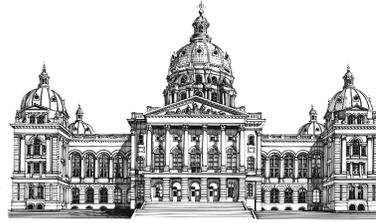

Iowa Legislative Fiscal Bureau

Dennis Prouty
(515) 281-5279
FAX 281-8451



State Capitol
Des Moines, IA 50319
August 20, 1993

Deferred Maintenance of State Facilities

ISSUE

The lack of an ongoing funding mechanism for routine maintenance results in maintenance work being deferred which eventually compounds the problem and increases the cost of repairs.

AFFECTED AGENCIES

Board of Regents
Department of Corrections
Department of Education
Department of Employment Services
Department of General Services
Department of Human Services
Department of Public Defense
Veterans Affairs
The Law Enforcement Academy

CODE AUTHORITY

Not Applicable

BACKGROUND

The State of Iowa has no funding mechanism for routine maintenance or deferred maintenance of State facilities. State budget shortages over the last several years have caused agencies to scale back budgets. Many of the resources formerly budgeted for routine facility maintenance have been redirected to agency operations to maximize service delivery, increasing the amount of deferred maintenance. The primary problem with deferring maintenance is that eventually it will compound the problem, thus increasing the cost.

In collecting information on deferred maintenance, each agency had to be contacted separately. Certain problems were encountered when collecting the information:

- Not all State agencies maintain updated records on deferred maintenance and cost estimates may be incomplete for some agencies.

- Some agencies only report deferred maintenance for which funding is requested in the Five-Year Capital Project Priority Plan. This Plan is published by the Department of Management annually and depicts capital projects the departments intend to request funding for the next 5 years. This Plan may not reflect a comprehensive compilation of a department's deferred maintenance.

The term "deferred maintenance" also includes items which may be associated with life-cycle accounting which Iowa currently does not utilize. For example, no level of maintenance can indefinitely extend the life of roofs, windows, and utility system components of buildings. Life-cycle accounting creates building depreciation funds to fund replacement of obsolete building systems including air conditioning, roofs, electrical, etc., considering the average life expectancy of these systems.

In addition to deferred maintenance, preventative maintenance should be considered. According to a study by the Department of Administration in Wisconsin and the University of Wisconsin in January 1991, for every \$1.00 spent on preventative maintenance, \$5.00 is saved on future maintenance.

STATES CHARGING AN OCCUPANT RENTAL FEE

One method states have used to reduce and eventually eliminate deferred maintenance and fund ongoing maintenance is by charging a user fee to departments housed in state owned facilities. Below is information from three states charging this fee.

- Florida - State agencies occupying facilities owned by the State are charged \$14.38 per square foot annually. The monies collected are used for debt services, security, maintenance, and administrative costs. Of the total square foot assessment, \$1.38 is set aside for capital improvements such as roof and facility system replacements. All monies collected are placed in a trust fund and cannot be spent without legislative approval.
- Georgia - The fees are used for the same purposes as Florida and range from \$9.00 to \$17.00 per square foot annually, depending on the age and condition of the building. Occupants of some facilities, including the Capitol Building and the Governor's mansion, are not charged and the expenses associated with those facilities are included in the fees of the other user departments. The program forces user departments to be accountable for the use of space.
- Tennessee - The facilities maintenance program in Tennessee began in FY 1991, with preliminary work beginning in 1989. Until the new program was put into place, the State was always struggling for maintenance funding with appropriations that were seen as "band aids". With the assistance of a professional management consulting firm, a business plan was developed which established annual fees of \$8.00 to \$12.00 per square foot of space used by an agency. The fee is based on the condition and location of the facility. The program has also promoted consolidation of various departments, primarily in rural areas, into common state facilities. This consolidation has allowed agencies to have better facilities and helped the public to identify a facility as the place where state business is conducted.

ALTERNATIVES

- Status quo - Allow agencies to apply for deferred maintenance funding in the Five-Year Capital Projects Priority Plan. This causes deferred maintenance to compete with appropriations for department operations.

- Develop a plan to reduce deferred maintenance - The plan could include assessing an annual fee per square foot sufficient to fund deferred and ongoing maintenance costs and the Department of General Services Property Management Division. The fees could be deposited into a revolving fund from which building maintenance would be funded. A provision could be added stating that all large maintenance items (i.e., those exceeding \$20,000 or \$50,000) would require legislative approval. Variations of this proposal could also be used.

BUDGET IMPACT

According to information available, the Board of Regents' Institutions comprise 60% of the total deferred maintenance costs. The Regents' Institutions are responsible for maintenance and keep accurate records of deferred maintenance. The Department of General Services has approximately 16% of the reported deferred maintenance cost. However, capitol restoration was not classified as deferred maintenance and was not included in the estimate.

While the Department of Transportation (DOT) has numerous facilities, maintenance is funded on an ongoing basis, eliminating deferred maintenance. The DOT (which is funded through the Road Use Tax Fund) has not experienced the sizable budget cuts that have been experienced by departments funded from the General Fund. This has enabled the DOT to annually budget for the needed facility maintenance.

The following table shows the dollar and percentage amounts of the estimated deferred maintenance.

State of Iowa Estimated Deferred Maintenance			
<u>Agency</u>	<u>Estimate</u>	<u>% of Total</u>	<u>Source of Estimate</u>
Board of Regents	\$ 103,931,000	59.7 %	Department Report
Corrections	13,524,082	7.8	Department Report
Education	123,500	0.1	Five-Year Program
Employment Services	255,455	0.1	Five-Year Program
General Services	27,430,072	15.7	Five-Year Program
Human Services	22,858,268	13.1	Five-Year Program
Law Enforcement Academy	795,700	0.5	Department Report
Public Defense	4,429,806	2.5	Department Report
Veterans Affairs	874,409	0.5	Five-Year Program
TOTAL	\$ 174,222,292	100 %	

STAFF CONTACT: David Reynolds (Ext. 16934) Tamara Fujinaka (Ext. 14613)