

Wisconsin's Humpty Dumpty: How New Funding Can Put Our Infrastructure Back Together Again



Executive Summary

The State of Wisconsin is facing difficult investment decisions in its biennial budget. Governor Walker's capital budget invests \$769 million less in building projects than the 2013-15 capital budget. These projects are crucial to keep our universities, park systems and dams at safe, functional levels. Funding for these types of facilities is primarily through state bonding. Without resources, renovations that save money in the long term will not be completed and our state's economy will be negatively affected through less tourism dollars, declining job growth and economic development, and the inability to attract the best and the brightest to our universities. Revenue increases are also important to address backlog maintenance needs that will cost four times more to fix later. It is important that adequate, sustainable and equitable bonding authority and revenues are provided in the 2015-17 Biennial Budget to avoid cost overruns, project delays and the depreciation of our state facilities.

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Adequate Funding Promotes Safety and Addresses Critical Needs

Sustainable Funding Allows for Cost-Effective Planning and Future Saving

Equitable Funding Benefits All Wisconsinites

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Introduction

Wisconsin's Department of Administration (DOA) is responsible for a wide variety of structures and facilities in our state. While most people associate the agency with just University of Wisconsin (UW) buildings and other state agency buildings, DOA also manages corrections buildings, Department of Transportation (DOT) administrative facilities, dams and other structures. Because of the variety of work done by DOA, funding is important so these various services can continue to widely serve citizens. However, the governor's capital budget decreases bonding authority by over \$769 million as compared to the 2013-15 budget. ([2015-17 Governor's Recommendations Capital Budget](#)) Stagnation here threatens the quality of our educational facilities, tourism in our state parks and the safety of our residents. An adequate budget should allocate funding to these various needs so that the system does not degrade. This budget should also recognize long-term plans for improvement and renovation of the system while attending to the needs of all of the sectors in which DOA is involved.

Adequate Funding Promotes Safety and Addresses Critical Needs

Wisconsin is falling behind on maintenance and renovations of its state-owned buildings. Many of these buildings are nearing or are past the end of their projected lifecycles or are working at a capacity for which they were not designed. For example, many residence halls on UW campuses were built decades

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ago and are outdated compared to other universities in neighboring states. This risks our higher education system falling behind because top-flight talent is going elsewhere. Beyond amenities for students, many academic facilities face routine maintenance backlogs. UW Parkside's Wyllie Hall is a central building on campus that has state-of-the-art-facilities for administration and students. Yet it highlights the problem of insufficient funding and inattention to the hidden infrastructure of campuses. It experiences a sewage backup every two months. Such a situation can be a severe public health risk and inhibits UW Parkside's ability to fully utilize one of its essential buildings. ([Wyllie Hall Meeting Minutes, 2014](#)) Significant investments are needed for past due updates and to maintain the systems that are still functioning.



State Regulated

Dams

940

High Hazard Dams

188



Without adequate funding, our state's natural resources infrastructure is also at risk. According to the [American Society of Civil Engineers](#), the state regulates more than 940 dams across Wisconsin and 188 of those are considered high hazard. While these dams are no longer integral to our power generation or industries, they still serve a dual purpose of protecting downstream residents and providing tourism revenue. Dams control the flow of water so that flooding can be mitigated during heavy rainfalls by storing some behind the dam and releasing it in controlled outflows. Dams that do not receive adequate maintenance are at risk of failing when performing these essential duties.

In a failure, the dam would release water in a catastrophic manner, significantly endangering residents, businesses and the environment. Cleaning up from a dam failure would almost certainly cost more than preventative routine maintenance. Even in a world where dams do not outright fail, not caring for them could force DOA to remove these dams which would severely impact tourism. A notable example is the Little Falls Dam in Willow River State Park in St. Croix County.



This dam creates the 170-acre Little Falls Lake which is a significant tourism draw for the park and the region. Tourism in the county increased 8.5 percent to \$87 million in 2013 providing major economic benefits. ([“Wisconsin Tourism was Good Business in 2013”, 2014](#)) It is also the highest hazard state-owned dam because 14 residences would be flooded if the dam failed. Additionally, two of the four gates on the dam are inoperable and there is significant seepage in the dam’s foundation. (Wisconsin Department of Natural Resources, 2015) This one example demonstrates the risks and rewards that come with adequately funding our state’s dams.

Funding for DOA’s projects is not adequate in the governor’s budget. The budget opted to exclude any new bonding. Instead, existing bonding authority is used. ([Governor Walker’s Proposed Budget, 2015](#)) In addition to not looking at the critical needs of the system overall, from dams to prisons, DOA is unable to react to unforeseen issues without bonding authority. Previously, if the sewage system at UW-Parkside failed, DOA could defer some of its other major projects and use deferred bonding authority to quickly fix a major maintenance issue. Without that funding, reaction by the agency is limited to asking for emergency funds from the legislature. Adequate funding in the form of bonding authority allows the department to continue addressing its current maintenance needs while also looking forward to new capital improvement projects.

Sustainable Funding Allows for Cost-Effective Planning and Future Savings

A sustainable budget creates an environment in which agencies and the legislature can effectively plan project schedules because funding is provided. For capital projects, these challenges are compounded by the need to deliver budgets and project schedules that look beyond the two-year budget cycle. UW System creates plans that look at what facilities will need to be constructed or modernized six years from now and other departments operate under similar constraints. ([UW System Capital Plan, 2015](#)) These plans are required to efficiently make use of limited resources and deliver greater savings to taxpayers than if these plans were not followed. A sustainable DOA capital budget necessitates looking at long-term plans and providing appropriate funding during this biennial budget. Insufficient bonding in the proposed capital budget, as is currently proposed, would upset these carefully laid plans and inject chaos into the process resulting in inadequate facilities, wasted staff time and cost overruns that negatively impact taxpayers.

Insufficient bonding upsets plans and results in inadequate facilities, wasted staff time and cost overruns that negatively impact taxpayers.

Sustainable funding sets out a path and allows DOA and its partners to plan effectively. Through planning, the impact of bonding on future revenue can be minimized. Currently, Wisconsin is at a point where it can take advantage of low interest rates on bonds so that future debt repayments will be lower than in a high-interest environment. Bonding is the traditional way to pay for vertical construction projects through DOA. Because residence halls

and state facilities are designed to last a long time (up to 70 years in some cases) before needing renovation or replacement, any bonding for those buildings will be paid off during the expected lifecycle of those buildings. Similarly, because these projects are extensive and may require multiple budget cycles until completion, using revenue instead of bonding runs the risk that future revenues will not be able to bring the projects to completion. DOA has skilled staff that works to ensure that any bonding is done responsibly and prioritizes projects based on need but requires bonding authority to do its job. Adequate bonding will not place an undue burden on the state if done responsibly through the recommendations of DOA.

Bonding is the traditional way to pay for vertical construction projects.

However, bonding doesn't make fiscal sense for every item within DOA's budget. Routine maintenance is best performed through revenue because those upgrades are short-term. In those situations, borrowing becomes inefficient as costs pile up from needing to bond multiple times for maintenance on the same items or from above market interest rates created by shorter bond terms. Routine projects are important for the sustainability of the state's current assets. Without regular maintenance, the overall lifespan of the facility is shortened as capacity shrinks because of things like leaking pipes or faulty roofing. These issues can be costly if left unattended. In general, each dollar saved now on deferred maintenance will cost taxpayers four dollars in major capital maintenance later. (["Before the Roof Caves In", 1982](#)) Such cost

Each dollar saved now on deferred maintenance will cost taxpayers four dollars in the future.

trade-offs are clearly not sustainable for the state's budget or for the agencies that will be working in decaying buildings. Without new bonding authority or revenue increases in the current budget, Wisconsin will be paying more in two years to address maintenance that should have been taken care of this budget cycle.

A sustainable budget allows for lower operating costs. Older systems are harder to keep functional which results in more labor hours spent on the same failing pipes or roof leaks. ([UW System Capital Plan, 2015](#)) Significant cost savings can be found by modernizing buildings through renovations or by designing new facilities. These savings can come from a wide variety of places: staff labor savings from consolidated designs that allow staff to work more effectively, reduced maintenance costs on failing systems, etc. Newly designed buildings are more energy efficient than ones designed in the 1970s which creates significant cost savings. For example, the DOT Hill Farms facility, originally built in 1964, was designated to be rebuilt in the 2013-15 budget. A new building was deemed to be more effective than renovations because the old building would need \$34 million in backlog maintenance just in the next few years and savings would be accrued through new mechanical systems and layout design. ([Hill Farms Project Proposal, 2013](#))

A Sustainable Budget Offers Potential for Reduced Operating Costs



Originally Built in 1964

New Building Enumerated in 2013

<p>Critical Maintenance Cost: \$9 Million Renovation Cost: \$142 Million</p>		<p>Total Cost \$196 Million</p>
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<p>Extremely Energy Inefficient</p>		<p>Increased Energy Efficiencies</p>
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<p>Old Design, Lost Worker Productivity</p>		<p>Increased Productivity from Effective Plans Designed to House Multiple Agencies</p>
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The facility will save money and provide the flexibility to adapt to future needs, virtues that are contained within new designs. Thus, in addition to saving money by not deferring maintenance, these projects can be designed to start paying for themselves through substantial efficiencies, resulting in greater sustainability for the system and lower costs on the budget in the future.

Equitable Funding Benefits All Wisconsinites

Understandably, there is concern attached to new bonding because of the future costs it imposes on the system. As highlighted above, the impact of these debt repayments will be minimized due to low interest rates. But the most important thing is that in the context of the DOA's capital projects budget, only existing bonding authority was utilized in the governor's budget. As demonstrated above, these funds are not adequate nor sustainable. The state's vertical infrastructure is at great risk. Not addressing the needs of correctional facilities, state agency office buildings, dams and other buildings exposes these investments to infrastructure failure and greater future costs. ([American Society of Civil Engineers Report Card, 2013](#)) Proposed projects that are not funded during this biennium will still be needed in the next biennium and projects proposed for the next biennium will be delayed by the backlog built up during this term. For example, the UW alone would need to push back over \$927 million in projects into proposed biennium budgets for 2017-19 and 2019-21 that have already been forecasted. ([UW System Capital Plan, 2015](#))



Not addressing the needs of Wisconsin's vertical infrastructure exposes these investments to giant risks and greater future costs.



Extensive planning by DOA allows resources to equitably allocated depending on the severity of the project, but DOA needs adequate funds to do its work. Because the state owns so many different facilities across Wisconsin, all of which are in disparate plac-

es in their lifespans, priorities will necessarily be at the discretion of DOA as they work closely with those facilities. However, a truly equitable budget would pay attention to all of the different areas that DOA covers so that citizens can benefit from new facilities at in their parks throughout the state and students can take advantage of top-flight state university facilities. Budgeting funds for its capital projects helps Wisconsin residents across different areas and demographics.

Conclusion

DOA's capital projects require a budget that is adequate, sustainable and equitable. Deferring investment in our capital infrastructure will cause higher costs in the future and could put Wisconsin residents at risk as they use facilities that are not safe. The current capital budget does not address these needs. Bonding is the traditional and accepted way to provide funds for major capital projects that have long lifespans. For routine fixes revenue must be allocated through general state revenues. Upgrades and repairs made now can save four times the money that would need to be spent for those same systems in the future. Sustainable bonding combined with revenue provisions for routine maintenance will save the state money in the long term as projects become safer, more energy efficient and smart designs allow for greater staff effectiveness in their duties. The expert work done by DOA in conjunction with professional engineers ensures funds are allocated equitably to the multiple priorities faced by state agencies. Providing DOA with adequate bonding and increased revenue will make a significant impact for the betterment of Wisconsin.

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