Help Wanted: Prioritizing Deferred Maintenance

By Katherine Barrett and Richard Greene [1]
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President Donald Trump’s promise to spend $1 trillion on infrastructure has raised the nation’s awareness about infrastructure needs in all 50 states.

Above and beyond the desire or need for infrastructure additions, it’s clear that the crumbling and aging bridges, roads, water pipes and buildings currently in place need attention. The American Society of Civil Engineers recently graded the nation’s infrastructure at a D+; the same as it was the previous year.

Cities and states need to spend lots of money on deferred maintenance but few have the data needed to know exactly how much money is needed and where it can best be spent.

“Deferred maintenance is not sexy,” said Orion Fulton, senior manager of Arup, a firm that provides real estate analysis and action plans for government entities and others, “and doesn’t fit in well with political agendas.”

It’s far more pleasant for a mayor to be seen in the newspaper presiding over a ribbon cutting than it is for him to announce the re-surfacing of five miles of bad road on the outskirts of town.

“The aphorism is, ‘If you can't measure it, you can’t manage it,’” said William Glasgall, director of the State and Local program at the Volcker Alliance. “Sooner or later someone is going to have to pay for the school buildings with leaky roofs and water pipes, the bridges that collapse and so on.”

The lack of useful data for infrastructure maintenance isn’t a new problem. In 2005, the Governmental Accounting Standards Board—the board that sets accounting and financial reporting standards for public-sector entities—issued a statement known as GASB 34. This followed a fair amount of rancorous debate, in which opponents of the new GASB rule argued that it would be far too expensive and time consuming for governments to create data about deferred maintenance. However, the ultimate GASB requirement didn’t mandate all the disclosures that advocates of thorough deferred maintenance data would have liked. “We haven’t been able to see the GASB rule as everything we need,” said Anne Selting, head of infrastructure/P3 ratings in North America for S&P Global.

GASB offered two options. The first, and most commonly used, option simply sets a baseline value for a piece of infrastructure and then depreciates it on a straight-line basis over the course of the useful life of the asset. But a road in Arizona, with its dry climate, depreciates much more slowly than one in Maine, where a cycle of freezing and then thawing creates a perfect opportunity for the road to deteriorate relatively quickly and therefore have a shorter life.

The second option, the so-called “alternative approach,” doesn’t use depreciation at all. Instead it
relies on condition assessments to estimate how much needs to be spent annually to maintain a set of roads or other assets in good condition and the cumulative cost to return those roads to good condition. That route to deferred maintenance figures is used by only about one in 20 localities and about half the states. But condition assessments can be expensive, and often aren’t done nearly as frequently as they should be to fund maintenance in a sensible fashion, according to Jay Fountain, one of the architects of GASB 34 and now director of the Connecticut’s Office of Policy and Management.

But Michael Pagano, dean of the College of Urban Planning and Public Affairs at the University of Illinois in Chicago, said GASB’s work was a “great leap forward.”

“It has helped us to think about the importance of recording infrastructure deterioration from a bookkeeping perspective,” Pagano said. “Though it’s not accurate, it’s the best guesstimate that we have and it’s better than what we had before.”

One state that seems to stand out from the pack is California, which has gotten attention in the past for its publication of a $70 million figure for total deferred maintenance based on estimates provided by various state departments. But although the effort was worthy, the number is a bit shaky.

“As part of the state’s budget process, I solicited feedback from the different departments. The departments used different numbers,” said Helen Kerstein, principal fiscal and policy analyst for the California Legislative Analyst’s Office. “We haven’t been able to validate whether those numbers are accurate. They are changing over time and it’s not clear to us why that has been happening.”

One ray of hope stems from a new effort, spearheaded by the Stanford Global Projects Center. The center recently co-hosted the “Renewing American Infrastructure” roundtable, which “brought together leaders and policymakers to help deliver policy recommendations for federal infrastructure reforms in the United States,” according to the project’s website.

“You’re going to have to give this effort at least six months to see if it’s got legs,” said Selting of S&P Global. “It’s just a grassroots movement, starting the conversation” about best ways to deal with deferred maintenance.

Some observers may ask the obvious question: Since there’s not nearly enough money in state coffers to even begin to remediate deferred maintenance, why go through all the trouble to identify it? The answer is obvious to anyone who has ever had to pay a stack of bills that far outstrip the cash available to pay them. It’s better to put off paying the cable bill than the electricity bill. That same kind of prioritization applies to maintenance of infrastructure.

About the Author
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