

**HIGHER EDUCATION  
FACILITIES  
PRESERVATION STUDY**

**REPORT 03-1**

**REPORT DIGEST**

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STATE OF WASHINGTON

JOINT LEGISLATIVE AUDIT AND  
REVIEW COMMITTEE

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## OVERVIEW

Washington's public higher education institutions manage over two-thirds of all state facilities—over **2,400 buildings totaling 52 million square feet of space and valued at \$11.5 billion**. Ongoing investment in facilities preservation and modernization activities and projects, through both capital and operating budgets, and appropriated and non-appropriated funds, is necessary to realize the public's full benefit from these significant assets. Investment in facility preservation and modernization occurs through partnerships between individual institutions and the state. However, the Legislature and Governor have not had complete information about facility inventories, conditions, operating and capital investments, and preservation and modernization backlogs across institutions.

The 2001 Legislature mandated this JLARC study in order to understand public higher education facility preservation, or the maintenance and repair of facilities to support their current use. Modernization projects (upgrading or replacing obsolete building systems) and major renovation projects were not directly examined as part of this study.

To understand preservation, basic data was assembled on facility inventories, conditions, expenditures, and backlogs. JLARC also examined how preservation data could be collected and assembled to provide ongoing information for monitoring, budgeting and accountability purposes, and understand whether the state's funding practices can foster prudent levels of ongoing facility preservation. JLARC worked extensively with institutions to collect and assemble the data needed to answer these questions.

## COMPARABLE FRAMEWORK

JLARC, along with its consultants and higher education institutions, developed a **Comparable Framework** to collect and assemble institution-produced facilities 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 has produced new information in the following areas:

- Comprehensive higher education building inventories
- Estimates of current replacement values (CRVs), an important basis for understanding preservation backlogs
- Comparable, field-tested condition ratings of larger state-supported buildings, categorizing each building into one of five standard condition categories across institutions
- Estimates of preservation backlogs for all institutions
- Development of several performance measures to track facility conditions and preservation backlogs over time

## CONDITIONS AND BACKLOGS

JLARC's analysis of gathered data indicates that **most higher education buildings are currently in good condition**. However, across institutions, estimated preservation backlogs currently total approximately **\$1.3 billion**, and are likely to grow as buildings age over time.

## PRESERVATION EXPENDITURES

Ongoing investment in a variety of preservation projects and activities can ensure that public higher education building assets are preserved, that health, safety, education, and research demands are addressed, and that facility life-cycle costs are minimized. Higher education institutions fund such projects in both their operating and capital budgets, relying on both appropriated and non-appropriated funds. **State budget practices, however, may create an unintended incentive for institutions to underfund operating budget preservation projects and activities at desired levels, particularly during times of budget shortfalls.** The information JLARC was able to collect for this study indicates that institutional operating expenditures for facility maintenance appear to have grown more slowly than overall operating expenditures and fall below nationally-derived benchmarks. The data also suggest that those individual institutions that do spend more on preservation activities and projects have facilities that are generally in better condition with smaller preservation backlogs. Additional tracking of conditions and expenditures over time, and tailoring of benchmarks to Washington institutions, could lend refinement to this analysis.

## CONCLUSIONS AND RECOMMENDATIONS

Given the value of the assets involved, sustaining a state-led effort to track facility conditions and preservation expenditures over time could improve visibility and accountability with respect to higher education facilities preservation. In addition, because the state's existing budget practices may not ensure prudent levels of preservation investment by institutions, the Legislature should consider coupling any funding provided for backlog reduction to policy and budgeting reforms that 1) provide incentives for institutions to fund preservation at some agreed upon minimum threshold levels, and 2) specify how facility preservation costs should be distributed between appropriated and non-appropriated funds.

Summary of Recommendation 1: The Legislature should designate an agency to sustain and expand the Comparable Framework to assemble information needed to support facilities-related budget and policy development for the 2005-07 and 2007-09 Biennia.

Summary of Recommendation 2: The Office of Financial Management, in consultation with legislative fiscal committees and higher education institutions, should develop minimum thresholds for higher education operating and capital budget facility preservation expenditures, and procedures for consistent reporting of preservation expenditures to the state.

Summary of Recommendation 3: The Office of Financial Management should develop operating and capital budget funding policies governing the distribution of higher education facility preservation costs between appropriated and non-appropriated funds, and restricting the use of state general fund resources to subsidize facility costs that should be paid from non-general fund sources.

Summary of Recommendation 4: The Legislature should consider examining options for a centrally-administered higher education preservation backlog reduction funding process within the capital budget that creates incentives for institutions to improve and sustain their facility preservation efforts.

### **Joint Legislative Audit and Review Committee Addendum**

*The Joint Legislative Audit and Review Committee approved this addendum to the final report at its January 8, 2003 meeting.*

The Joint Legislative Audit and Review Committee recognizes the recommendations within the Higher Education Facilities Preservation Study as appropriate interim steps to correct the acute facilities preservation issues analyzed in the report. However, the Committee also expresses a concern that sustaining these recommendations over time will require more complete reform of higher education budget, performance, and accountability systems. The Committee suggests that the Legislature and Governor consider examining other potential changes to higher education budgeting and management systems, as well as the legislative processes used to evaluate the performance of higher educational institutions, to foster improved management of institutions' complete financial performance, including but not limited to, facilities preservation and stewardship.