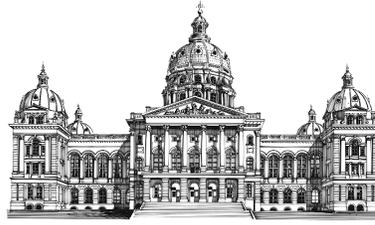

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State Capitol
Des Moines, IA 50319
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Board of Regents Deferred Maintenance

ISSUE

A review of information regarding deferred maintenance at the Board of Regents institutions.

AFFECTED AGENCIES

Board of Regents

CODE AUTHORITY

Chapter 262, Code of Iowa

BACKGROUND

The Board of Regents requires an annual governance report to be submitted by each of the institutions regarding deferred maintenance. The report is typically submitted to the Board in November of each year. Data for this *Issue Review* is from the report submitted to the Board on November 9, 1999, and includes actual data through FY 1999 and projected data for FY 2000. Final data for FY 2000 and projections for FY 2001 will be submitted to the Board in November 2000.

The Regent institutions began reporting on deferred maintenance in March 1988 and have reported annually since that time.

As defined by the Board of Regents, deferred maintenance is the repair or replacement of all, or a part of, an existing capital asset that was not repaired or replaced at the appropriate time because of a lack of funds. Replacement of a building or infrastructure system or component when it should be replaced is considered building renewal, not deferred maintenance. Deferred maintenance results from inaction on normal maintenance (including planned and preventive maintenance) and renewal and replacement projects.

Nationally, as well as in Iowa, the bulk of higher education infrastructure was completed in the 1960s and 1970s. Because of the age of these facilities, many of the component systems have reached the end of their design life or have become obsolete.

Deferred maintenance in higher education is a national problem. In 1997, a study by the Association of Higher Education Facilities Officers, the National Association of College and

University Business Officers, and Sallie Mae estimated a total of \$26.0 billion would be needed to eliminate accumulated deferred maintenance.

CURRENT SITUATION

From FY 1993 through FY 1999, the Regent institutions have completed deferred maintenance projects totaling \$74.9 million. These projects are illustrated in **Attachment A**. The Attachment also illustrates the source of funds for these projects. In addition, a total of \$52.4 million in deferred maintenance was completed during this same time period as a result of major renovation projects. Deferred maintenance projects totaling \$19.2 million were planned or continued for FY 2000. Additional detail regarding deferred maintenance is contained in the annual governance report that was submitted to the Board of Regents in November 1999, and copies are available from the Legislative Fiscal Bureau.

In November 1999, the Board of Regents estimated the total deferred maintenance in general fund building and utility systems, as illustrated in **Table 1** below. This does not include work scheduled for FY 2000 or as part of major renovations in the Board's five-year capital plan.

Table 1
Deferred Maintenance – Fall 1999
Board of Regents Institutions
(Dollars in Thousands)

	SUI	ISU	UNI	ISD	IBSSS	TOTAL
Buildings	\$16,286.1	\$19,148.4	\$13,951.0	\$ 1,808.0	\$ 1,086.0	\$ 52,279.5
Utilities	5,074.0	13,110.0	13,757.0	305.0	45.0	32,291.0
Total	\$21,360.1	\$32,258.4	\$27,708.0	\$ 2,113.0	\$ 1,131.0	\$84,570.5

SUI=University of Iowa
ISU=Iowa State University
UNI=University of Northern Iowa
ISD=Iowa School for the Deaf
IBSSS=Iowa Braille and Sight Saving School

The largest single need for deferred maintenance is heating, ventilating, and air conditioning (HVAC) which totals \$11.1 million as of Fall 1999. Additional detail regarding the type of deferred maintenance, by institution, is illustrated in **Attachment B**.

The Regent institutions have attempted to address deferred maintenance by increasing building repair budgets and expenditures. The expenditures for building repair have increased by \$10.5 million from actual FY 1992 to budgeted FY 2000. The change over time is illustrated in **Attachment C**. Increased expenditures have been achieved through a combination of internal reallocations and \$1.2 million in State appropriations (FY 1995-FY 2000).

The General Assembly has also been supportive of deferred maintenance efforts through capital appropriations from the Rebuild Iowa Infrastructure Fund (RIIF) for major renovations and building projects including \$42.9 million appropriated in FY 2001 (for FY 2001 to FY 2003) for the following:

- SUI - Biology Renovation - \$14.7 million
- ISU – Gilman Hall HVAC - \$11.0 million
- UNI – McCollum Science Addition - \$16.9 million
- ISD – Water System Replacement - \$0.3 million

ALTERNATIVES

It is anticipated that the General Assembly will want to continue to monitor the Regent institutions' progress towards completion of deferred maintenance. If the General Assembly determines sufficient progress is not being made, they may consider mandating that a percentage of budgeted funds be directed towards deferred maintenance projects, or providing additional funding through appropriations or bonding authority.

BUDGET IMPACT

The Board of Regents has approved a capital budget request for FY 2002 that includes \$3.8 million for deferred maintenance. The five-year capital plan (FY 2002 to FY 2006), as approved by the Board, includes a request of \$17.0 million for deferred maintenance (\$3.8 million for FY 2002 and \$3.3 million for each of the remaining four years).

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TABLE 1
BOARD OF REGENTS, STATE OF IOWA FY 1993 - FY 2000
GENERAL FUND BUILDING AND UTILITY DEFERRED MAINTENANCE PROJECTS AND
RENOVATION PROJECTS WHICH INCLUDE CORRECTION OF DEFERRED MAINTENANCE
(\$ thousands)

Deferred Maintenance Projects:	<u>SUI</u>	<u>ISU</u>	<u>UNI</u>	<u>ISD</u>	<u>IBSSS</u>	<u>Total</u>
Completed Projects:*						
FY 1993	\$ 6,591.9	\$ 970.2	\$ 1,593.4	\$ 45.0	\$ 16.1	\$ 9,216.6
FY 1994	2,881.6	1,881.1	1,459.6	543.5	75.9	6,841.7
FY 1995	4,922.1	7,805.3	1,703.1	148.0	24.8	14,603.3
FY 1996	6,571.3	6,944.4	2,581.3	173.0	207.8	16,477.8
FY 1997	3,262.6	2,953.8	2,256.7	133.1	95.6	8,701.8
FY 1998	3,053.0	3,495.3	1,677.7	282.5	172.5	8,681.0
FY 1999	<u>2,928.8</u>	<u>3,492.2</u>	<u>3,435.2</u>	<u>470.0</u>	<u>36.8</u>	<u>10,363.0</u>
Subtotal	\$ 30,211.3	\$ 27,542.3	\$ 14,707.0	\$ 1,795.1	\$ 629.5	\$ 74,885.2
Projects Planned for or Continued in FY 2000	\$ 5,332.0	\$ 6,589.6	\$ 5,781.0	\$ 740.0	\$ 725.2	\$ 19,167.8
Total	\$ 35,543.3	\$ 34,131.9	\$ 20,488.0	\$ 2,535.1	\$ 1,354.7	\$ 94,053.0
FY 1993 - FY 1999 Renovation Projects Which Include						
Correction of Significant Amounts of Deferred Maintenance**	\$ 23,091.6	\$ 20,695.1	\$ 8,651.0			\$ 52,437.7
Renovation Projects Planned or Continued for FY 2000 with						
Correction of Significant Amounts of Deferred Maintenance**	\$ 10,700.0	\$ 15,525.1	\$ 13,500.0			\$ 39,725.1
GRAND TOTAL	<u>\$ 69,334.9</u>	<u>\$ 70,352.1</u>	<u>\$ 42,639.0</u>	<u>\$ 2,535.1</u>	<u>\$ 1,354.7</u>	<u>\$ 186,215.8</u>
Total - By Source of Funds						
Building Renewal/Building Maintenance/General University	\$ 16,411.4	\$ 22,978.7	\$ 15,643.9	\$ 1,180.1	\$ 583.5	\$ 56,797.6
Building Renewal/Academic Building Revenue Bonds	340.0		83.5			423.5
Income from Treasurer's Temporary Investments (TTI)	8,929.3	13,369.1				22,298.4
Gifts, Grants	2,580.7	5,591.4				8,172.1
Utility Renewal and Replacement	11,306.1	6,741.1				18,047.2
Academic Building Revenue Bonds; Project Notes	11,346.3	11,862.2	9,998.6			33,207.1
Capital and Special Appropriations	10,940.0	2,005.5	14,802.7	700.0	627.3	29,075.5
Agriculture Experiment Station & Cooperative Extension		877.5				877.5
Facilities Overhead Use Allowance	1,679.0	982.5				2,661.5
College of Medicine Earnings, Gifts / Treasurer's Temp. Investment	4,114.3					4,114.3
Other (includes unspecified combination of above fund sources)	<u>1,687.8</u>	<u>5,944.1</u>	<u>2,110.3</u>	<u>655.0</u>	<u>143.9</u>	<u>10,541.1</u>
GRAND TOTAL - INDIVIDUAL DEFERRED MAINTENANCE ITEMS						
AND RENOVATION COSTS	<u>\$ 69,334.9</u>	<u>\$ 70,352.1</u>	<u>\$ 42,639.0</u>	<u>\$ 2,535.1</u>	<u>\$ 1,354.7</u>	<u>\$ 186,215.8</u>

Notes:

*SUI - includes projects approved and funded for FY 93 - FY 96; for FY 1993 also includes projects completed with Academic Building Revenue Bonds.

**Renovation projects include SUI - Gilmore Hall, Schaeffer Hall, Phillips Hall, Bowen Science Building Microbiology, Medical Education Building, Hancher Auditorium, Engineering Building; ISU - Catt Hall, Laboratory of Mechanics, Gilman Hall, Communications Building, State Gym, Beardshear Hall, Pearson Hall and Student Services. UNI - Searley, Wright and Lang Halls, and Commons.

Table 2
BOARD OF REGENTS, STATE OF IOWA
CATEGORIZATION OF GENERAL FUND BUILDING DEFERRED MAINTENANCE BY TYPE OF PROJECT*
As of Fall, 1999
(\$ thousands)

Category	SUI		ISU		UNI		ISD		IBSSS		Total	
	# Bldgs	\$	# Bldgs	\$	# Bldgs	\$	# Bldgs	\$	# Bldgs	\$	# Bldgs	\$
Building Envelope	10	\$ 1,936.6	21	\$ 4,898.1	7	\$ 2,295.0	6	\$ 448.0	7	\$ 265.0	51	\$ 9,842.7
HVAC	12	3,939.9	13	1,666.1	10	4,218.0	6	980.0	6	260.0	47	11,064.0
Roofs	12	1,686.4	20	5,964.0	7	1,004.0	2	80.0			41	8,734.4
Site Work			6	1,593.7		698.0		40.0		239.0	6	2,570.7
Windows	11	3,993.4	7	2,786.3					1	7.0	19	6,786.7
Plumbing	10	922.0	5	127.9	4	263.0			3	45.0	22	1,357.9
Electrical	14	688.1	10	1,688.7	7	2,688.0		200.0	4	90.0	35	5,354.8
Interior	17	1,276.7	3	416.8	10	2,489.0	1	60.0	5	180.0	36	4,422.5
Elevator	3	253.4									3	253.4
Exterior Accessories	7	370.1									7	370.1
Controls & Safety	16	1,219.5	1	6.8	4	296.0					21	1,522.3
Total		\$ 16,286.1		\$ 19,148.4		\$ 13,951.0		\$ 1,808.0		\$ 1,086.0		\$ 52,279.5

* Excludes projects in process or projects scheduled to begin during FY 2000.

Does not include deferred maintenance to be incorporated into major renovations included in the Board's Five-Year Capital Program, FY 2001 - FY 2005.

ATTACHMENT B

**TABLE 3
BOARD OF REGENTS, STATE OF IOWA**

OPERATING BUDGET GENERAL FUND BUILDING REPAIR EXPENDITURES

General University	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000 ¹	Percent Change	Percent Change
										FY 92 - FY 99	FY 92 - FY 00
SUI	\$ 2,296,461	\$ 3,356,426	\$ 3,902,015	\$ 4,579,894	\$ 5,200,910	\$ 5,302,914	\$ 6,467,637	\$ 7,646,032	\$ 7,748,028	303.1%	237.4%
ISU	3,206,425	5,458,582	4,991,869	6,159,403	6,120,634	6,762,871	6,923,336	6,690,286	7,450,092	133.2%	132.3%
UNI	1,473,058	1,315,056	3,473,110	2,473,399	2,563,818	2,249,963	3,432,210	2,282,012	2,050,000	50.8%	39.2%
ISD	343,125	286,814	332,161	307,219	412,919	415,959	450,899	362,190	449,000	6.0%	30.9%
IBSSS	28,093	34,682	72,001	71,707	104,880	82,404	45,712	227,818	110,257	360.5%	292.5%
Total	\$ 7,347,162	\$ 10,451,560	\$ 12,771,156	\$ 13,591,622	\$ 14,403,161	\$ 14,814,111	\$ 17,319,794	\$ 17,208,338	\$ 17,807,377	155.4%	142.4%

¹ Budgeted

ATTACHMENT C