

Office of the
Legislative Fiscal Analyst

Analyst Report: Education and Capital Facilities

Joint Meeting of the
Public Education and Higher Education
Appropriation Subcommittees

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Introduction

The State of Utah owns approximately 33 million square feet of buildings. More than two-thirds of that space (23 million square feet) is occupied by institutions of Higher Education. Applied Technology Centers maintain another 800,000 square feet and the Utah State Office of Education building measures just over 82,000 square feet. With such an overwhelming amount of facilities, education plays a large role in Utah’s capital budget process. This report focuses on education and capital asset management issues that are part of the planning process for FY 2000 and FY 2001. These issues include the following items:

- Deferred Maintenance Report (1999 Interim)
- ATC Facility Needs (1999 Interim)
- FY 2001 Education Requests (FY 2001 Budget Cycle)
- FY 2001 Governor’s Recommendation (FY 2001 Budget Cycle)

Higher Education and Deferred Maintenance

The following is an excerpt from the Analyst’s interim report on deferred maintenance. The full report can be found at <http://www.le.state.ut.us/lfa/reports/defmaint.pdf>.

Institutional Support for O&M

The Utah System of Higher Education is perhaps the most key player in the deferred maintenance issue. As mentioned above, Higher Education holds responsibility for nearly two-thirds of the state building inventory. The age of institutions within the USHE combined with rapid growth in students, faculty and new construction has left the colleges and universities with a significant backlog of maintenance items. Each institution maintains a physical plant staff, and each plant director meets regularly with the other directors to jointly find solutions to maintenance problems. For the last several years, these directors have expressed concern that appropriated funds for O&M have not kept pace with inflation, causing institutions to draw money away from programmatic needs to maintain the physical plant. Data developed by USHE staff confirms this claim:

| | |
|---------------------------------------|---------------------|
| FY 1988 Plant Budget (USHE) | \$44,777,359 |
| Appropriated FY 1988 -1999 | <u>30,450,080</u> |
| Calculated Budget | <u>\$75,227,439</u> |
| | |
| FY 1999 Plant Budget (Actual) | <u>\$80,230,120</u> |
| Less Calculated Budget | <u>75,227,439</u> |
| <i>Difference (Inst. Funds Spent)</i> | <i>\$5,002,681</i> |

Physical plant budgets for FY 1988 totaled nearly \$45 million. Over the last ten years, the Legislature added more than \$30 million to this fund. However, according to this USHE analysis, colleges and universities have found an additional \$5 million to enhance their physical plant budgets since 1988. A great deal of this funding comes from external research grants. Studies conducted on campus that are funded through external research grants are required to pay a proportionate share of overhead costs associated with operating a building. Regent policy requires colleges and universities to document the proportion of space a building will use for academic purposes when requesting state funding for operation and maintenance of new facilities.

*Prioritizing Needs
within the USHE*

While the USHE has been providing more funds for maintenance needs, they have not done as well at prioritizing infrastructure needs. The steam tunnel issues at Utah State University and energy problems at the University of Utah have met with incredible difficulty in climbing the priority list within the institutions and within the Regent's prioritization process. Two important steps have been taken to address infrastructure needs. The first is the use of a third party provider that will deliver new equipment to the University of Utah and use guaranteed energy savings to amortize the associated debt. This plan saved the state some \$29 million that would have been put into the project at the University. The second step involves changing the prioritization process so that infrastructure projects have a chance to compete for Regent approval to be forwarded to the Governor. The new process will enhance points for infrastructure projects that potentially could cause one or more buildings to be shut down if major repair issues are allowed to remain unresolved.

*Recommendations -
Higher Education*

1. *The USHE should make a regular report to the Legislature regarding discretionary spending on infrastructure projects.* Colleges and Universities must make infrastructure a priority. Institutions continually appear before subcommittees pleading their case for state support on infrastructure issues – so long as it doesn't interfere with their major building project. In addition, some institutions have been able to use "discretionary" funds for major purchases, especially land acquisitions. If discretionary funds are available, administrators should consider campus infrastructure needs when assigning expenditures.

This is not to say that USHE Presidents do not use discretionary funds to assist in infrastructure projects. In fact, presidents have used discretionary funds for cooling towers and paving projects. Furthermore, many "discretionary" accounts would be more accurately defined as "dedicated" accounts - accounts that must be used within a specific range of needs. A better system of reporting "discretionary" spending should ease the minds of both the Legislature and the Board of Regents.

2. *Each college and university must maintain a maintenance record that shows what has been done and what needs to be done on every building.* Each facility plant manager must make sure that the institution is conducting maintenance programs that follow the same guidelines that other plant managers in the state are following. Furthermore, each building on campus should hold the same minimal maintenance levels as required for DFCM-operated facilities.
3. *All institutions of Higher Education should work closely with DFCM to ensure that buildings are maintained properly.* Beginning this year, Higher Education will rely on DFCM for Facility Audits. The initial plan calls for assessing campuses by three or four building types (i.e., classroom, laboratory, or office). Given that USHE accounts for nearly two-thirds of all square footage, it is more desirable that all buildings undergo individual audits. This will be more time consuming, but it will lead to accurate data that can be used in the policy making process.

ATE and Facility Needs

The following is an excerpt from the Analyst's interim report on the Wasatch Front South ATC new facility proposal. The full report can be found at <http://www.le.state.ut.us/lfa/reports/wfatcrpt.pdf>.

Applied Technology Education is offered through three primary organizations in the State of Utah: individual school districts; state run applied technology centers and service regions; and eight individual colleges and universities. The configuration of service providers varies from region to region. In the Bridgerland Service Region of Cache Valley, the Utah State Office of Education is the primary provider of ATE credit through the Bridgerland Applied Technology Center. In the Southwest Region of the State, Dixie College and Southern Utah University provide about half of all ATE credit while the majority of the remaining hours are generated by the Iron and Washington County school districts. While there is no one way to organize ATE program delivery, the mission of all providers is to uphold the essential elements of applied technology education:

ATE Defined

Applied technology education (ATE) means organized educational programs or competencies which directly or indirectly prepare persons for employment, or for additional preparation leading to employment, in occupations where other than a baccalaureate or advanced degree is required for entry. These occupational categories include agriculture; business; family and consumer sciences; health science and technology; marketing; trade, technical and industrial education; and technology education. This definition includes integrated and applied academic programs or competencies. (USOE Rule R277-914-1(D): Definitions.)

*ATE is a program,
not a facility*

As the above rule notes, applied technology is an “organized educational program” – a curriculum designed to “prepare persons for employment, or for additional preparation leading to employment.” This curriculum is independent of the facility or organization that delivers the program.... It is clear that applied technology education is vital to the future of Utah. However, the Analyst believes the state should not assume that the only way to provide ATE is through a stand-alone applied technology center. Two other major metropolitan areas in the Intermountain West have addressed ATE needs from a curriculum standpoint. Both Clark County, Nevada and Phoenix, Arizona developed unique programs to address the needs of both students and adults in delivering applied technology education.

*Cooperation in
Southern Nevada*

Clark County (Las Vegas) is home to the Community College of Southern Nevada (CCSN). Public school districts entered into a partnership with CCSN to share facilities in a way that enhanced the missions of each entity. Public school districts operate a high school on three CCSN campuses, allowing students to get a jump-start on college or vocational programs. In all, 700 students attend high school on a college campus. CCSN also maintains facilities on high school campuses around the Las Vegas area. As part of its commitment to the school districts, the community college builds high tech facilities on high school campuses. The facilities include several high tech classrooms and a large computer lab that are used by the high school during the day. In the evening, both the high tech facility and the high school are used by the community college to deliver courses throughout the county.

*Cooperation in
Arizona*

In Arizona, the legislature created special taxing districts to provide applied technology training. The “Joint Technological Education Districts” (AZ ST s 15-391-396) can be formed following a needs study involving two or more districts and upon approval of voters within each district. The East Valley Institute of Technology (EVIT) is a JTE District in the Phoenix Area that overlays ten school districts and draws students from across the metropolitan area. EVIT relies on the tax base of its area to provide operating costs and bonding authority for capital development. Programs, driven by employment opportunities, range from criminal justice and fire training to the most advanced technologies in computerized animation.

The Legislative Fiscal Analyst believes that school districts, applied technology centers, the State Office of Education and the Utah System of Higher Education must ensure that all existing resources are efficiently shared before new construction is undertaken.

FY 2001 Education Facility Requests

Each year state agencies submit facility requests to the State Building Board for consideration. Both the State Board of Regents and the State Board of Education prepare prioritized lists. Due to the large amount of space occupied by the nine institutions of Higher Education, the Regents have adopted a formalized point system called the Qualification and Prioritization Process that ranks building needs based on student body size, safety and importance to the institution. The State Board of Education relies on a less formal system, but still prioritizes projects based on institutional need and overall impact on the system. The tables below show the prioritized requests of each agency.

| Public Education FY 2001 Request | | | |
|--|------------------------------------|---------------|-------------------|
| (As prioritized by the State Board of Education) | | | |
| | Item | Amount | Cumulative |
| WFSATC | New ATC | \$13,650,000 | \$13,650,000 |
| OWATC | Relocation of Maintenance Facility | \$2,000,000 | \$15,650,000 |
| UBATC | Vernal Branch Campus | \$5,250,000 | \$20,900,000 |
| UCCDHH | Addition to Center | \$1,144,200 | \$22,044,200 |
| DATC | Computer/Transportation Tech Bldg. | \$7,000,000 | \$29,044,200 |
| BATC | Advanced Technology Building | \$7,500,000 | \$36,544,200 |

| Higher Education FY 2001 Project List | | | | |
|--|------------------------|-----------------------|---------------|-------------------|
| (As prioritized by the State Board of Education) | | | | |
| Institution | Project | Q&P Points | Amount | Cumulative |
| USU | Heating Plant | 80 | \$31,000,000 | \$31,000,000 |
| Dixie | Performing Arts Center | 76 | \$16,318,832 | \$47,318,832 |
| UVSC | Classroom Additions | 73 | \$1,500,000 | \$48,818,832 |
| USU | Engineering Building | 71 | \$35,000,000 | \$83,818,832 |
| UVSC | Classroom Building | 68 | \$15,000,000 | \$98,818,832 |
| Snow | Performing Arts Bldg. | 64 | \$11,000,000 | \$109,818,832 |
| SUU | Education Bldg. Remode | 63 | \$7,100,000 | \$116,918,832 |
| SLCC | Perimeter Road/Bldgs | 63 | \$4,975,000 | \$121,893,832 |
| WSU | Chilled Water Plant | 62 | \$4,200,000 | \$126,093,832 |
| CEU | Main Bldg. Remodel | 60 | \$4,000,000 | \$130,093,832 |
| USU | Merrill Library | 59 | \$30,000,000 | \$160,093,832 |
| WSU | Davis Campus | 49 | \$35,000,000 | \$195,093,832 |
| CEU SJC | Resource Center | 49 | \$5,000,000 | \$200,093,832 |
| SLCC | Health Sciences Bldg | 44 | \$17,800,000 | \$217,893,832 |
| UofU | Fine Arts Museum | 43 | \$2,700,000 | \$220,593,832 |
| UofU | Health Sciences Bldg | 38 | \$42,000,000 | \$262,593,832 |
| Dixie | Health Sciences Bldg | 37 | \$9,000,000 | \$271,593,832 |
| WSU | Science Building | 33 | \$22,000,000 | \$293,593,832 |
| SUU | Business Building | 29 | \$6,400,000 | \$299,993,832 |
| Snow | South Classroom/Admin | 25 | \$6,996,000 | \$306,989,832 |
| UVSC | Humanities/Arts Bldg | 17 | \$17,800,000 | \$324,789,832 |

FY 2001 Building Board Recommendation

This year the Building Board developed a theme that preferred capital facility projects that would help eliminate the maintenance backlog. In their recommendation to the Governor, the Board set aside all available cash to fund capital improvements – renovation projects that cost less than \$1 million. The Board then set two top priorities to take care of critical structural needs by recommending construction of a new heating plant at Utah State University and the replacement of the Hyde Building at the state hospital. Their recommendations are listed below with education projects italicized.

| Building Board FY 2001 Capital Development Recommendations | | | |
|---|--|---------------------------------|----------------------|
| Rank | Category | State Funding Amount | Cumulative |
| 1 | Capital Improvements | \$57,000,000 | \$57,000,000 |
| | Critical Renovation/Replacement Projects | | |
| 2 | <i>Utah State University Heat Plant and Infrastructure</i> | \$30,998,000 | \$87,998,000 |
| 3 | State Hospital Rampton II Building | \$14,300,000 | \$102,298,000 |
| | Additions to Existing Buildings and/or Renovations/Replacement Projects | | |
| 4 | <i>Dixie College Fine Arts Building</i> | \$16,319,000 | \$118,617,000 |
| 5 | Youth Corrections Washington County | \$1,300,000 | \$119,917,000 |
| 6 | <i>Utah Valley State College Classroom Additions</i> | \$1,465,000 | \$121,382,000 |
| 7 | <i>Utah State University Engineering Building</i> | \$32,151,000 | \$153,533,000 |
| 8 | DNR Utah Field House of Natural History | \$7,537,000 | \$161,070,000 |
| 9 | <i>Ogden Weber ATC Maintenance Facility</i> | \$2,000,000 | \$163,070,000 |
| 10 | DNR Bear Lake Campground Expansion | \$2,195,000 | \$165,265,000 |
| 11 | <i>Weber State University Chiller Plant</i> | \$3,986,000 | \$169,251,000 |
| 12 | National Guard Vernal Armory | \$2,656,000 | \$171,907,000 |
| 13 | <i>UCCDHH Addition to Deaf Center</i> | \$1,102,000 | \$173,009,000 |
| | Business Plan and Programming | | |
| | Capitol Preservation Board Strategic Planning | \$1,500,000 | |
| | <i>CEU Main Building Renovation</i> | \$48,000 | |
| | <i>Snow College Performing Arts Building</i> | \$79,000 | |
| | Archives Building | \$40,000 | |
| | <i>Uintah Basin ATC Vernal Branch Campus</i> | \$70,000 | |
| | Planning and Programming Total | \$1,737,000 | \$174,746,000 |

The Building Board expressed strong support for the top three projects and recommended others only if additional funds became available. Although they recommended programming for several buildings, the Legislature continues to be skeptical in regard to the value of programming.

In addition to the above projects, the Building Board recommended the approval of the following projects funded with non-state funds. It is important to note that the SLCC/Jordan School District project is the kind of joint effort that the Analyst recommended during the interim. Such cooperation between agencies provides savings to the taxpayer and should foster better design in education programming.

| Building Board - Recommended Non-State Projects | | |
|--|---|---------------|
| Agency | Project | Amount |
| Board of Regents | Office Building (Non-State) | \$ 8,000,000 |
| Utah State | Edith Bowen Renovation/Expansion (Non-State) | \$ 9,989,000 |
| U of U | College of Science Math Center (Non-State) | \$ 1,814,000 |
| | Burbidge Athletics/Academics Bldg (Non-State) | \$ 2,400,000 |
| | Bookstore Expansion (Non-State) | \$ 500,000 |
| | Health Sciences/Basic Sciences Bldg (Non-State) | \$ 27,990,000 |
| SLCC | Jordan School District ATC (Non-State) | N/A |
| Weber State | Stadium Expansion (Non-State) | \$ 4,200,000 |
| UVSC | Baseball Stadium (Non-State) | \$ 750,000 |

*Concern with
Donated Property*

Donated buildings are not entirely free. Once the State owns a building, it must maintain it. While it may be difficult to turn down donated facilities, sometimes it may be more prudent to focus on maintaining what the State already has before anything is added to the inventory.

FY 2001 Governor’s Recommendation

With the exception of Transportation projects and non-state funded buildings, the governor did not recommend any new capital development this year. The governor’s request asked only for the statutory minimum on capital improvements (\$36,753,000), stripped approximately \$25 million out of the base budget for capital facilities, and recommended that the state forego bonding for new facilities.

In speaking to the Board of Regents, the Governor said that he believed that this year’s list of development projects could withstand a one-year delay in funding. He did offer a list of projects that he would support “if the Legislature chose to bond for them.” The list included the Utah State Heat Plant, Dixie College’s Performing Arts Building and classrooms at UVSC.

FY 2001: Analyst Recommendations and Committee Action

The Analyst’s full recommendation for capital development will be made to the Capital Facilities committee on February 4. The Executive Appropriation Committee approved full funding for the base budget, leaving \$25 million for the Capital Facilities Committee to prioritize and allocate. Throughout its first meeting, the Capital Facilities Committee expressed concern that the central heating plant at Utah State University could not last much longer and should be replaced as soon as possible. Support has also been expressed for enhancing the level of capital improvements to begin to chip away at the \$400 million maintenance backlog. This likely means new construction projects for education will not be approved at the same level some institutions may be accustomed to. Nevertheless funds will still flow to campuses to fund major repairs of aging buildings. For the last five years, education agencies received more than 50 percent of funds for capital improvements.

| Capital Improvement Expenditures | | | | | |
|---|-------------------------|-------------------------|---------------------------|------------------------|--------------|
| | Higher Education | Public Education | General Government | Law Enforcement | Total |
| FY 2000 | 15,842,300 | 1,687,800 | 13,044,100 | 2,983,800 | 33,558,000 |
| <i>FY 00 %</i> | 47% | 5% | 39% | 9% | |
| FY 1999 | 17,231,543 | 2,638,435 | 9,565,535 | 3,037,937 | 32,473,450 |
| <i>FY 99 %</i> | 53% | 8% | 29% | 9% | |
| FY 1998 | 13,235,366 | 2,938,200 | 14,197,632 | 1,681,900 | 32,053,098 |
| <i>FY 98 %</i> | 41% | 9% | 44% | 5% | |
| FY 1997 | 12,667,800 | 1,969,200 | 12,171,500 | 2,333,100 | 29,141,600 |
| <i>FY 97 %</i> | 43% | 7% | 42% | 8% | |
| FY 1996 | 9,059,350 | 1,069,900 | 6,431,550 | 1,963,800 | 18,524,600 |
| <i>FY 96 %</i> | 49% | 6% | 35% | 11% | |
| FY 1995 | 5,605,100 | 555,000 | 7,678,100 | 1,465,000 | 15,303,200 |
| <i>FY 95 %</i> | 37% | 4% | 50% | 10% | |
| FY 1994 | 4,536,600 | 635,700 | 7,270,200 | 1,894,400 | 14,336,900 |
| <i>FY 94 %</i> | 32% | 4% | 51% | 13% | |
| Average FY 94-00 | 43% | 6% | 41% | 9% | |
| Average FY 96-00 | 47% | 7% | 38% | 8% | |

1994-1997: Law enforcement category includes Courts, Corrections and Public Safety.
 1998-2000: Law enforcement category includes above plus Youth Corrections.

Conclusion: Maintenance is the Message

The State carries a \$400 million burden on its State buildings. The maintenance backlog is not the result of neglect, but rather of age. College campuses have buildings that are nearly 100 years old and need serious repair. Many other agencies occupy facilities that are nearing the end of their useful life. The Legislature is committed to “taking care of what we have”, which means that new construction will not continue at the pace of the early 1990s. Since Education, especially Higher Education, is responsible for the majority of state-owned space, the Board of Regents and the State Board of Education will be integral components in developing long term space need and utilization plans.

The Analyst suggests the following policies to guide planning for future space needs:

Recommendation One:

The Legislative Fiscal Analyst believes that school districts, applied technology centers, the State Office of Education and the Utah System of Higher Education must ensure that all existing resources are efficiently shared before new construction is undertaken.

Recommendation Two

The State Board of Regents and the State Board of Education must focus on maintaining current facilities before adding to the building inventory. Priority should be given to development projects that solve major maintenance or infrastructure needs.