

Sustainable Capital Projects

Wisconsin Technical College System: 2009-11 Biennial Budget Initiative
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ISSUE

Implementing meaningful sustainable building practices for technical college facilities results in savings in both long-term energy costs and consumption but may increase initial building or remodeling project costs. In addition, since the last change in the statutory limit on district capital project expenditures without referendum in 2002, increased building costs and inflation have eroded the district purchasing power for construction projects.

BACKGROUND

Section 38.15, *Wis. Stats.*, requires in most cases that district boards seek approval through a district wide referendum for building and remodeling projects that exceed \$1.0 million in capital expenditures. Section 38.04(10), *Wis. Stats.*, requires the State Board to review and approve proposals from technical college district boards for land acquisition, additional or new facilities, rentals, and remodeling of existing facilities.

In 1979, the Legislature established a requirement that district boards seek voter approval through referendum for capital expenditures greater than \$500,000. In 2001, at the request of the State Board, the Legislature doubled the limit to \$1.0 million in recognition of the 59% erosion of district board expenditure authority that resulted from inflation between 1979 and 2001.

The Governor, in Executive Orders 145 and 192, directed state agencies to work to incorporate sustainable (green) practices in the design and construction of all facilities. In this spirit, and consistent with its own strategic direction to promote WTCS organizational effectiveness and efficiency, the State Board is working with the technical college districts to incorporate sustainable building practices, including renewable energy through the development of a new State Board Policy on Sustainable Facilities. Implementing meaningful sustainable building practices typically increases initial engineering and design costs, but also yields long-term savings in both energy costs and consumption. The current limit on capital projects acts as a disincentive for districts to pursue sustainable building and remodeling projects because the initial additional costs reduce funding available for the overall project.

Construction cost increases also affect district capital expenditures. For example, between 2001 and 2008, inflation eroded district board expenditure authority by 14.6%. Moreover, information from McGraw-Hill's *Engineering News Record* Building Cost Index indicates that since the last increase in the expenditure authority, building costs increased by 32% or nearly twice the rate of inflation. Market-based projections indicate

that continued increases in building and remodeling costs are likely for the foreseeable future. At the same time, district boards must continue to make capital expenditures to:

- Update or replace the 60% of existing technical college facilities that are more than 30 years old; and
- Respond to changing equipment and facility requirements of new programs that frequently include more technology and more advanced technology.

Without increased expenditure authority, technical college districts will be less able to incorporate sustainable building practices. In addition, the current expenditure limit makes it difficult for districts to even maintain current construction purchasing power because of the impact of inflation and volatile construction costs.

REQUEST

Provide technical college district boards with statutory authority to carry out capital building and remodeling projects of up to \$1,500,000 without requiring a public referendum. The current limit for such projects of \$1,000,000 was last increased in 2001.