

Budget Brief – Capital Developments

NUMBER CFGO-07-26

SUMMARY

UCA 63A-5-104 defines “Capital Developments” as either of the following:

- A remodeling, site, or utility project with a cost of \$1,500,000 or more
- A new facility with a construction cost of \$250,000 or more
- A purchase of real property where an appropriation is requested to fund the purchase

The State Building Board develops and maintains a Five-Year Building Program for submission to the Governor and Legislature. The book includes a priority list of capital developments, detailed information for each project recommended in the first two years of the plan, a summary of Contingency and Project Reserve balances, a leasing report, and results of facilities condition assessments including cost of needed improvements. A copy of the book will be given to every member of the Legislature at the start of the General Session.

Capital Development requests are traditionally categorized as “State-Funded” or “Other-Funded.” State Funded requests include all projects that that are requesting general tax funds. These projects compete for prioritization in the Building Board’s plan and, if applicable, the Board of Regents’ evaluation. Other funds can be revenue bonds, donations, restricted funds, federal funds, etc., and are not prioritized by the Building Board or the Regents.

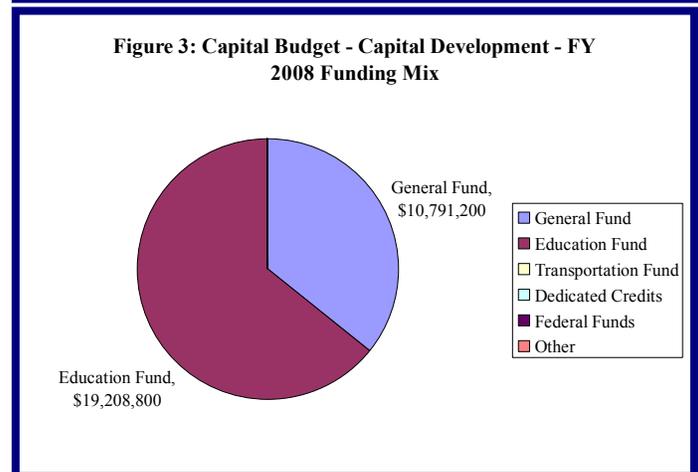
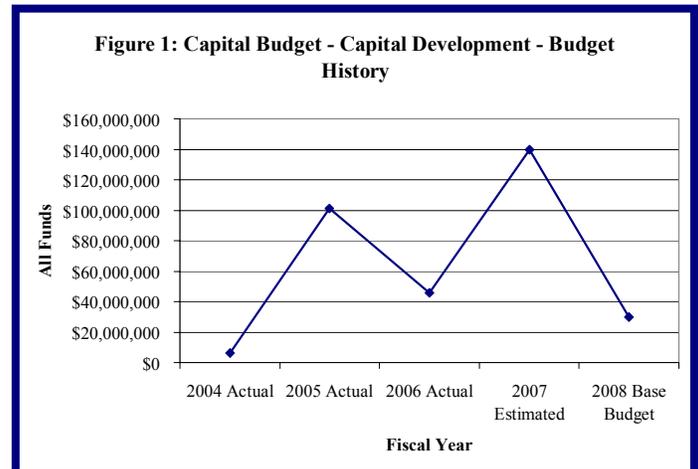
ISSUES AND RECOMMENDATIONS

Construction inflation

The State of Utah, together with other public agencies, contractors, and private owners, has suffered from continuous steep price increases in construction materials since 2004. This is the primary reason why the cost of building projects has escalated dramatically in the past four years. Please see Issue Brief CFGO-07-07 for an analysis of the inflation and what is likely to happen in the next year.

Recommended capital development projects

Please see Issue Brief CFGO-07-08 for the Analyst’s recommended capital development projects for the 2007 General Session.



Ongoing Funds in the Base Budget

The 2006 Legislature appropriated \$30 million in ongoing funds for capital development projects. The 2005 Legislature appropriated \$37.7 million in ongoing funds. Leaving ongoing funds in this line item serves two purposes: 1) It moves the state toward a pay-as-you-go approach to financing buildings; and 2) It establishes a “working rainy day fund” that could be used in case of budget deficits. Credit rating agencies view these conditions favorably because they increase unrestricted fund balances, show capital planning beyond the next fiscal year, reduce debt as a percentage of personal income and state tax revenues, and demonstrate flexible management policies. The Analyst recommends the Legislature continue to leave ongoing funds in the Capital Development line item and use available one-time money to supplement ongoing funds as much as possible.

Retired Bonds in FY 2007

In FY 2007 the state will retire \$53,960,000 in facilities bond principal. The 2006 Legislature authorized \$110 million in General Obligation bonds for USTAR capital projects at the University of Utah and Utah State University. The bonds have not been issued yet and may not be issued in FY 2007, but at some point they probably will be. The 2005 Legislature chose not to bond for any capital developments except the Veteran’s Nursing Home at \$4.5 million (also pending). In the previous two sessions the Legislature chose to limit facility bond authorizations to the amount of principal to be retired within the current fiscal year. Such an approach keeps debt service payments level but does not lower the state’s indebtedness over time.

Building Board, Regents, UCAT, & Governor Priorities

BB	BOR	UCAT	Agency/Institution	Description	Requested State Funds	Projected Other Funds	Total Cost	Governor** State Funds
*			Capitol Preserv Bd	Capitol Building/Parking	\$50,000,000		\$50,000,000	\$51,000,000
*	*		CEU	Dormitory Mortgage Payoff	2,184,500		2,184,500	
1			Health	Unified Lab & Replacmnt	30,852,000		30,852,000	30,852,000
2			DPS/Tax Cmn	Joint Driver Lic/DMV Bldg	5,342,000		5,342,000	5,342,000
3		2	UCAT DATC	Technology/Manuf Bldg	14,240,000	760,000	15,000,000	14,238,000
4	1		WSU	Classroom Bldg/Chiller	22,950,000	6,000,000	28,950,000	22,950,000
5	T4		Snow	Library/Classroom Bldg	17,651,000	3,300,000	20,951,000	17,651,000
6		1	UCAT MATC	N. Utah County Bldg	14,855,000		14,855,000	
7			Courts	St. George Courthouse	29,000,000		29,000,000	29,000,000
8		1L	UCAT DXATC	Land Purchase 19.25 acres	5,450,000		5,450,000	
9			Board of Education	Schools for Deaf & Blind	15,378,000	450,000	15,828,000	15,828,000
10	2		U of U	Nursing Bldg Renov/Addn	13,775,000	9,000,000	22,775,000	13,775,000
11		3	UCAT OWATC	Health Technology Bldg	18,613,000		18,613,000	
12	T4		SLCC	South Campus Building	49,679,000	12,200,000	61,879,000	
13	3		USU	Ag Science Bldg	41,110,000	42,000,000	83,110,000	
14			Multi-Agency	Salt Lake Govt Office Bldg	38,500,000		38,500,000	
15	5		UVSC	Science/Health Bldg Addn	47,645,000		47,645,000	
16			Wildlife Resources	Springville Hatchery Renov	4,476,000		4,476,000	
17		2L	UCAT SWATC	Land Purchase 11.4 acres	2,282,000		2,282,000	
18			Parks and Rec	3 Campground Replace	12,500,000	150,000	12,650,000	
19	6		SUU	Science Center Addition	20,727,000		20,727,000	
20			Multi-Agency	Richfield Regional Ctr	15,197,000		15,197,000	
21	7		DSC	Centennial Commons	71,050,000		71,050,000	
22			Human Services	Weber Valley Detention Ctr	11,479,000		11,479,000	
23			Courts	Ogden Property Purchase	2,000,000		2,000,000	
24			Human Services	State Hosp Pediatric Ctr	23,077,000		23,077,000	
25			UDOT/GOED	St. George Visitors Ctr	3,000,000		3,000,000	
26			Fairpark	Multipurpose Building	20,000,000		20,000,000	
			DFCM	YWCA Parking Replacemt				1,675,000
			SUU	Land Purchase for Shakepr				2,000,000
								\$204,311,000

*= Recommended but not ranked

** = Governor recommended \$50M to finish the Capitol, \$750,000 for a new wireless antenna system, plus \$250K for events

Legislatively Approved Projects – 2006 Sessions

Legislatively Approved Capital Projects - 2006 Sessions

<u>State Funded Projects</u>	<u>State Funds</u>	<u>G.O. Bonds</u>	<u>Other Funds</u>	<u>Anticipated Donations</u>	<u>Total</u>	<u>Bill(s)</u>
Capital Improvements	\$62,921,300				\$62,921,300	S.B. 1
CPB State Capitol Renov/Parking	\$50,000,000				\$50,000,000	H.B. 3
UDC Gunnison Expansion	\$20,000,000				\$20,000,000	H.B. 3
UVSC Digital Learning Center	\$46,750,000			\$1,250,000	\$48,000,000	H.B. 3
UBATC/USU Vernal Building	\$9,942,000			\$4,500,000	\$14,442,000	H.B. 3
WSU Classrm/Chiller Plnt Design	\$2,000,000				\$2,000,000	H.B. 3
DNR Midway Fish Hatchery	\$5,000,000		\$3,200,000		\$8,200,000	H.B. 3
USU Relocate Ag Buildings	\$5,000,000				\$5,000,000	H.B. 3
Courts St. George Property Exch	\$3,620,000				\$3,620,000	H.B. 3
MATC N. Utah Land Purchase	\$3,250,000			\$1,250,000	\$4,500,000	H.B. 3
CEU Energy Training Center	\$1,100,000				\$1,100,000	H.B. 3
USU Old Engineering Bldg Renov		(\$5,943,500)		(\$10,000,000)	(\$15,943,500)	S.B. 236
USU New Enging Bldg Addition		\$5,943,500		\$5,000,000	\$10,943,500	S.B. 236
Subtotal State Funded	\$209,583,300	\$0	\$3,200,000	\$2,000,000	\$214,783,300	
<u>Appropriated Separately</u>						
CPB Capitol Wireless Tech	\$590,000				\$590,000	H.B. 1
USTAR Research Buildings	\$50,000,000	\$110,000,000		\$40,000,000	\$200,000,000	S.B. 75
DNR State Parks Renovations	\$3,000,000				\$3,000,000	S.B. 4
Total State Funded	\$263,173,300	\$110,000,000	\$3,200,000	\$42,000,000	\$418,373,300	
<u>Other Funded Projects</u>						
DABC Three Liquor Stores	\$7,371,000				\$7,371,000	S.B. 236
UU Hospital Expansion		(\$42,000,000)	(\$45,500,000)		(\$87,500,000)	S.B. 236
UU Hospital Expansion		\$90,000,000	\$30,000,000		\$120,000,000	S.B. 236
DSC Abbey Apts Purchase		\$1,275,000			\$1,275,000	S.B. 236
UU Pharmacy Bldg Expansion				(\$35,000,000)	(\$35,000,000)	S.B. 236
UU Pharmacy Bldg Expansion				\$67,823,000	\$67,823,000	S.B. 236
UU Business Bldg Remodel				\$30,787,000	\$30,787,000	S.B. 236
Snow Trad Constr Skills Bldg				\$3,500,000	\$3,500,000	S.B. 236
UNG Camp Williams JLTC #4			\$1,177,000		\$1,177,000	S.B. 236
UDOT Clearfield Maint Shed			\$1,200,000		\$1,200,000	H.B. 3
Total Other Funded	\$7,371,000	\$49,275,000	(\$13,123,000)	\$67,110,000	\$110,633,000	

BUDGET DETAIL

The base budget of \$30 million is comprised of \$10,791,200 in General Funds and \$19,208,800 in Education Funds. The Legislature can easily change the mix of funding sources as necessary and appropriate for whatever projects it authorizes in the 2007 General Session.

The table below does not include any recommendations for FY 2007 because additional funds for capital development have not been allocated to the subcommittee as of this time.

The table below does not include three projects funded in the 2006 General Session in the "Property Acquisition" line item. That line item is used for capital developments which are acquisitions of existing property.

Appropriations were: St. George property exchange - \$3,620,000; MATC Northern Utah County property - \$3,620,000; and CEU Energy Training Center - \$1,100,000. These projects are included in the table on page 3.

LEGISLATIVE ACTION

The Analyst recommends the Legislature adopt:

1. A total FY 2008 base appropriation of \$30,000,000 for the Capital Development Line Item. Allocations to specific projects, additional funds, and amendments to funding sources will be made in subsequent appropriation bills.

BUDGET DETAIL TABLE

Capital Budget - Capital Development						
Sources of Finance	FY 2006	FY 2007	Changes	FY 2007	Changes	FY 2008*
	Actual	Appropriated		Revised		Base Budget
General Fund	18,489,200	10,791,200	0	10,791,200	0	10,791,200
General Fund, One-time	(2,108,000)	64,208,800	0	64,208,800	(64,208,800)	0
Education Fund	19,208,800	19,208,800	0	19,208,800	0	19,208,800
Education Fund, One-time	6,534,200	44,483,200	0	44,483,200	(44,483,200)	0
Transportation Fund, One-time	1,457,000	1,200,000	0	1,200,000	(1,200,000)	0
Federal Funds	1,383,800	0	0	0	0	0
Contingency Reserve Fund	694,000	0	0	0	0	0
Total	\$45,659,000	\$139,892,000	\$0	\$139,892,000	(\$109,892,000)	\$30,000,000
Programs						
Capital Development Fund	0	0	0	0	30,000,000	30,000,000
CPB State Capitol Building	590,000	50,000,000	0	50,000,000	(50,000,000)	0
DSC Health Sciences Building	15,743,000	0	0	0	0	0
DHS Developmental Center Housing	2,575,000	0	0	0	0	0
UDC Gunnison Inmate Housing	14,600,000	20,000,000	0	20,000,000	(20,000,000)	0
SUU Teacher Education Building	10,000,000	0	0	0	0	0
UDOT Vernal Maintenance Complex	1,457,000	0	0	0	0	0
DNR Fire Mgt Service Facility	694,000	0	0	0	0	0
UVSC Digital Learning Center	0	46,750,000	0	46,750,000	(46,750,000)	0
UBATC/USU Vernal Building	0	9,942,000	0	9,942,000	(9,942,000)	0
DNR Midway Fish Hatchery	0	5,000,000	0	5,000,000	(5,000,000)	0
USU Agriculture Campus	0	5,000,000	0	5,000,000	(5,000,000)	0
UDOT Clearfield Maint Complex	0	1,200,000	0	1,200,000	(1,200,000)	0
WSU Classroom Bldg/Chiller Plant	0	2,000,000	0	2,000,000	(2,000,000)	0
Total	\$45,659,000	\$139,892,000	\$0	\$139,892,000	(\$109,892,000)	\$30,000,000
Categories of Expenditure						
Other Charges/Pass Thru	45,659,000	139,892,000	0	139,892,000	(109,892,000)	30,000,000
Total	\$45,659,000	\$139,892,000	\$0	\$139,892,000	(\$109,892,000)	\$30,000,000
Other Data						
*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.						