

## 2005 - Survey of the States Report

6-5-2008

### Survey of the States Summary and Update of 2005 Report

*In 2005 DAS conducted a survey of states report that focused on major maintenance, routine maintenance and insurance. The result was a comprehensive report that illustrated exactly how other states deal with insurance issues as well as how they fund major/deferred maintenance and routine maintenance. The report offers several recommendations on these three key areas that may help DAS with future projects.*

1) At the same time the Committee was established, appropriations were provided to conduct a vertical infrastructure assessment. The assessment, including recent updates, shows property overseen by the Department of Administrative Services. This property:

- is approximately 20% of the state's infrastructure,
- comprises 11.5 million square feet, and
- has a current replacement value of \$2 billion.

2) Issue: The current amount of deferred maintenance presently stands at \$462 million. Annual appropriations for major maintenance since the formation of the Vertical Infrastructure Advisory Committee have been:

|         |                 |
|---------|-----------------|
| FY2001: | \$10.5 million  |
| FY2002: | \$11.5 million  |
| FY2003: | \$15.75 million |
| FY2004: | \$11.5 million  |
| FY2005: | \$4.3 million   |
| FY2006: | \$8.915 million |
| FY2007  | \$10 million    |
| FY2008  | \$40 million    |
| FY2009  | \$15 million    |

3) Issue: Increases in routine maintenance up to a certain point will prevent additional accumulation of deferred maintenance. While the law requires agencies to request routine maintenance funding equal to 1% of replacement costs, actual appropriations have been:

|         |                 |
|---------|-----------------|
| FY2001: | \$2 million     |
| FY2002: | \$2 million     |
| FY2003: | \$2 million     |
| FY2004: | \$1.664 million |
| FY2005: | \$2 million     |
| FY2006  | \$2 million     |
| FY2007  | \$2.536 million |
| FY2008  | \$5 million     |

## 2005 - Survey of the States Report

6-5-2008

FY2009      \$3 million

\$2 million represents 0.1% (one-tenth of a percent) of the \$2 billion replacement value of facilities overseen by the department. In FY2006, the amount remains at \$2 million.

4) Issue: Recent damage in the Capitol Building has caused some to consider whether we are fully prepared to handle the risk associated with the state infrastructure.

*This issue does address a problem that the State of Iowa needs to consider; are we fully covered by builders insurance or does the policy need to change?*

Other things to consider: Respondents from other states were asked about their source of funding for routine and preventive maintenance and the basis for any prescribed or targeted budget amounts. Their funding comes from both appropriations and facility occupancy or usage fees. A trust fund may be established for routine maintenance with appropriations made from the fund. One state uses an index to determine maintenance needs. Another state has done some benchmark comparisons to determine the reasonableness of expenditure levels.

*Should the VIAC consider doing something similar or perhaps engaging the legislature in a discussion over whether or not routine and preventative maintenance can be funded in initial appropriations on new buildings? This is something to consider with the new office buildings.*

DAS asked whether the state carried property insurance for its facilities, the type of insurance carried, and the source of funding for uncovered losses. Three of the respondents have established a self-insurance fund and five have purchased some commercial insurance which may be used to limit the liability of the self-insurance fund. Some charge building occupants for the insurance premiums and in some states uncovered losses are the responsibility of the occupant agency.

*This is something else that DAS needs to consider. Currently the State is Self-Insured, but other states may purchase some commercial insurance which may be used to limit the liability of the self-insurance fund. Should DAS do this as well?*

*There are several recommendations the report offers:*

The Department of Administrative Services, with assistance from the Vertical Infrastructure Advisory Committee and cooperating agencies, will consider the following possible recommendations for reducing the backlog of deferred maintenance and improving the condition of facilities statewide.

### **Insurance (See survey responses from states)**

- Explore the costs and benefits of a self-insurance fund for state property with deductibles and maximums.
- Determine the costs and benefits of purchasing catastrophic insurance to cover losses in excess of the amount that the self-insurance fund could afford to handle.

## 2005 - Survey of the States Report

6-5-2008

### **Routine/Preventive Maintenance**

- Provide policies and standards for maintenance of state facilities. (Maintenance Manual)
  - Establish accountability for the condition of the state's buildings and how the buildings are maintained.
  - Establish a standard condition level for state-owned facilities and require agencies and institutions to develop a program to achieve this level.
  - Establish the capacity to develop routine building preventive maintenance schedules for distribution to agencies.
- Establish a reserve fund for continuous maintenance.

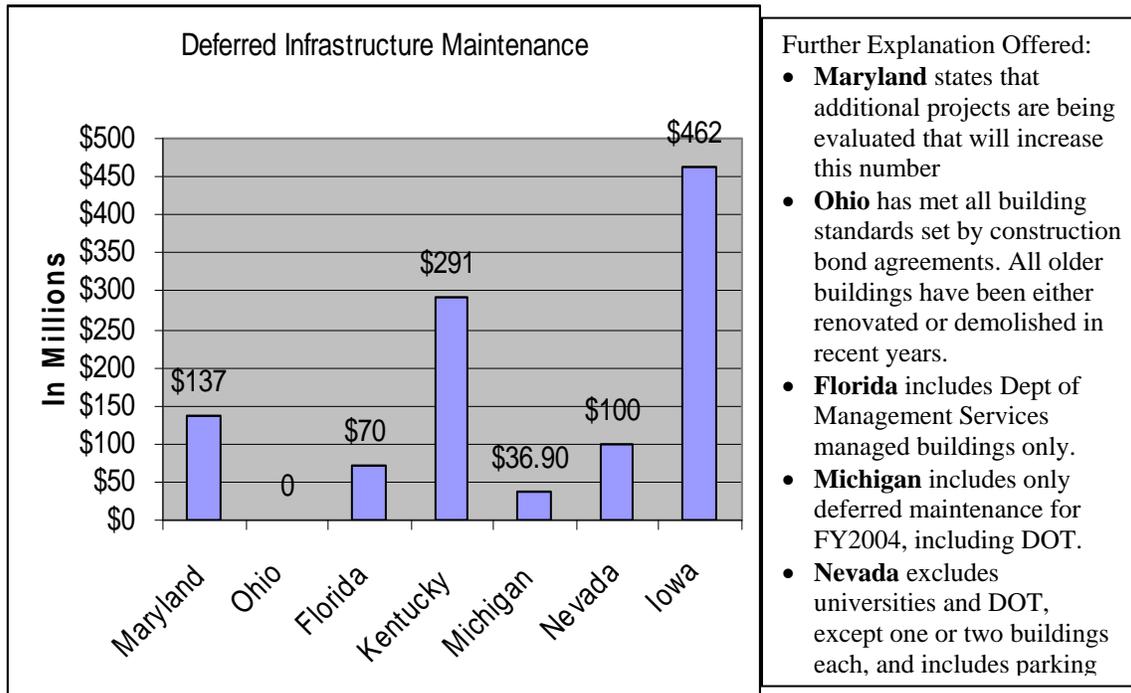
### **Major/Deferred Maintenance**

- Establish a regular review schedule to reassess each building, such as every three years or five years.
  - Work with agencies and institutions on an annual basis to document changes to the condition of the infrastructure for which they are responsible and include reported changes in the vertical infrastructure database.
  - Keep vertical infrastructure inventory up-to-date regarding all structures and their components and their current physical condition.
  - Perform a comprehensive review of the dollar amount of each facility's deferred maintenance backlog.
- Ensure that a full life cycle analysis is utilized for each new capital project or major renovation throughout the planning and construction process. Consider (or update) total life cycle costs of a building for making ongoing maintenance decisions. (See Iowa Code chapter 470).
- Accumulate long-term funding for capital renewal activities by relating the funding to financing instruments used to fund capital improvements, renovations, or new building construction. (See results from other states)
- Establish capital improvement reserve funds based on a percentage (1-2%) of the replacement cost of a new building or major renovation. Some states (Nebraska, Utah, Kentucky) require by law that a percentage be set aside on an annual basis to fund the maintenance of their facilities.
- Assist agencies that operate facilities to establish a master plan so as to utilize the reserve funding for capital renewal projects in a manner that takes into account the entire facility and whether each individual project is cost effective given the overall condition, age, and functionality of the building.
  - Provide policies and standards for construction/renovation of state facilities. (Construction Manual)
  - Analyze the benefits of replacing old buildings with newer, more efficient buildings rather than allowing older, unsafe buildings to stand.
  - Utilize a facility condition index (FCI), which is the ratio of the cost of the deferred maintenance backlog compared to the current replacement value. It provides a comparative indicator of the relative condition of facilities and can provide a corresponding rule of thumb for the annual reinvestment

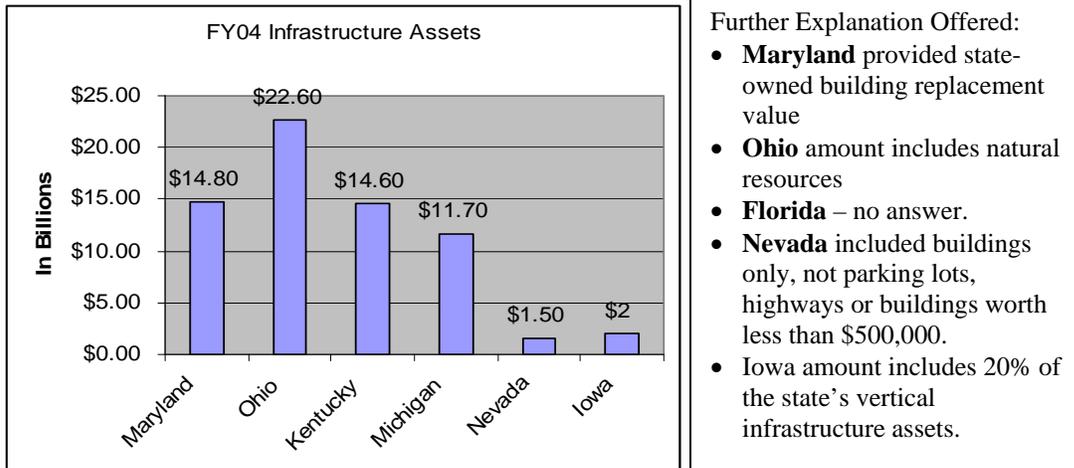
## 2005 - Survey of the States Report

6-5-2008

rate (funding percentage) to prevent expansion of the deferred maintenance backlog.



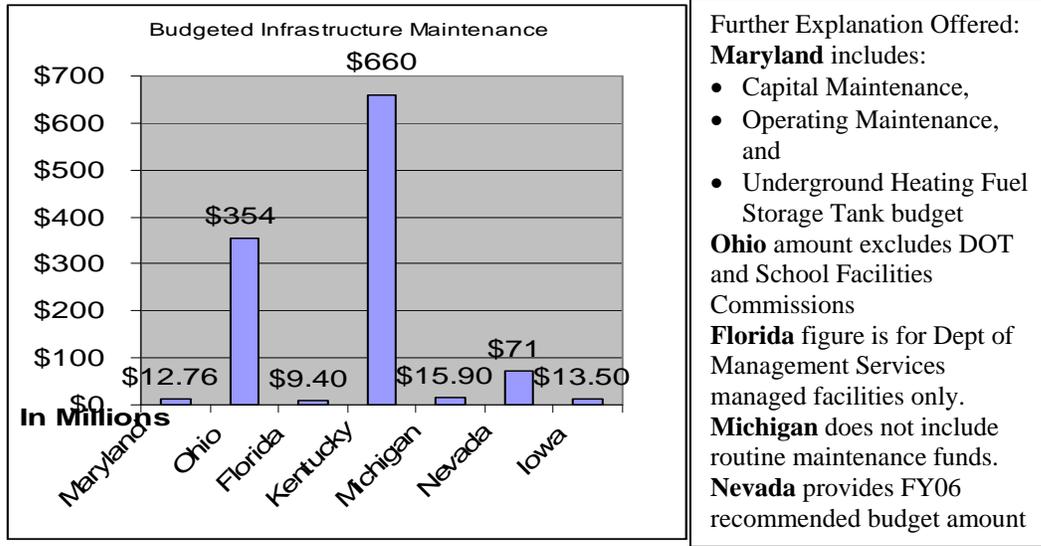
*The survey of the states report shows that in the states surveyed Iowa has a black log of \$462 million in Deferred Maintenance. Other States like Ohio have \$0 after having met all building standards set by construction bond agreements as well as renovating or demolishing all older buildings. Out of the states studied, Iowa by far has the most amounts of backlogged deferred maintenance costs.*



*This table shows that Iowa has 2 billion in infrastructure assets which is fairly small compared to other states. However, other States may include other assets such as roads, highways, or natural resources.*

## 2005 - Survey of the States Report

6-5-2008



Further Explanation Offered:  
**Maryland** includes:  
 • Capital Maintenance,  
 • Operating Maintenance,  
 and  
 • Underground Heating Fuel Storage Tank budget  
**Ohio** amount excludes DOT and School Facilities Commissions  
**Florida** figure is for Dept of Management Services managed facilities only.  
**Michigan** does not include routine maintenance funds.  
**Nevada** provides FY06 recommended budget amount

*This table shows what amount in millions the states budget was allocated to infrastructure maintenance.*

*Problems with this table:*

- 1) *Some states have larger budgets than others.*
- 2) *Some states include DOT while others, like Iowa do not.*
- 3) *Some states like Michigan did not include routine maintenance funds.*

*Therefore it's hard to tell exactly how Iowa ranks when it comes to amount of dollars budgeted towards infrastructure maintenance.*

| STATE SOLUTIONS TO PROPERTY INSURANCE |  |                               |                               |   |
|---------------------------------------|--|-------------------------------|-------------------------------|---|
|                                       | Legislative Funding by Occurrence                    |                               | Commercial Insurance          | Funding Source  |
|                                       | Self-Insurance                                       | Commercial Insurance          |                               |   |
| <b>Maryland</b>                       |  | \$2,500,000 maximum liability | Limit \$500M                  | Occupant's Budget                                     |
| <b>Ohio</b>                           |  |                               | \$100,000 deductible          | Uncovered losses - Agency's Budget                    |
| <b>Florida</b>                        |  | \$1000 deductible             |                               | Rent from Occupants                                   |
| <b>Kentucky</b>                       |  | \$500,000 maximum liability   | X                             |   |
| <b>Michigan</b>                       | Up to \$50,000 without specific Legislative approval |                               | Financed Facilities Only      | Uncovered losses - Agency's Budget                    |
| <b>Nevada</b>                         |  |                               | X                             |   |
| <b>Iowa</b>                           | X  |                               | Builder's Risk Insurance Only | Disaster fund or original construction funding source |

*This table provides information about how the states surveyed approach property insurance. Some states for example might buy extra commercial insurance on top of the self-insurance they already have. There are all sorts of ways to fund this such as rent from occupants, disaster funds, or uncovered losses from the agency's budget.*

## 2005 - Survey of the States Report

6-5-2008

### DEFERRED & MAJOR MAINTENANCE FUNDING SOURCES IN OTHER STATES

|          | Agency's<br>Operating<br>Budget | Capital<br>Budget                      | Special<br>Appropriati<br>ons | General<br>Fund | Investment<br>Income/<br>Bonds | Basis   |
|----------|---------------------------------|--|-------------------------------|-----------------|--------------------------------|---|
| Maryland | X                               | Over<br>\$100,000<br>and 15-yr<br>life | X                             |                 |                                | Target \$5M Deferred, \$15M Major, partly from formula based on project manager capabilities, but rarely receive target level |
| Ohio     | X                               | X                                      |                               |                 |                                | Recent formal facility condition analysis conducted with recommendations prioritized and budgeted.                            |
| Florida  |                                 | X                                      |                               |                 |                                | \$1.38/sq ft for full service office space paid by building occupants   |
| Kentucky | X                               |  |                               | X               | X                              | New law would require allocation of 2% of facility replacment value to a capital renewal fund.                                |
| Michigan |                                 | X                                      |                               |                 |                                | Annual facility assessment required for capital outlay plan and used to set target funding level                              |
| Nevada   |                                 | X                                      |                               | X               | X                              | No target or formula  |
| Iowa     | X                               | X                                      |                               |                 |                                | Infrastructure Funds from Gambling or Tobacco Settlement Trust Fund   |
| Nebraska |                                 | X                                      |                               |                 |                                | 2% of major capital projects is paid to the depreciation assessment fund  |
| Utah     |                                 | X                                      |                               |                 |                                | 1.1% of replacement cost must be set aside for maintenance of major capital projects  |

### ROUTINE & PREVENTIVE MAINTENANCE FUNDING SOURCES IN OTHER STATES

|          | Agency's<br>Operating<br>Budget | Rent from<br>Occupants | Capital<br>Maintenance<br>Fund | Investment<br>Earnings | Basis  |
|----------|---------------------------------|------------------------|--------------------------------|------------------------|--|
| Maryland | X                               | X                      |                                |                        | Budget request based on overhead and contract values       |
| Ohio     | X                               |                        |                                |                        | A condition index is used and estimated costs are budgeted |
| Florida  | X                               | X                      | X                              |                        | Supervision Trust Fund                                     |
| Kentucky |                                 |                        |                                | X                      | No targeted budget amounts                                 |
| Michigan | X                               | X                      |                                |                        | Benchmark comparisons used. Moving to outcome based.       |
| Nevada   | X                               |                        | X                              |                        | Capital Improvement Program                                |
| Iowa     | X                               |                        | X                              |                        | Statutory target is 1% of replacement cost                 |

*These two tables illustrate major maintenance and routine maintenance funding sources in other states. There are many different ways that the states will fund their programs. Examples are: capital renewel funds, depreciation assessment funds, setting aside a percentage of money for maintenace of major projects, etc.*