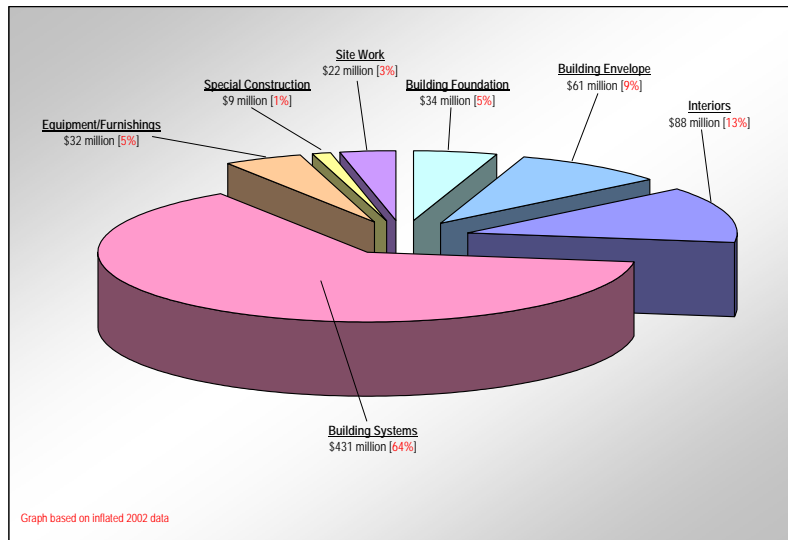
- Most Maintenance needs are predictable and called cyclic. For example, a roof may be predicted to last 25 years. In year, 26 that roof moves into backlog maintenance.
- Our task is to manage this backlog. Perhaps the roof will last 5 more years and we can use funds on more pressing needs. We are requesting funding to manage the backlog of maintenance, but it should be understood that the backlog will never be completely eliminated.
- If we do not have enough resources to manage the backlog, building systems fail.
- Today, we need more funding than we have been receiving just to manage the backlog.

## Maintenance Funding Level History



- This chart shows UW System biennial requests for maintenance since 1987. As you can see, since 1993 there has been a significant gap between what's needed and what's funded.
- The impact of this gap is that pressing needs are not met. We are forced to continually delay known maintenance projects and justify the needs multiple times.

# GPR Maintenance Backlog = \$683 million



- This chart shows the kinds of problems that comprise our known maintenance backlog.
- The largest amount is in building systems such as mechanicals and utilities.

## Maintenance Planning Process

Approximately:

253 Requested

158 Likely to be completed

About 60%



Only the most critical projects are funded.



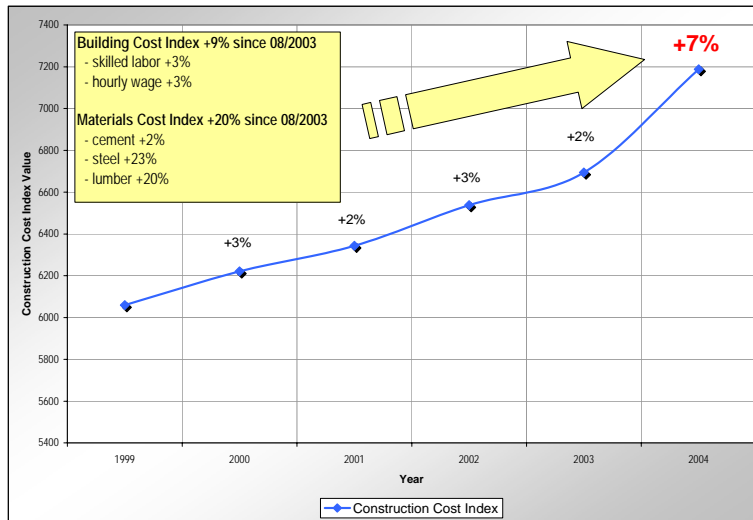
## Some Major Accomplishments in 2003-04

- EAU – Heating Plant Air Pollution Controls  
\$2,665,800
- MIL – Spaight's Plaza Repair and Renovation  
\$1,873,500
- STP – Learning Resource Center Elevator  
\$719,300
- SUP – Holden Fine Arts Chiller Replacement  
\$472,000



- The good news, Problems do get fixed. We are making progress.
- These are just a few examples of money well spent at UW Campuses this year.

# Construction Cost Index History



- We have all been told to do more with less... But we are having to do less with more.
- Recently we have been experiencing sizable increases in construction costs due to inflation in materials.
- Steady predictable until 2003 – now more than double
- Steel and lumber.
- This has impacted a number of projects under bid right now.
  
- We come to a summary of the total request.

<b>Major Projects – Construct in 2005-07</b>	<b>GFSB</b>	<b>G/G</b>	<b>PRSB</b>
Major Projects Using GFSB	\$ 226.7 M	\$ 5.7 M	\$ 81.7 M
Major Projects Without GFSB		<u>\$83.1 M</u>	<u>148.2 M</u>
<b>Total – Major Projects</b>	<b>\$ 226.7 M</b>	<b>\$ 88.8 M</b>	<b>\$ 229.9 M</b>
<b>All Agency Funds</b>			
Maintenance/Renovation	\$ 200 M		
Land Acquisition	<u>10 M</u>		<u>\$ 5 M</u>
<b>Total – All Agency Funds</b>	<b>\$ 210 M</b>		<b>\$ 5 M</b>

<b>BioStar Funds</b> (Previously Enumerated for 2005-07)	<b>\$32.0 M</b>
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- Extensive planning is essential before construction of a major project.

- Catch 22 – DSF doesn't fund planning, but doesn't enumerate projects without planning
- Institutions are requested to fund planning. It may cost \$1-2 million to design and budget a major project.
- We are asking that 2007-09 projects be enumerated for planning in 2005-07 so that institutions know that if they invest in planning and fundraising that the project will be done.
- Note that these projects bring with them \$55 million in gifts.
- This list is at the bottom of page C-8 in the budget document.

<b>Major Projects - Construct in 2007-09</b>	<b>GPR</b>	<b>G/G</b>	<b>PR</b>
Major projects using GFSB	\$284.4	\$55.4	\$17.4

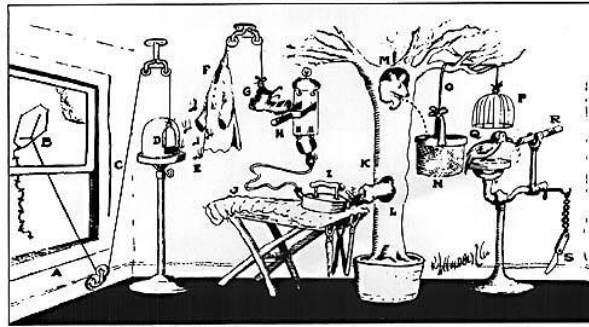
- To put this request in perspective, what we are really requesting is bonding and annual debt payments.

<b>Capital Budget – Annual Debt Service</b>	
<b>Estimated at 5.5% bonding rate (P&amp;I)</b>	
Major Projects	\$19 million
Maintenance	<u>\$18 million</u> \$37 million
Program Revenue	\$19.2 million
Gift Funds	(avoided debt service) \$7.4 million

- Over the next three years the UW System is scheduled to retire about \$70 million in general fund bonding that carries annual debt service of \$5.8 million.
- We are also requesting a number of statutory changes to improve the building program process for all state agencies.



## Statutory Process Improvements



- Increase the dollar amount requirements for enumeration, bidding and SBC approval to reflect inflation
- Speed up and simplify contract signing
- Allow the agencies to select project management method
- Allow agencies to keep proceeds from sale of non-GPR property
- These were recommended in the Charting Study.
- Just like the 17 step process in this cartoon, our process could use some modernization.

## Capital Budget Summary

- a. Investment in the UW System academic mission
- b. Significant economic benefit to the state.
- c. Enumerate 2007-09 major projects for planning
- d. Seek the necessary statutory changes to create efficiency in the building program