

Building Maintenance on State Facilities

NOTE: Revised and republished with updated information on January 11, 2018.

ISSUE

This **Issue Review** discusses funding, strategies, and outstanding projects to maintain buildings owned and operated by the State. The **Issue Review** examines all agencies that manage property. With the exception of the Board of Regents, information included in this **Issue Review** was reported directly to the Legislative Services Agency (LSA) by State agencies for the purposes of this report. Information from the Board is from its annual Facilities Governance Report.

DEFINITIONS

Maintenance activities are defined differently by separate organizations. As a result, the deferred maintenance totals discussed in this **Issue Review** will vary in several key places. For many agencies, deferred maintenance estimates are derived from the major maintenance list maintained by the Department of Administrative Services (DAS). However, State agencies responsible for their own maintenance projects (see page 2) will track deferred maintenance by definitions set within each department.

Department of Administrative Services (DAS) (definitions)

Major Maintenance:

Major maintenance is defined as expenditures made beyond the regular, normal upkeep of physical properties (i.e., Land, Buildings, and Equipment) for the repair or replacement of failed or failing building components as necessary to return a facility to its currently intended use, to prevent further damage, or to make it compliant with changes in laws, regulations, codes, or standards. Tangible personal property as defined in the section "Routine Maintenance Definitions" shall not be eligible for major maintenance funds.

Examples: roofs, boilers, windows, utility systems, safety systems, and projects intended to comply with building codes and regulations.

Routine Maintenance:

Expenditures made for the regular upkeep of physical properties (i.e., Land, Buildings, and Equipment) including recurring, preventive, and ongoing maintenance necessary to delay or prevent the failure of physical properties. For purposes of this definition, building operational costs are not considered routine maintenance. Tangible personal property as defined in the Routine Maintenance Definitions is not eligible for routine maintenance funds.

Examples: painting, sealing, parking lot and sidewalk repairs, routine tuck pointing, repairs to building components, upkeep of building alarm systems, and pest controls.

Board of Regents (definition)

Deferred Maintenance:

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. Deferred maintenance is dependent upon time and is sometimes referred to as "capital renewal backlog." Replacement of a building or infrastructure system or component when it should be replaced is building renewal, not deferred maintenance. Deferred maintenance results from inaction on normal maintenance, including planned and preventive maintenance, and renewal and replacement projects.

MAINTENANCE RESPONSIBILITIES

Maintenance of State-owned property in Iowa is funded and managed in different ways depending on the location of the property, occupying agency, and use of the facility. For non-Board of Regents facilities, the type of maintenance occurring – routine maintenance compared to major maintenance – also impacts how maintenance activities are financed and managed. In total, the State of Iowa owns and is responsible for 58.0 million square feet of building space.

Responsibility to maintain State property is organized into three different categories. First, several agencies manage all maintenance that occurs on agency-occupied properties. The largest of these agencies is the Board of Regents, which manages a total of 39.8 million square feet of building space. The second largest is the Department of Transportation (DOT). The DOT operates 1,174 facilities, totaling 4.1 million square feet. The Department of Public Defense (DPD) manages a total of 4.1 million square feet and the Department of Natural Resources (DNR) manages 2.8 million square feet. There are also a number of smaller agencies that manage all maintenance. These are listed in **Table 1** and include the Department for the Blind, Iowa Public Employees’ Retirement System (IPERS), Iowa Finance Authority (IFA), and the Lottery Authority. The Judicial Branch also manages the Judicial Building.¹

The second category requires agencies to submit major maintenance projects to the DAS and manage routine maintenance projects on facilities outside the Capitol Complex. The DAS reviews and manages major maintenance projects. Projects are selected based upon set priorities. The two largest agencies that fall under this arrangement are the Department of Human Services (DHS) and the Department of Corrections (DOC). Major maintenance is most often funded through line-item appropriations from the Rebuild Iowa Infrastructure Fund (RIIF). Routine maintenance projects for these agencies are funded in operating budgets which often receive the majority of support from the General Fund.

Finally, the DAS manages routine maintenance and major maintenance on all facilities on the Capitol Complex. In these cases, the agencies pay an association fee to the DAS that funds routine maintenance and the DAS monitors these properties for major maintenance needs.²

Table 1 – Maintenance Responsibilities by Department³

Department Maintains All Facilities		Dept. Manages Routine Maintenance			Major Maintenance and Capitol Complex
		DAS Manages	Major Maintenance		
• Board of Regents	• IPERS	• DHS	• ABD	• IVH	• DAS
• Dept. for the Blind	• IFA	• DOC	• IPTV	• IWD	
• DOT	• Judicial Branch	• DPS	• ILEA		
• DNR	• Lottery Authority				
• DPD	• CBCs				

¹ County-owned courthouses are not reviewed in this *Issue Review*.

² This *Issue Review* does not discuss routine maintenance conducted on ceremonial space.

³ This table does not include facilities not on the Capitol Complex that are managed by the Department of Cultural Affairs (DCA). The Historical Building is on the Capitol Complex and managed by the DAS. Historical sites are managed by the DCA, but are not included in this *Issue Review*.

STATUS OF STATEWIDE MAINTENANCE

DAS, Capitol Complex, Iowa Labs, and Major Maintenance

The Capitol Complex includes the buildings, facilities, and grounds around the Capitol Building and the Iowa Crime Labs in Ankeny. The Capitol Complex consists of 14 major buildings with 2.1 million square feet and is estimated to accommodate nearly 4,000 employees.⁴ Over 37 agencies have offices on the Capitol Complex and receive routine maintenance support exclusively through the DAS.

Agencies on the Capitol Complex pay an annual association rate to the DAS to fund a number of services, including routine maintenance. These association fees are a portion of each agency's budget, and must be considered within an agency's annual budget. Iowa Code section [7E.5A](#) identifies an industry standard of 1.0% of the replacement cost of a facility for budgeting for routine maintenance. During the past several years, this goal has been unmet.

The routine maintenance portion of the association fee was established relatively recently. Beginning in FY 2016, the DAS dedicated a portion of the association fee to funding routine maintenance. Prior to the establishment of this charge for routine maintenance, routine maintenance had not had a dedicated funding stream since FY 2010, when funding was appropriated from the RIIF. The DAS collected \$2.9 million in FY 2017 and is estimated to collect \$2.9 million in FY 2018, and \$3.1 million in FY 2019 through association fees for routine maintenance on the Capitol Complex.⁵ Based on a conservative estimate of a \$150 per square foot replacement value, a 1.0% target for a routine maintenance budget would require \$3.5 million.⁶ Separately, the Capitol Planning Commission recommended a total of 2.0% of replacement value to be devoted to routine maintenance on the Capitol grounds.

As noted, the DAS receives major maintenance project requests from agencies, assesses the requests, and manages the projects. Requests for major maintenance are submitted to the DAS by a number of agencies (agencies that do not submit requests to the DAS are listed in **Table 1**). These projects are aggregated on the major maintenance list, which also provides a picture of deferred maintenance. **Chart 1** displays the total estimated cost of projects requested from FY 2004 through the first quarter of FY 2018. The estimated cost of projects on the list has increased steadily since FY 2011, with the first decrease occurring in the first quarter of FY 2018. According to an assessment by the Baker Group in 2013,⁷ the increase in deferred maintenance is attributable to under-resourced maintenance activities.⁸ The large increase in major maintenance projects in FY 2014 (see **Chart 1**) is also attributable to increased scrutiny after assessments by the Baker Group. This latest decrease may be temporary; the majority of these annual totals were summed early in the fiscal year after departments had submitted annual budget requests.

⁴ Department of Administrative Services and Capitol Planning Commission, [Iowa State Capitol Complex Master Plan](#) (December 2016).

⁵ [Capitol Planning Commission FY 2016 Annual Report](#) (December 2016).

⁶ Id.

⁷ The Baker Group is a general contractor that provides a number of services including building assessments.

⁸ State of Iowa Capitol Complex: Deferred Maintenance Review, Baker Group (February 14, 2013).

Chart 1 – Unfunded Major Maintenance Requests FY 2004 – FY 2018 (as of August 2017)

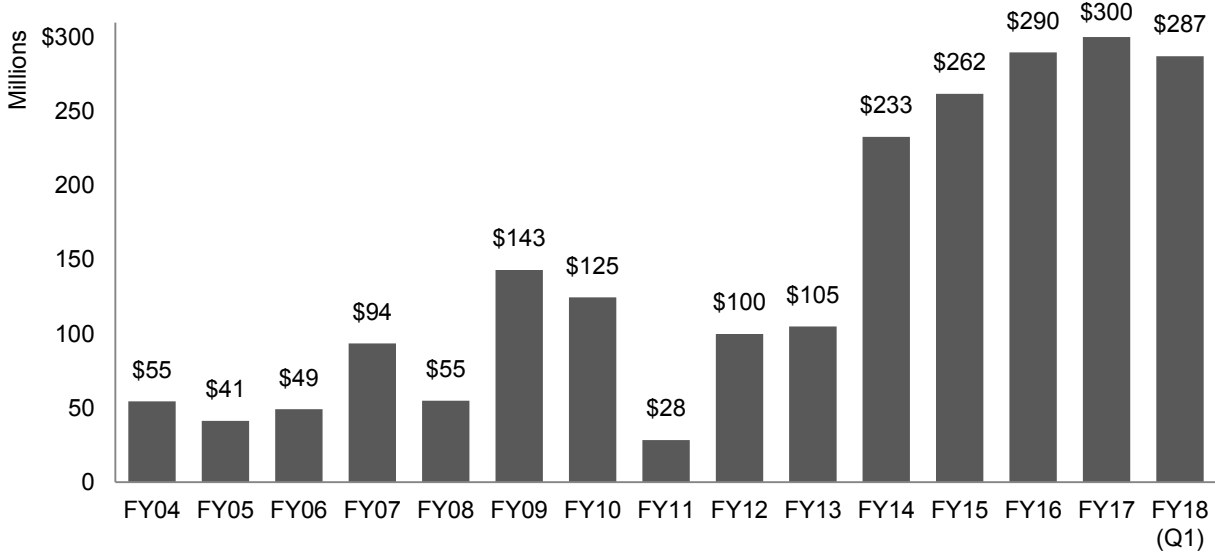


Chart 2 tracks the history of major maintenance appropriations. Between FY 2004 and estimated FY 2018, the RIIF was the single largest source of funding for major maintenance. The General Assembly has appropriated from several funds – most significantly, the Vertical Infrastructure Fund (VIF), which was created for the purpose of funding building infrastructure. The VIF provided \$55.6 million in funding between FY 2006 and FY 2008, and has not provided funding since FY 2008. Between FY 2009 and FY 2012, major maintenance funding was provided primarily through bond proceeds. Since FY 2013, \$70.3 million, or 87.9%, of appropriations for major maintenance were funded by the RIIF. The period since FY 2013 was the most stable period of appropriation levels, with annual funding between \$9.5 million and \$15.1 million.

Chart 2 – Major Maintenance Appropriations

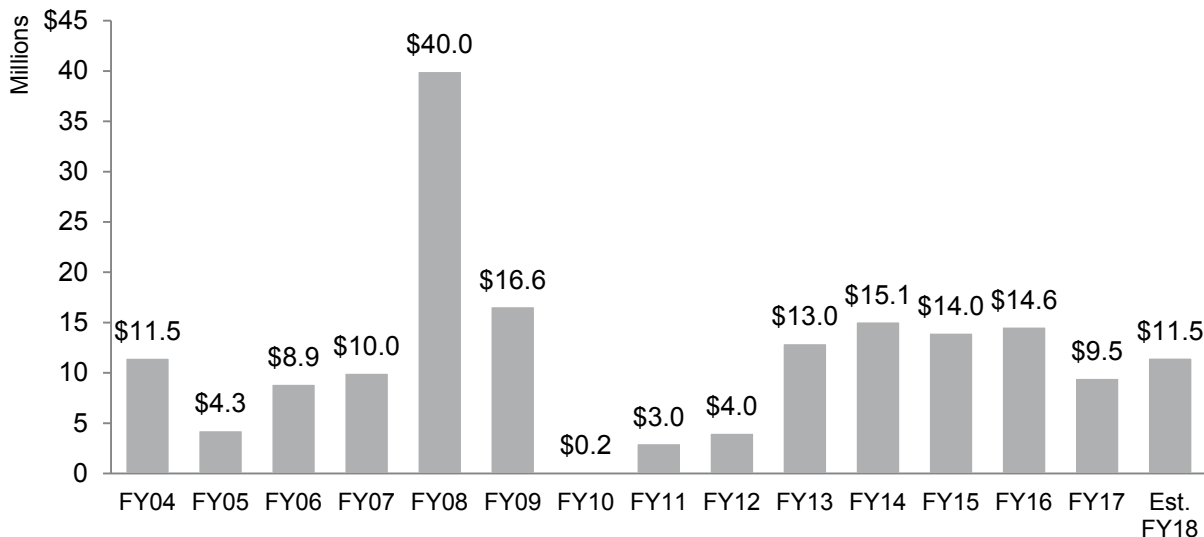


Chart 3 shows major maintenance projects by priority ranking. The DAS prioritizes projects based upon purpose ([Major Maintenance Priority Recommendations](#)). Since FY 2013, the percentage of total projects in each category has remained relatively stable.

Chart 3 – FY 2018 (Q1) Major Maintenance Requests Project by Priority

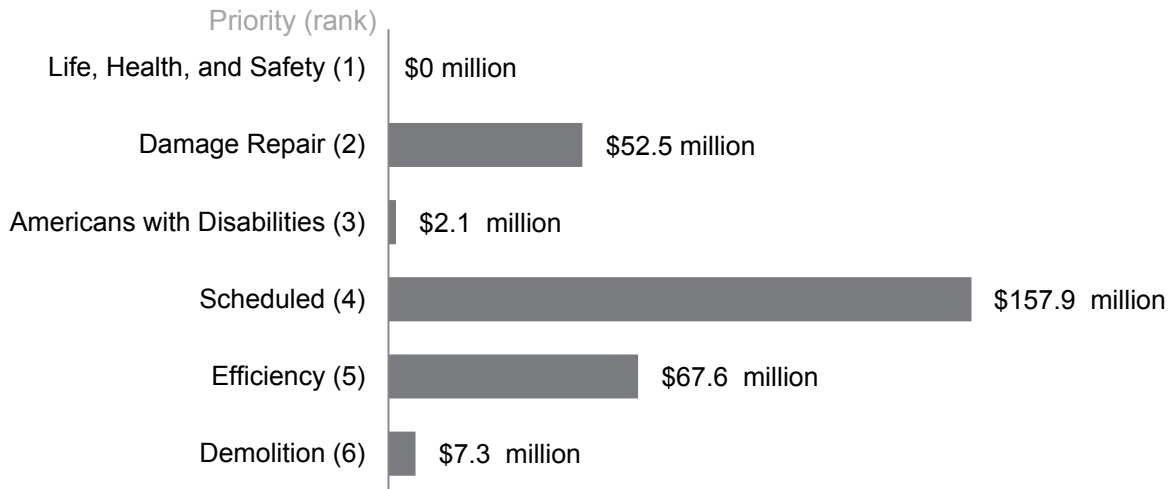


Chart 4.1 displays projects on the major maintenance list by managing agency. Capitol Complex facilities, totaling 2.1 million square feet, comprise the majority of projects from a dollar perspective. Facilities for the DHS and DOC make up the majority of the rest of the requests.

Chart 4.2 also displays major maintenance funding requests by Capitol Complex buildings. The two buildings with the most expensive total requests are the Hoover and Wallace buildings. In both of these instances, requests for Heating, Ventilation, and Air Conditioning (HVAC) renovations are driving the majority of the need. The Historical Building has nine projects listed in the current plan, for a total request of \$16.0 million.

Chart 4.1 – Major Maintenance Projects by Department (FY 2018 Q1)

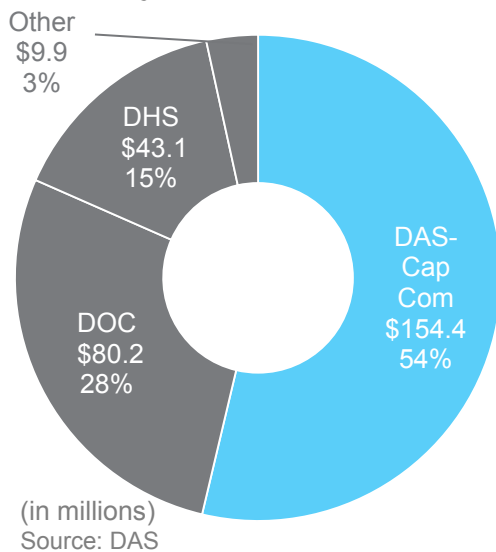
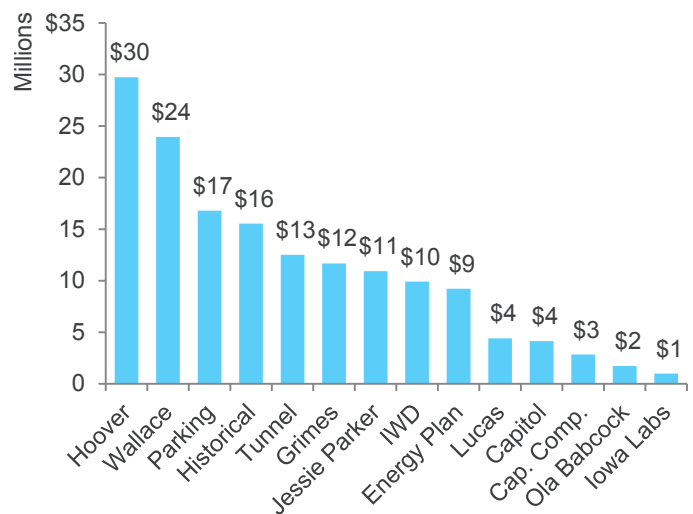


Chart 4.2 – Capitol Complex Major Maintenance Requests by Building



Major Agencies that Manage All Maintenance

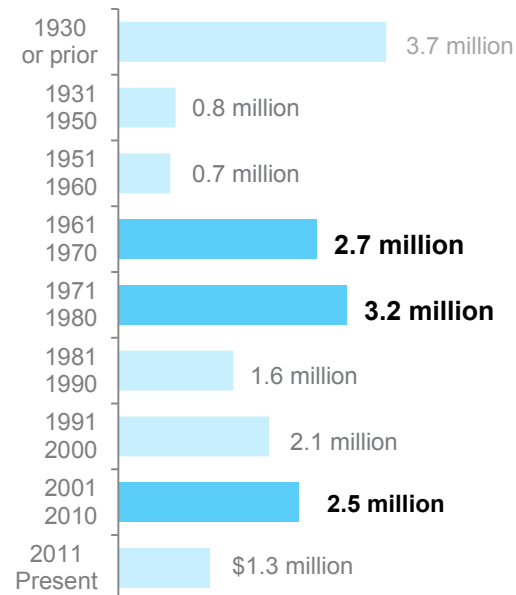
This section will review the maintenance activities of several major agencies that manage all of their maintenance activities. This section excludes several agencies, including those that occupy less than one million square feet, are owned by the State, and that manage all aspects of their facilities. These smaller agencies are discussed on page 14. The agencies discussed in this section may define maintenance differently from DAS. The phrase “major maintenance” is not generally used, but the definition of routine maintenance still generally aligns with the definition used by the DAS.

Board of Regents

The Board of Regents is the largest agency that manages all of its facilities’ maintenance activity. The individual universities and special schools⁹ manage all maintenance projects and submit large capital projects (such as building renovations) to the Board. The Board in turn can submit these project requests to the Governor in the annual Department budget request. The Board annually submits a Facilities Governance Report that provides information on all Regents facilities. The Report reviews existing deferred maintenance needs, expenditures, and general information regarding Regents properties. In Iowa, a large number of facilities were completed in the 1960s and 1970s, a development boom that reflected national trends.

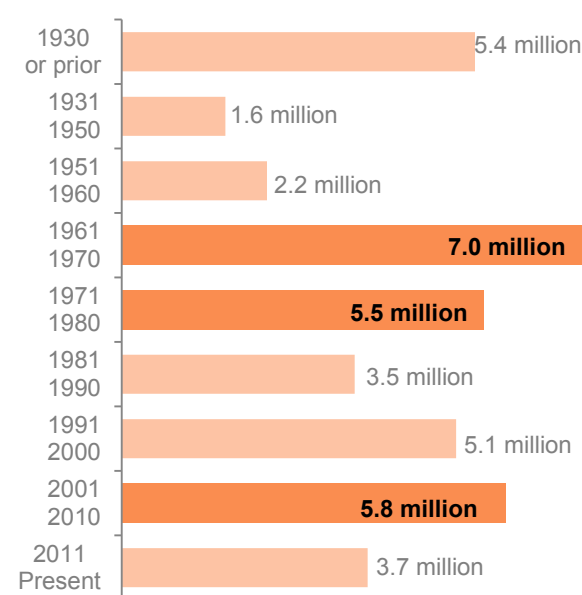
Chart 5 below shows building completion by year. Construction for Academic, Research, and Administrative buildings is represented in the blue chart, and all Regents facilities are represented in orange. The 1960s and 1970s were the biggest decades for construction, while the 2000s was the decade with the third most construction. In total, the Board of Regents manages facilities that total 39.8 million gross square feet: 18.5 million gross square feet of the total is for academic, research, and administrative purposes, and 21.3 million gross square feet is for other purposes.¹⁰

**Chart 5 – Regents Construction by Year
Academic, Research, Admin. Square Feet**



Source: Board of Regents

**Regents Construction by Year
Total Square Feet**



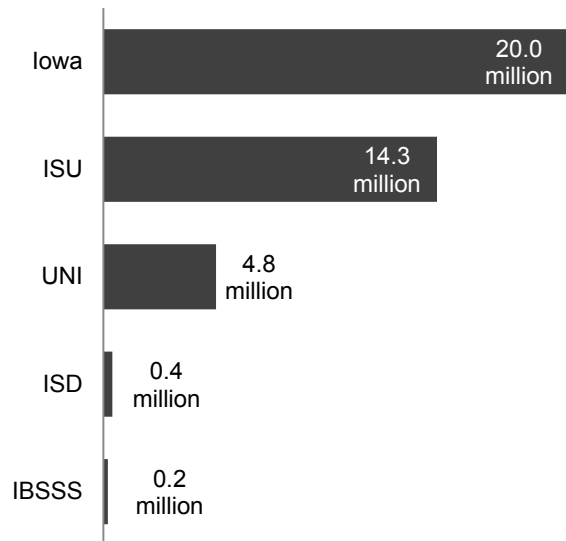
⁹ Special schools include the Iowa School for the Deaf (ISD) and the Iowa Braille and Sight Saving School (IBSSS).
¹⁰ Totals may not add due to rounding.

Maintenance projects and renovation projects that correct building deficiencies are funded from a number of sources. Unlike the other major agencies discussed, the Board receives a large share of its funding outside of the normal appropriations process. For General Fund buildings and utility buildings, 71.6% of funding since FY 1993 has been provided by building renewal and general university funds (25.8%), appropriations (17.5%), utility bonds (14.7%), and academic revenue bonds (13.6%). In total, the Board has corrected \$973.4 million in deficiencies in building renovation and deferred maintenance projects since FY 1993. The Board also places an emphasis on fire safety projects. These projects have received a total of \$83.1 million since FY 1993.¹¹

The Board publishes a report on estimated deferred maintenance each year in the fall. In 2016, the Board reported deferred maintenance for all Regents institutions at \$779.2 million. This has quickly risen since fall 2004. The rise is due to factors that include facility age, inflation related to construction costs, and a more thorough accounting of maintenance needs on Regents properties.¹² Continued building assessments at the universities each year will add to accumulated deferred maintenance backlogs. The information in **Chart 6** conveys gross square footage by institution and total deferred maintenance by institution. **Chart 6.1** displays deferred maintenance need per square foot.

Chart 6

Gross Square Feet by Institution



Deferred Maintenance Costs by Institution

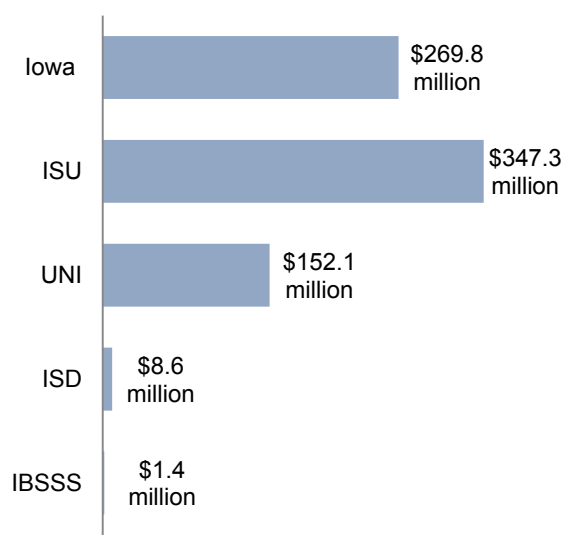
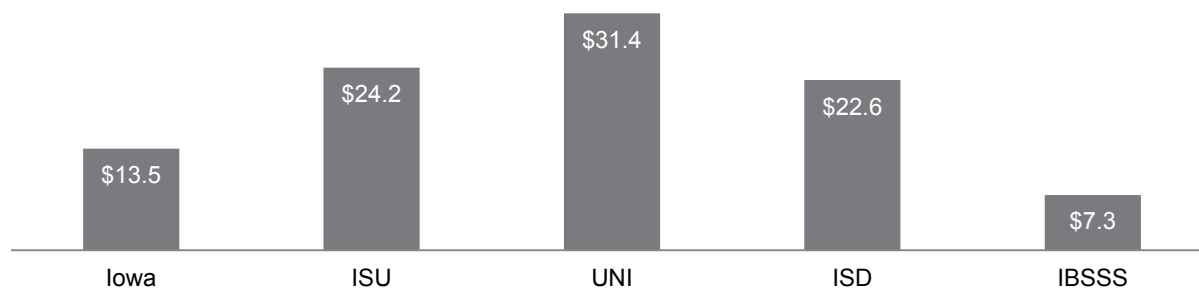


Chart 6.1 – Deferred Maintenance Costs per Gross Square Foot

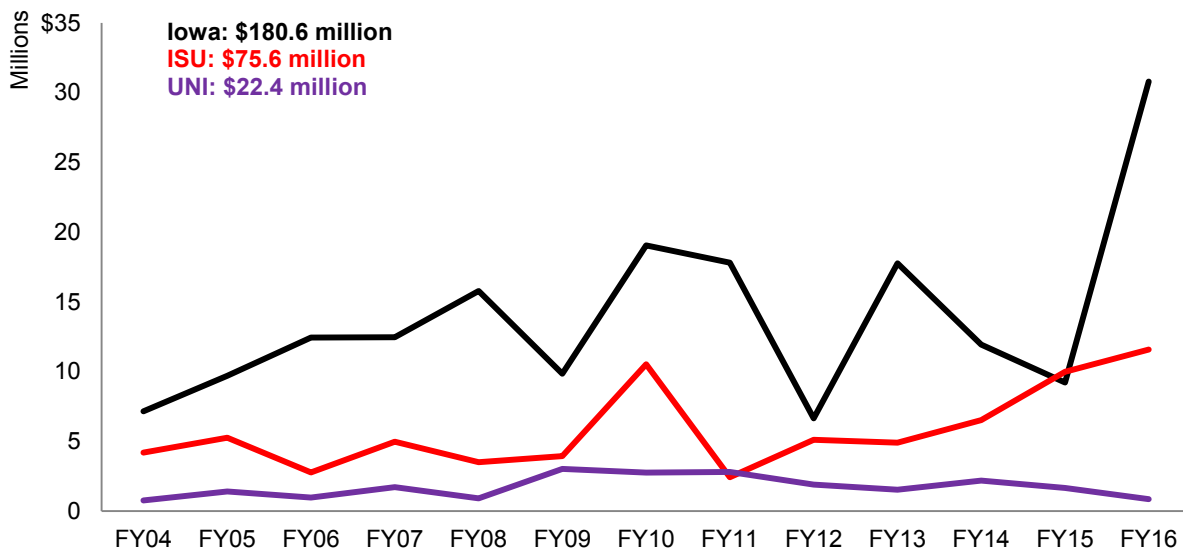


¹¹ Iowa Board of Regents, [Facilities Governance Report](#) (February 2017).

¹² Id.

The Facilities Governance Report stated a replacement value of Regents facilities at \$9.8 billion. Building repair expenditures in FY 2016 were 0.53% of this replacement value, and the FY 2017 budget was 0.47% of this replacement value.¹³ The Board also targets a benchmark for maintenance budgets of 1.0% of the replacement value of the building.¹⁴ In total, the Board reports that the universities and institutions spent \$43.7 million on projects that corrected deferred maintenance projects in FY 2016. By institution, Iowa spent \$30.8 million, ISU spent \$11.6 million, UNI spent \$856,700, and ISD spent \$425,800. **Chart 7** displays the total value of deferred maintenance projects corrected by institution from FY 2004 to FY 2016. A total of \$278.6 million was spent over this time.

Chart 7 – Deferred Maintenance Corrected by Institution FY 2004 – FY 2016



¹³ Id.

¹⁴ Id.

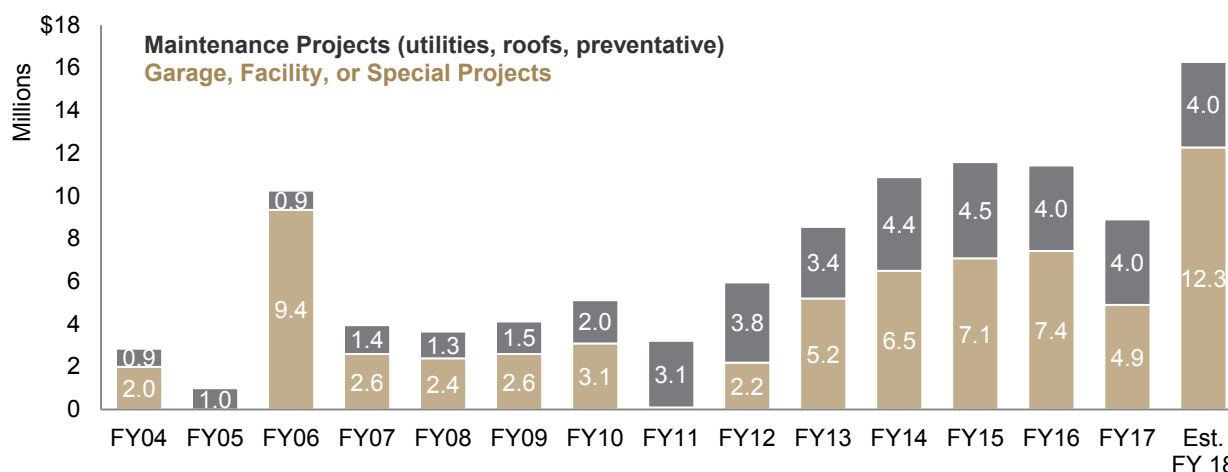
Department of Transportation

The Department of Transportation has a number of roles and maintains diverse facilities across the State to support its mission. In total, the DOT is responsible for all maintenance activities on 1,174 buildings, a total of 4.1 million square feet. These facilities include the main headquarters in Ames, road maintenance garages, storage buildings including salt storage buildings, rest areas, law enforcement scales, license stations, offices, land, and radio towers.

The DOT develops three-year plans for repairs and major improvements to its buildings. Projects are identified by individual districts in conjunction with Highway Division central maintenance and reported centrally to DOT Support Services. Support Services then determines what should be replaced or repaired, determines the priority of requested projects, and sets replacement and repair schedules based upon available funding.

The General Assembly appropriates the majority of funding used for DOT building improvements. Funds are appropriated from the Road Use Tax Fund and the Primary Road Fund. Annual appropriations include preventative maintenance, utility improvements, roofing projects, HVAC improvements, and specific line items for rest area maintenance and ADA improvements. In the past, the DOT has received funding for scale replacements and specific projects. In estimated FY 2018, the DOT received a total of \$4.0 million in seven appropriations to fund these activities. Each year the DOT also requests funding for at least one garage replacement or renovation, which is considered a capital project. The DOT has 102 maintenance garages. There are enough of these facilities that the DOT needs to regularly replace or improve maintenance garages to avoid a large backlog of repairs and problems.

Chart 8 – Appropriations to the DOT for Maintenance and Capital Projects



In FY 2017, the DOT expended \$2.5 million on routine maintenance and unplanned projects. This dollar amount is funded through administrative appropriations that also support the general operation of the Department including salaries, office equipment, vehicle operation, and other purposes. The Department has budgeted \$2.0 million in FY 2018 for routine maintenance.

As of fall 2017, the DOT does not have an estimate of total deferred maintenance. However, in September 2017, the Department began utilizing database software to track warranties, which are the life span of materials and costs. The Department believes that this will allow for better planning and budgeting when it comes to building assets. It is likely that this information will not be useful immediately, but as the Department records the status of more assets over time, this database should yield additional information regarding the Department’s building infrastructure.

Department of Natural Resources

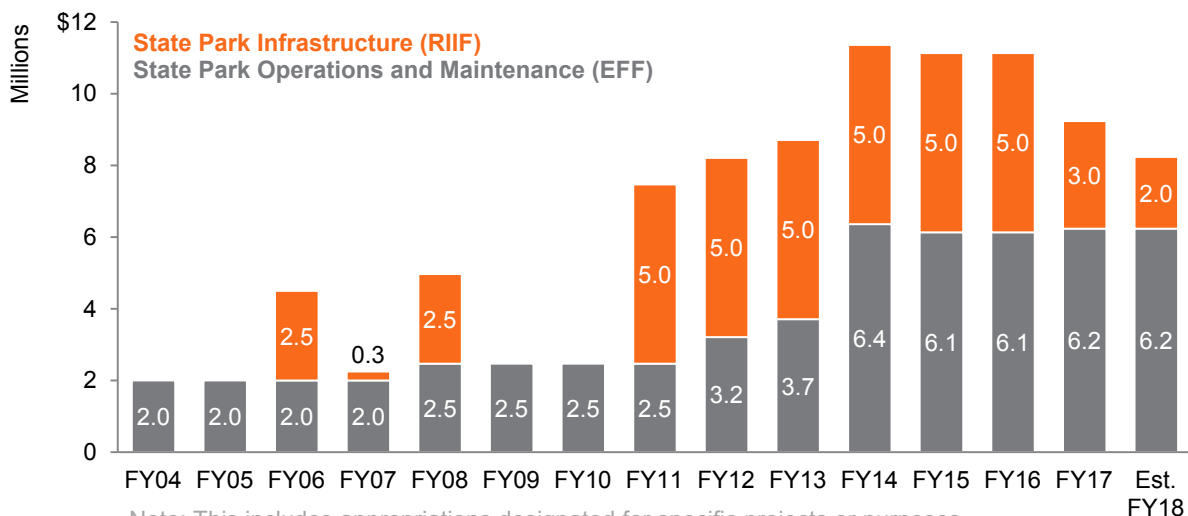
The DNR manages all maintenance on a wide variety of structures that support various activities, including State parks, wildlife management, fish stocking, law enforcement, and Honey Creek Resort. As a result, the infrastructure that the Department supports is varied and difficult to summarize. Examples of vertical infrastructure that the DNR supports include utilities, cabins, lodges and shelter houses, storage facilities, garages, historic buildings, restrooms, visitor centers, and residences. In total, the DNR tracks over 1,700 buildings totaling over 2.8 million square feet.

The DNR does not currently have an estimate of the deferred maintenance that might exist on all facilities. In 2015, the DNR estimated an infrastructure backlog on State park facilities that exceeded \$200.0 million. These projects included but were not limited to sewer lines, cabins, and campsites. This estimate specifically excluded trails.

In addition to general operation appropriations, the DNR typically receives two appropriations that support infrastructure improvements at State parks. The first appropriation is for State Parks Infrastructure from the RIIF. Since FY 2011, the DNR has received \$35.0 million for this purpose. State park infrastructure improvements include replacing sewer lines, upgrading public drinking water systems, replacing shower buildings, constructing restrooms, replacing trail bridges, extending trail areas, and providing open-air interpretive shelters and exhibits. The second appropriation is from the Environment First Fund (EFF) to support State Park Operations and Maintenance. This line item is appropriated in the annual Agriculture and Natural Resources Appropriations Act and supports seasonal staff, facility maintenance, equipment replacement, and filling critical staff vacancies.

The DNR reports that routine maintenance projects received \$575,000 in FY 2017. For FY 2018, the Department is budgeting \$300,000. This funding is provided by the land management portion of the Resource Enhancement and Protection (REAP) Program that also receives funding from the EFF. These funds may be spent on purposes not considered routine maintenance. In FY 2017, the DNR received a total of \$8.2 million that was eligible to be expended on maintenance activities in State parks.

Chart 9 – Appropriated Funds for State Park Maintenance



Department of Public Defense

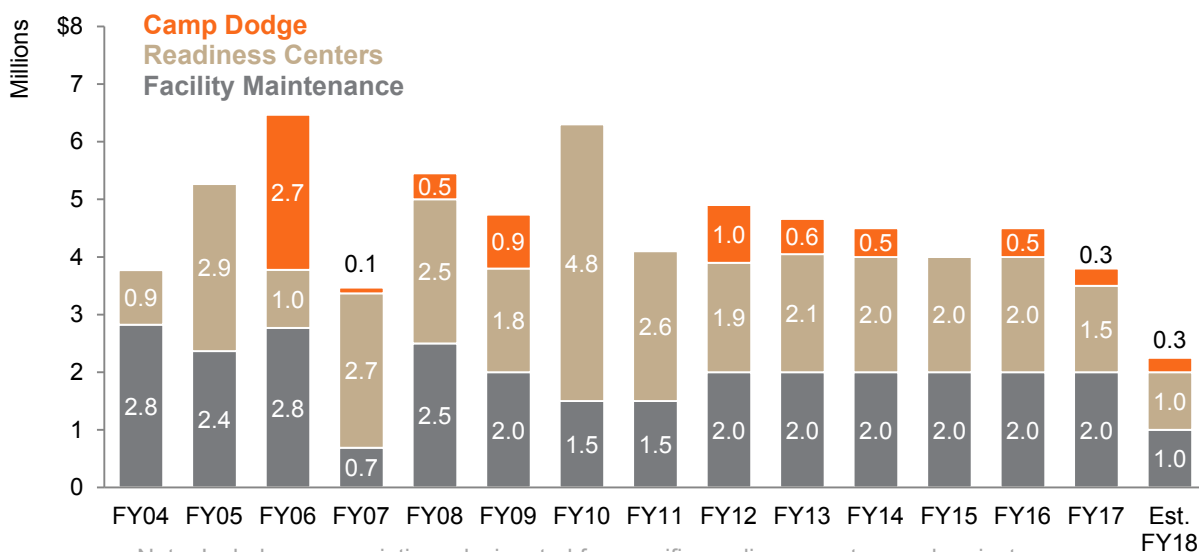
The DPD maintains over 485 buildings at 40 locations across the State. In total, the DPD maintains 4.1 million square feet in buildings and over 4,800 acres of land. Of this total, 3.1 million square feet and 451 buildings are owned exclusively by the State. The facilities include readiness centers, Camp Dodge, logistics buildings, training facilities, and lodging.

The DPD estimates a deferred maintenance backlog of approximately \$326.6 million statewide.¹⁵ Camp Dodge deferred maintenance comprises \$105.4 million of the total, with the remainder of the State facilities requiring \$222.2 million.¹⁶ This estimate is calculated based upon what it would take to bring facilities within 90.0% of maintenance standards. The initial number does not include the cost to modernize for mission capacity, which is primarily based on the facilities required for different types of military units and the mission of each unit. Bringing Iowa DPD facilities to mission capacity would require \$423.0 million.

Unlike other State agencies, the DPD receives substantial federal support for its facilities. Funding for all National Guard facilities is determined by the U.S. Congress with input from the Army. Generally, the Iowa National Guard receives around \$12.0 million annually from this process. The National Guard also receives federal funding that matches State appropriations. Without the State match, these federal dollars would be unavailable. In the past, matching funds required from the State have been between 25.0% and 50.0%.

The DPD also receives appropriations from the RIF and General Fund. Maintenance and construction activities are supported primarily by the RIF, with appropriated General Fund dollars providing a relatively small amount of the total (1.5%).¹⁷ In FY 2017, the DPD expended a total of \$8.6 million on routine maintenance. The RIF provided \$1.1 million of the total and \$7.5 million was provided by federal sources.

Chart 10 – Appropriations from the RIF for Construction and Maintenance



¹⁵ Totals may not add due to rounding.

¹⁶ Routine maintenance expenses reported by the DPD do not match appropriations. RIF appropriations fund major maintenance and routine maintenance. Appropriations may be expended over four years, and are not restricted solely to routine maintenance.

¹⁷ Iowa Department of Public Defense, 2017 Department of Public Defense Infrastructure Report to the General Assembly (January 2017), www.legis.iowa.gov/docs/publications/DF/852407.pdf.

Agencies that Manage Routine Maintenance

Department of Corrections

The DOC is responsible for routine maintenance on 39 total facilities that comprise nearly 6.0 million square feet. These buildings include the Community-Based Corrections Districts (CBC), penitentiaries, and correctional facilities. Currently, the DOC has \$90.9 million in outstanding major maintenance requests. This includes \$80.2 million for correctional facilities on the major maintenance list, and an additional \$10.8 million for the CBCs.¹⁸

The DOC develops a budget for routine maintenance based upon past expenditures and expected projects or needs. In FY 2017, the DOC expended \$4.0 million on routine maintenance on all DOC facilities. Of the total, \$3.0 million was expended on penitentiaries and correctional facilities and \$966,000 was expended on the CBCs. For FY 2018, the DOC has budgeted \$3.8 million. **Table 2** shows facilities where the DOC is responsible for conducting routine maintenance. It displays the number of buildings, building size, routine maintenance expenditures, FY 2018 budget, and major maintenance needs reported to the DAS as of July 2017.

Table 2 – Department of Corrections – Size, Routine and Major Maintenance

			FY 2017	FY 2018	FY 2018 Q1 Major
	Facilities	Square Feet	Routine Maint.	Budget	Maintenance Requests
CBC District 5	3	177,500	\$ 283,073	\$ 225,000	\$ 2,811,338
CBC District 1	6	147,865	380,734	261,000	1,357,250
CBC District 6	2	98,051	16,959	40,000	1,179,700
CBC District 7	2	82,831	10,496	9,000	4,776,000
CBC District 2	4	56,343	93,457	104,000	370,000
CBC District 3	2	51,850	132,316	157,747	100,000
CBC District 4	5	26,688	20,595	25,000	86,000
CBC District 8	2	22,075	28,850	24,000	106,855
CBC Totals	26	663,203	\$ 966,480	\$ 845,747	\$ 10,787,143
Iowa State Penitentiary	4	1,342,772	\$ 187,250	\$ 200,000	\$ 5,510,000
Clarinda Correctional Facility	1	931,150	220,560	140,000	19,599,050
Anamosa State Penitentiary	1	712,089	548,580	652,112	11,893,000
Mount Pleasant Correctional Facility	1	580,039	150,000	150,000	11,520,360
Iowa Medical Classification Center	1	490,182	438,643	529,403	12,363,829
Iowa Correctional Institution for Women	1	413,989	422,792	420,000	76,000
Newton Correctional Facility	2	345,084	368,182	311,726	10,495,500
Fort Dodge Correctional Facility	1	324,482	497,188	404,838	6,406,050
North Central Correctional Facility	1	187,525	161,152	140,555	2,294,000
Totals	13	5,327,312	\$ 2,994,347	\$ 2,948,634	\$ 80,157,789
Grand Totals	39	5,990,515	\$ 3,960,827	\$ 3,794,381	\$ 90,944,932

Source: Department of Corrections

¹⁸ Totals may not add due to rounding.

Department of Human Services

The DHS is responsible for routine maintenance on seven facilities that exceed 3.4 million square feet throughout the State. The DHS currently has \$43.1 million in requests for major maintenance repairs. Of that total, \$11.0 million is classified as damage, \$1.6 million is ADA repairs, \$9.7 million is scheduled maintenance, \$19.1 million is efficiency, and \$1.6 million is for demolition.¹⁹

The DHS develops a budget for maintenance based upon past expenditures and known information. The DHS will estimate inflation associated with these costs using the Consumer Price Index (CPI). **Table 3** shows each facility managed by the DHS, expenses on routine maintenance in FY 2017, the budget for routine maintenance for FY 2018, and major maintenance reported in the first quarter of FY 2018. In FY 2017, the DHS expended \$1.8 million on routine maintenance across all seven facilities.

**Table 3 – Department of Human Services Facilities
Size, Routine and Major Maintenance**

	<u>Square Feet</u>	<u>FY 2017 Routine Maint.</u>	<u>FY 2018 Budget</u>	<u>FY 2018 Q1 Major Maintenance Requests</u>
Glenwood Resource Center	1,050,348	\$ 739,520	\$ 976,784	\$ 7,750,054
Woodward Resource Center	851,497	860,488	860,488	1,464,000
Independence Mental Health Institute	616,139	65,060	55,057	5,422,500
Cherokee Mental Health Institute	377,751	33,542	32,000	13,033,197
State Training School	319,480	105,540	74,500	10,647,218
Iowa Juvenile Home Toledo	138,280	0	0	0
Civil Commitment Center for Sexual Offen.	108,650	7,609	5,000	4,735,715
Total	3,462,145	\$ 1,811,759	\$ 2,003,829	\$ 43,052,684

Source: Iowa Department of Human Services

¹⁹ Totals may not add due to rounding.

Smaller Facilities

Several other State agencies also manage maintenance on facilities outside the Capitol Complex. In total, these facilities encompass approximately 1.7 million square feet, with the Iowa Veterans Home representing the largest share of space. However, not all of these agencies receive major maintenance funding from the DAS. **Table 4** displays these agencies, facility size, FY 2017 routine maintenance expenditures, and requested major maintenance. **Table 4** also shows which agencies rely on the major maintenance appropriation to the DAS.

Agencies that receive major maintenance funding from the DAS support routine maintenance activities from their operating budgets, which, based on funding source, provide differing levels of support. For instance, the Department of Public Safety (DPS) is funded primarily with General Fund dollars. These dollars compete with other priorities, such as salaries.

Other agencies manage all maintenance that occurs on owned and occupied properties. The IPERS building is owned and operated by dollars from the IPERS Trust Fund. Whereas, the Lottery Authority funds maintenance activities from fees and revenues retained by the agency.

The budgets for these facilities are also developed differently. The DPS funds projects on an as-needed basis, the Iowa Veterans Home adjusts its budget based upon inflation, and IPERS funds maintenance based upon a prior building study.

Table 4 – Agency-Managed Routine Maintenance – Smaller Facilities

	<u>Buildings</u>	<u>Square Feet</u>	<u>FY 2017 Routine Maint.</u>	<u>FY 2018 Q1 Major Maintenance Projects</u>
DAS Managed Major Maint.				
Iowa Veterans Home	1	856,000	\$ 496,000	\$ 2,170,600
Dept. Public Safety	29	161,000	240,000	407,500
Alcoholic Bev Division	1	182,000	105,000	500,000 *
IPTV	27	92,521	543,332	110,000
Law Enforcement Academy	1	47,000	163,420	2,831,850
Manage all Maintenance				
Judicial Branch Building	1	125,000	480,000	-
Department for the Blind	1	119,000	75,832	50,000
IPERS	1	46,000	130,000	-
Lottery Authority	1	40,000	116,000	-
Iowa Finance Authority	1	31,000	150,000	-

*This project was reported to the LSA, and was not reported to the DAS as of August 2017.

BUDGET IMPLICATIONS

Funding routine and major maintenance activities remains a challenge across State government. In total, building space directly under State control exceeds 58.0 million square feet. Although this *Issue Review* discusses deferred maintenance estimates by agency, these figures likely do not compare directly to each other. The DAS and the Board of Regents both provide different definitions of maintenance that influence how and when maintenance backlogs are estimated. The DOT, DPD, and DNR also look at major maintenance differently. That said, the combined totals of the major maintenance list and Regents deferred maintenance exceed \$1.0 billion. This estimate excludes facilities operated by the DNR and DOT. **Table 5** displays requests by agencies that manage more than 1.0 million square feet, maintenance needs, and the maintenance needs per square foot. On a square-foot basis, the DPD has the largest maintenance needs of the reviewed facilities.²⁰ The estimate for the Capitol Complex, which includes the parking garage square footage, is the second highest with an estimated \$67.6 in major maintenance per square foot. Excluding parking garage space, maintenance costs are \$76.9 per square foot.

The reported figures in **Table 5** may also change as agencies assess the status of other buildings. The DOT expects to develop a more complete account of building assets, and the DOC and DHS maintenance requests may also increase if buildings undergo assessments similar to the one completed by the Baker Group for the Capitol Complex.

**Table 5 – Deferred Maintenance and Major Maintenance
Agencies with Facilities Exceeding 1.0 Million Square Feet**

Agency	Size	Deferred Maintenance/ Major Maintenance	Maintenance Per Square Foot
Department of Public Defense*	4,100,000	\$ 326,618,631	\$ 79.7
Capitol Complex	2,283,353	154,351,358	67.6
Board of Regents	39,774,380	779,214,100	19.6
Department of Corrections**	5,990,515	90,594,932	15.1
Department of Human Services	3,462,145	43,052,684	12.4
Department of Transportation	4,074,402	Unknown	Unknown
Department of Natural Resources	2,771,610	Unknown	Unknown

*The DPD square footage includes some property owned by the U.S. government. Iowa is partially responsible for the maintenance of this property. Iowa owns a total of 3.1 million square feet. Square footage numbers for the DPD are rounded.

**Includes Community-Based Corrections. These buildings are not owned by the State, but are included in the overall major maintenance needs provided by the DOC.

Agencies budget for and fund routine maintenance in different ways. **Table 6** reflects routine and deferred maintenance expenditures for State facilities. A number of State agencies not on the Capitol Complex will either base a maintenance target on recent history or expend maintenance resources on an as-needed basis. The DAS has increased utility fees for occupants of the Capitol Complex to address the routine needs of the facilities. At the same time, the Board of Regents has identified the replacement value of its facilities and budgeted 0.47% of the replacement value in FY 2017 for building maintenance.

²⁰ The federal government provides the majority of funding needed by the DPD for building and facility maintenance.

The funding source of routine maintenance is varied. For a number of agencies, building maintenance is funded from General Fund appropriations that also support administration. This includes agencies on the Capitol Complex (by way of utility fees paid to the DAS), the DOC, and the DHS. Other agencies that receive significant non-General Fund appropriations include the DOT, the DPD, and the DNR. The Board of Regents provides for building maintenance through operating budgets that are supported by a number of sources including tuition, capital appropriations, and other revenues.

Table 6 – FY 2017 Reported Routine and Preventative Maintenance

	Square Feet Managed	Maintenance Expense	Routine Maintenance
Board of Regents	39,774,380	\$43,656,200	\$ 0
Department of Corrections	5,990,515	0	3,960,827
Department of Transportation	4,074,402	4,000,000	0
Department of Public Defense	4,100,000	7,474,422	0
Department of Human Services	3,462,145	0	1,811,759
Department of Natural Resources	2,771,610	8,200,000	300,000
Capitol Complex	2,136,893	0	2,451,519
Iowa Veterans Home	856,000	0	496,000
Alcoholic Bev Division	182,000	0	105,000
Department of Public Safety	161,000	0	240,000
Judicial Branch	125,000	0	480,000
Department for the Blind	119,000	0	75,832
IPTV	92,521	0	543,332
Law Enforcement Academy	47,000	0	163,420
IPERS	46,000	0	130,000
Lottery Authority	40,000	0	116,000
Iowa Finance Authority	31,000	0	150,000

Notes: Maintenance expense for the Regents, DOT, DPD, and DNR may not match the definition of routine maintenance as provided by the DAS in all instances. Square footage for the DPD includes buildings owned by the U.S. government, and maintenance expenses include federal funding. Maintenance expense listed for the DNR and DOT displays eligible funding and not actual expenditures.

This **Issue Review** assesses the status of State facilities, but does not review the suitability of each facility for the mission it is serving. Evaluating the capability of each facility is a larger project that is outside the scope of this **Issue Review**. **Attachment A** provides information on different funding mechanisms, planning methods, and maintenance classifications for infrastructure in selected states.

LSA STAFF CONTACT: Adam Broich (515.281.8223) adam.broich@legis.iowa.gov

OTHER STATES

States have adopted a number of different funding mechanisms, planning methods, and maintenance classifications to build and maintain infrastructure. In 2014, the National Association of State Budget Officers published [Capital Budgeting in the States](#), a report that tracked capital budgeting practices. The report also endorsed a number of budgeting practices that were effective and efficient means to allocate capital expenses. The report reviewed practices used in each state. The report noted that 22 states are reported as maintaining a pay-as-you-go system for capital projects. States also rely on a number of different methods to fund state infrastructure. A sampling of states and designated revenues are listed below:

- **Missouri** transfers 1.0% of net general revenue collections based on the preceding fiscal year to the Facilities Maintenance Reserve Fund that is used for maintaining, repairing, and renovating state facilities.¹
- **Montana** uses 2.6% of cigarette tax revenue and up to 12.0% of coal severance tax revenue for infrastructure projects through the Long-Range Building Program to provide Capital construction and maintenance of state-owned facilities.²
- **Nebraska** uses cigarette tax revenue and designates 7.0 cents of the 64-cent tax to deposit in the Building Renewal Allocation Fund for deferred maintenance and repair of state buildings.³
- **Indiana** uses wagering tax revenue from riverboat casinos and pari-mutuel land-based casinos and lottery revenue for state and local capital projects through the Build Indiana Fund.⁴ The allocation is similar to Iowa's RIIF in that the Build Indiana Fund and receives only a portion of the wagering taxes after several allocations are made.
- **Kansas** uses gaming revenues, property tax revenue, and motor vehicle property tax revenue to fund its various building funds, such as the Educational Building Fund and the Correctional Institutions Building Fund.⁵

Many states use different types of bonds for infrastructure improvements. Nineteen states allow General Obligation (GO)⁶ bonds only after voter approval and 38 states place statutory or constitutional limits on GO bonds.⁷ In Iowa, the State Constitution limits GO bonds to \$250,000, effectively eliminating GO bonds from consideration for projects.⁸

Revenue bonds are more widely used by state governments, including Iowa. According to a 1999 report by the National Association of State Budget Officers, 38 states indicated the use of revenue bonds in their capital budget processes.⁹ From the RIIF, Iowa is currently making annual debt payments of \$67.0 million on \$690.4 million in outstanding revenue bonds. In 2016, the Iowa Executive Council approved the refinancing of \$265.0 million in revenue bonds at an interest rate of 1.7%, a rate decrease of around 2.0% that is expected to reduce debt payments by \$3.0 million per year.

¹ Missouri Constitution, Article IV, Section 27(b).

² Montana Code Annotated, Title 17, Chapter 7, Sections 201 through 213 (2015). Coal severance taxes may be used for debt service payments on building projects if bonds have been issued for projects in the Program.

³ Nebraska Revised Statutes, Sections 77-2602 and 81-179, 2007.

⁴ Indiana Code, Sections 4-31-9-3, 4-33-13-4, and 4-30-17-2 through 4-30-17-13.

⁵ Kansas Statutes Annotated, Sections 76-6b01, 76-6b02, 76-6b04, 79-4803, and 79-5109

⁶ General obligation (GO) bonds are secured by a state or local government pledge to pay the debt service from taxes and other resources available, therefore, they are backed by the government entity's pledge of full faith and credit and taxing power. The State of Iowa does not have any outstanding GO bonds.

⁷ National Association of State Budget Officers, [Capital Budgeting in the States](#), 2014.

⁸ Iowa Const. art. VII, section 2.

⁹ National Association of State Budget Officers, [Capital Budgeting in the States](#), 2014.