



## Legislative Fiscal Bureau

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June 29, 2016

TO: Representative Gordon Hintz  
Room 109 North, State Capitol

FROM: Emily Pope, Fiscal Analyst

SUBJECT: Cost of Delaying UW All Agency and Small Projects

At your request, I am providing information related to the potential cost of delaying UW all agency and small projects that were included in the UW System's 2015-17 capital budget request by one biennium.

As part of its capital budget request for the 2015-17 biennium, the UW System requested \$74,176,000 in general fund supported borrowing (GFSB) and \$74,176,000 in program revenue supported borrowing (PRSB) to fund all agency maintenance and repair projects and other small projects. The 2015-17 capital budget recommended by the State Building Commission provided no new GFSB or PRSB to support these projects. The capital budget that was subsequently approved by the Legislature as part of the 2015-17 biennial budget similarly did not authorize any new GFSB or PRSB to support all agency and small projects at state agencies, including the UW System.

The most recent cost estimating guidelines released by the Department of Administration's Division of Facilities Development direct state agencies to use a cost escalator of 0.9% for the six months between July, 2015, and January, 2016, and 2.0% for every six months thereafter through July, 2021. Using these cost escalators, delaying projects totaling \$148,352,000 by one biennium would increase the cost of those projects by \$10.6 million. Assuming an interest rate of 3.2%, which is equal to the interest rate on the most recent bonds issued by the State of Wisconsin, and a term of 15 years, interest costs due to an additional \$10.6 million in indebtedness could total \$2.9 million of the life of the bonds, resulting in a total cost increase of \$13.5 million. With regard to UW all agency and small projects, these additional costs would be funded with \$6.75 million of state general purpose revenue and \$6.75 million of UW program revenue.

I hope this information is helpful. Please contact me if you have additional questions.

EEP/sas