

**HIGHER EDUCATION  
FACILITIES  
PRESERVATION  
STUDY**

**INTERIM REPORT**

**REPORT DIGEST**

SEPTEMBER 18, 2002



STATE OF WASHINGTON

JOINT LEGISLATIVE AUDIT  
AND REVIEW COMMITTEE

**STUDY TEAM**

Karl Herzog  
Larry Brubaker  
Stephanie Hoffman

**LEGISLATIVE AUDITOR**

Tom Sykes

Copies of Final reports and Digests  
are available on the JLARC website  
at:

<http://jlarc.leg.wa.gov>

or contact

Joint Legislative Audit & Review  
Committee  
506 16<sup>th</sup> Avenue SE  
Olympia, WA 98501-2323  
(360) 786-5171  
(360) 786-5180 FAX

## OVERVIEW

Washington's public higher education institutions manage over two-thirds of all state facilities—totaling over 52 million square feet. Currently, policy makers have little information about the conditions, maintenance levels, and repair backlogs at these higher education facilities. Nor do they have operating and capital budget information related to facility preservation, or how these expenditures might relate to the condition of facilities.

The 2001 Legislature mandated this study in order to understand the condition of public higher education facilities and to estimate maintenance and repair backlogs. This JLARC interim report also evaluates connections between the state's operating and capital budget practices and higher education facility stewardship. Further analysis and study recommendations will be included in JLARC's December 2002 Report.

## FACILITY PRESERVATION EXPENDITURES ANALYSIS

Ongoing investment in a variety of maintenance and repair projects can ensure that public higher education building assets are preserved, that health, safety, education, and research needs are met, and that facility life-cycle costs are minimized. Higher education institutions fund such projects in both their operating and capital budgets.

- **Operating budgets** generally pay for ongoing and preventive maintenance activities, as well as small repairs. The Legislature does not appropriate the majority of higher education operating budgets. Higher education institutions have a great deal of discretion over how they spend their operating budgets.
- **Capital budgets** usually pay for major repairs, building system replacements (e.g., roofs), and renovations, as well as new construction and land acquisition. The Legislature exercises detailed control over the disbursement of state capital budget dollars.
- Preventive maintenance must compete with all other institutional priorities for resources from operating budgets. When preventive maintenance funding is insufficient in institutions' operating budgets, the state capital budget becomes an increasing source for repair, replacement, and renovation projects.
- Over the last decade, the percentage of total operating and capital budget facility maintenance and repair expenditures funded by the **capital budget** has increased from 56 percent in 1992 to 65 percent in 2001.

- JLARC compared operating and capital budget expenditures for facility maintenance and repairs with external benchmarks for such expenditures. Washington's higher education institutions spend close to, or above, the benchmark average for such **capital** budget expenditures. Only the University of Washington meets or exceeds JLARC's benchmarks for **operating** budget facility maintenance expenditures.
- Thus, Washington's budget structure may create unintended incentives for institutions to underfund facility maintenance in their operating budgets, increasing pressure on the largely state-appropriated and funded capital budget.

## COMPARABLE FRAMEWORK ANALYSIS

JLARC and its consultants collected and assembled existing data to get more accurate inventories of higher education buildings, gauge the relative condition of buildings, and estimate the magnitude of preservation backlogs across institutions on a comparable basis. This collaborative effort with higher education institutions produced a wealth of information for now, and set the basis for updates to this Comparable Framework in the future. Highlights include:

- Washington's public higher education institution facilities cover 52 million square feet of space. This is 9 million square feet greater than previous estimates.
- Institutions rely on State Capital Budget funding for over 75 percent of their buildings.
- The average age of higher education buildings is 36 years. Over half of all buildings are older than 30 years.
- Most buildings are used for teaching and study purposes.
- The estimated replacement value of all public higher education buildings is **\$11.5 billion**.
- **More than half of all higher education building space is in superior or adequate condition.**
- The estimated preservation backlog for all institutions totals **\$1.3 billion**.
- The estimated preservation backlog for those buildings in the worst condition totals **\$430 million**.

## CONCLUSION

JLARC's Interim Report concludes that ongoing, central collection of facility inventory, condition, preservation backlog, and expenditure data would improve the visibility and accountability of higher education building preservation. Accountability and oversight responsibilities of the Legislature, the Office of Financial Management, the Higher Education Coordinating Board, and the State Board for Community and Technical Colleges would be enhanced with the ready availability of such data.

## NEXT STEPS

This Interim Report analyzes Facility Preservation Expenditures and provides an introduction to the Comparable Framework. JLARC's December Report will introduce more detailed results from the Comparable Framework analysis. That Report will also examine relationships between the amount of money spent on facility preservation and the relative condition of facilities across institutions. It will also include an analysis of major building renovation projects proposed in higher education institutions' 2003-05 capital budget requests.