

Contact: Joan Racki

**FY 2009 CAPITAL APPROPRIATIONS REQUEST**

**Action Requested:** Consider approving a FY 2009 capital appropriations request of \$50 million to correct deferred maintenance and fire safety deficiencies at the Regent institutions.

**Executive Summary:** The Board is required by Iowa Code to submit its capital funding request for the upcoming fiscal year by October 1st. As a result of legislation enacted during the 2005 session, the Board is no longer required to submit to the General Assembly a Five-Year Capital Plan for facilities to be financed by state appropriations or Academic Building Revenue Bonds.

With enactment of the multi-year Academic Building Revenue Bonding package during the 2007 legislative session of \$131.4 million, the FY 2009 capital request includes only funding to correct deferred maintenance and fire safety deficiencies. The recommended appropriations request is \$50 million, the allocation of which would be brought forward at a later date.

**Additional Information:**

**Regent Facilities:** Quality facilities are an integral part of the academic enterprise; they help ensure quality academic programs and the ability to attract and retain faculty and students. They are needed to compete for faculty, staff and students, and improve the research productivity of the faculty.

Academic/research/administrative (general fund) facilities at the Regent institutions total approximately 17 million gross square feet of the total 34 million gross square feet of Regent enterprise facilities.

**Recent Capital Appropriations / Bonding Authorization:** Between 1995 and 2004, state financing for Regent capital projects was provided by state appropriations from the Rebuild Iowa Infrastructure Fund and Tobacco Bond Proceeds. During the 2004 and 2007 legislative sessions, the Board received authorization for the sale of Academic Building Revenue Bonds; the total authorized amount was more than \$250 million in project costs. Tuition and fee revenues are used for debt service payments on these bonds. The tuition replacement appropriation from the State replaces that revenue. This funding mechanism used by the Regent universities is unique among state entities and is authorized under Iowa Code §262A.

In addition, more than \$100 million were appropriated during the 2006 and 2007 sessions for high priority capital projects. Capital appropriations and Academic Building Revenue Bond authorization total more than \$640 million from FY 1996 – FY 2010 for the Regent enterprise.

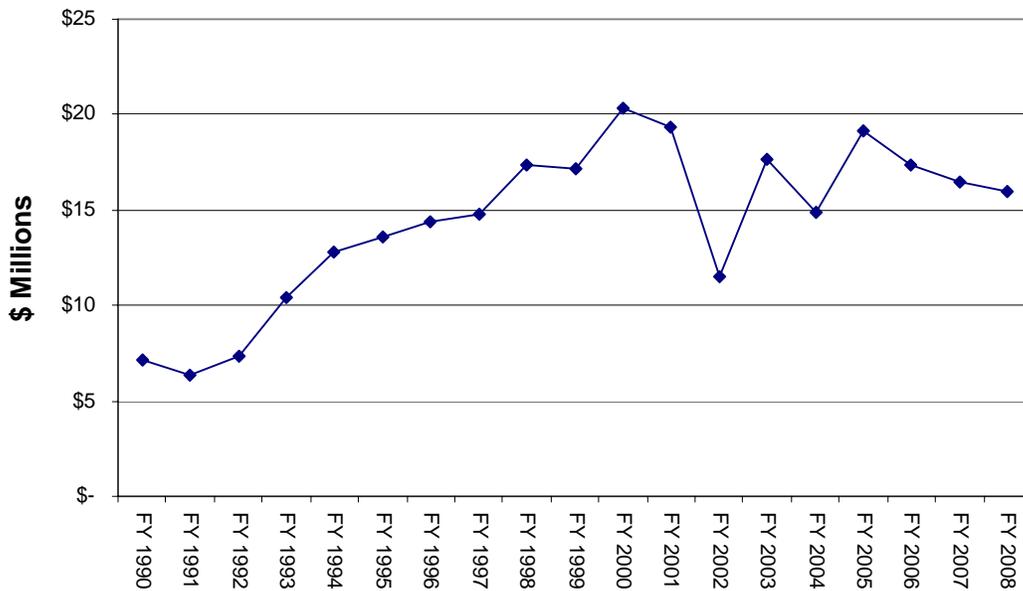
**Methods to Correct Deferred Maintenance and Fire and Environmental Safety Deficiencies:**

Deferred maintenance (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) and fire safety deficiencies (identified by the State Fire Marshal or institutional personnel) can be corrected as individual projects, incorporated into major renovations, or eliminated through the demolition of structures. The FY 2009 recommended capital request focuses on funding for individual projects to correct deferred maintenance and fire safety deficiencies.

Deferred maintenance projects that could be funded from the recommended appropriation request include roof and window replacements; exterior repairs/tuckpointing; elevator modernizations; heating, ventilating and air conditioning retrofits; and utility system upgrades, among other projects. Fire safety projects to be undertaken could include upgraded fire alarm systems, provision for second exits, and installation of sprinkler systems.

During the mid 2000's, correction of deferred maintenance and fire safety deficiencies was hampered by the reductions of operating budget building repair funds. This reduction is depicted in the graph below which shows expenditures in current dollars.

**General Operating Fund Expenditures for Building Repairs  
All Regent Institutions\*  
(current dollars)**



\*FY 2008 budgeted amount as approved by Board in August 2007

These reductions led to an increase in deferred maintenance and hindered the institutions' capabilities to correct fire and environmental safety deficiencies. The inability to make needed repairs/replacement of roofs, exterior building envelopes, windows, plumbing and electrical systems can cause further damage to the facilities, thus increasing the cost of future repairs. As part of the most recent Facilities Governance Report (February 2007), the Regent institutions reported more than \$460 million in deferred maintenance and fire safety deficiencies in general fund facilities.