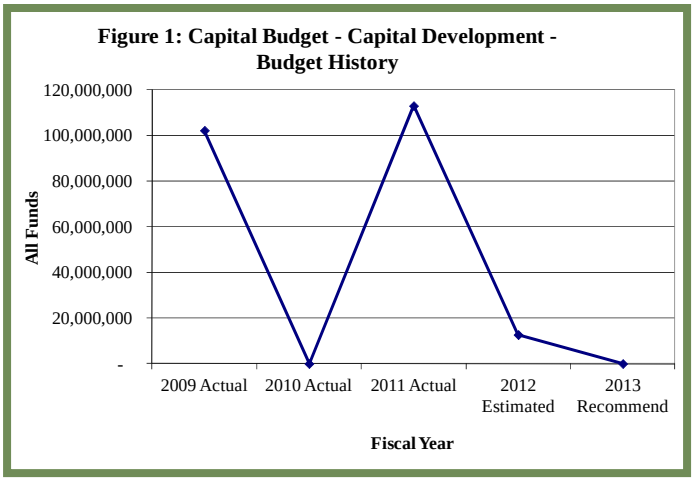
CAPITAL DEVELOPMENT

INFRASTRUCTURE AND GENERAL GOVERNMENT APPROPRIATIONS SUBCOMMITTEE
STAFF: RICHARD AMON

BUDGET BRIEF

SUMMARY

As no base budget exists, no Legislative action is required for the Capital Development line item. The Analyst does recommend prioritization of state funded project requests for further consideration by the Executive Appropriations Committee and approval of non-state funded buildings (if any) for inclusion in an annual *Revenue Bond and Capital Facilities Authorizations* bill. These recommendations are detailed below.



BACKGROUND

Capital Development requests are traditionally categorized as "state funded" or "non-state funded." State funded requests include all projects that request general tax funds. These projects compete for prioritization in the Building Board's five-year plan and, if applicable, the Board of Regents' evaluation. Non-state funded requests use revenue bonds, donations, restricted funds, federal funds, or other non-tax funding for construction. Non-state funded projects are not prioritized by the Building Board or the Regents, but are either recommended or not recommended.

The State Building Board develops and maintains a Five-Year Building Program for submission to the 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.

ISSUES AND RECOMMENDATIONS

Ongoing Funds in the Base Budget

The 2006 Legislature appropriated $30 million in ongoing funds to the Capital Development line item. These funds allowed the state to finance buildings using a pay-as-you-go strategy and established a "working rainy day fund" that could be used in case of budget deficits. In the 2008 2nd Special Session the Legislature removed the $30 million ongoing to help balance the budget during a period of economic decline. The Capital Developments line item, therefore, has no base budget. When state revenues begin to improve, the Analyst recommends that the Legislature consider restoring ongoing funding to this line item.

State Space Standards

There exists a need for updated office space standards in the state. The state uses space standards when planning new buildings and leases to align job function with square footage requirements. The current space standards are more than 17 years old and contain outdated information. DFCM currently reviews planning documents, but because a clear standard does not exist, agencies have considerable latitude in choosing office space. During the 2011 interim the Legislature required DFCM to explore options for updating the current space standards for state facility construction. DFCM reported that the state should update the standards and that the consultants who created the 1994 study could update the standards. The Analyst recommends updating the space standards and proposes the Legislature consider allocating $65,000 from the Contingency Reserve Fund to pay for this study. (See *Utah State Space Standards* Issue Brief for more information.)

Contingency and Project Reserve Funds

The Contingency Reserve Fund, used for unexpected change orders and contingencies, has a balance of $11.5 million due to the large number of projects under construction. The Project Reserve Fund has a balance of $5 million after the Legislature reallocated $12 million to capital improvements in FY 2012. The Analyst recommends keeping the Project Reserve and Contingency Reserve funds at the current levels. (See *Capital Facilities Reserve Funds* Issue Brief for more information.)

State Office Space Leasing

The state currently leases $19 million of office space for state agencies. While state leases typically have a non-appropriation clause, the long-term consequences of breaking a lease could cost the state more than the short term budget savings. Eight leases over $200,000 annually expire or come due for renewal in FY 2012 and FY 2013. DFCM is currently working with state agencies to explore alternatives to leased office space. (See *State Facility Leasing* Issue Brief for more information.)

Building Board (SBB), Regents (BOR) & Governor (Gov) Priorities – State Funds

Each year, by statute, the State Building Board compiles and prioritizes a list of capital development projects for the coming budget year. The following table contains the prioritized list submitted by the Building Board for FY 2013 (column "SBB"). The table also contains columns listing the ranking of the Board of Regents ("BOR") for higher education facilities. The Governor did not recommend any state funded projects in FY 2013.

SBB	BOR	Agency/Inst	Description	Requested State Funds	Other Funds	Total Cost	New Sq Ft	State O&M
1	1	**U of U**	Utility Distribution Infrastructure	$ 50,000,000		$ 50,000,000		$ 250,000
2		**Courts**	Ogden Juvenile Court	$ 27,352,000		$ 27,352,000	85,000	$ 425,000
3	4	**UVU**	Classroom Building	$ 53,211,000		$ 53,211,000	250,000	$ 1,845,000
4		**SWATC**	Health Sci. & Information Tech. Bldg	$ 15,813,000	$ 118,000	$ 15,931,000	68,000	$ 500,500
5	2	**WSU**	New Science Lab Building	$ 63,232,000		$ 63,232,000	200,000	$ 502,100
6		**DXATC**	Land Purchase & New Building	$ 18,230,000		$ 18,230,000	75,000	$ 552,000
7		**Corrections**	CUCF West-1 192 Secure Housing	$ 30,084,000		$ 30,084,000	69,000	$ 417,000
8		**DNR**	Parks: Wasatch Mtn. SP Renovation	$ 2,500,000		$ 2,500,000		$ -
9		**UDAF/UDH/**	Module #2 Of The Unified State Laboratory	$ 35,810,000		$ 35,810,000	90,000	$ 238,000
10		**UNG**	Statewide Armory Repairs	$ 4,000,000		$ 4,000,000		$ -
11		**MATC**	Central Utah County Campus	$ 7,431,000	$ 887,000	$ 8,318,000	29,300	$ 215,000
12	3	**Snow**	Science Building Remodel	$ 12,295,000		$ 12,295,000	12,000	$ 108,000
13	5	**SUU**	New Business Building	$ 12,214,000	$ 4,000,000	$ 16,214,000	42,000	$ 125,000
14	6	**USU/CEU**	Arts and Education Building	$ 23,798,000		$ 23,798,000	62,000	$ 457,000
15		**DFCM**	Multi-Agency State Office Building II	$ 42,474,000		$ 42,474,000	190,000	$ 790,000
16	7	**USU**	Brigham City Reg. Campus Academic Bldg.	$ 7,500,000	$ 7,500,000	$ 15,000,000	60,000	$ 373,000
17		**UDAF**	William Spry Agricultural Building	$ 18,153,000		$ 18,153,000	52,000	$ -
18		**DATC**	Medical Building Expansion	$ 19,500,000		$ 19,500,000	65,000	$ 390,000
19		**BATC**	Health Science & Technology Building	$ 25,800,000		$ 25,800,000	91,500	$ 670,000
20	8	**DSC**	New General Classroom Building	$ 45,477,000		$ 45,477,000	200,000	$ 946,000

Table 1

FY 2012 Land Banking Requests

Land banking allows the state to economically purchase land in rapidly developing communities where demand for state services will increase. The State Building Board ranks land banking requests separately from capital development projects.

SBB	Agency/Inst	Description	State Funds	Acres
1	**DXATC**	Dixie ATC land purchase	$ 2,500,000	30.00
2	**DATC**	Morgan Land Banking Request	$ 575,000	9.88
3	**SUU**	3.68 Acres Residential property	$ 2,720,000	3.68
4	**Courts**	Northern Utah County Land Acquisition	$ 1,750,000	5 to 7
5	**Dixie**	Land Bank Acquisitions	$ 10,160,000	6.30
6	**BATC**	26, 18 and 10 acre parcels adjacent to campus	$ 8,175,000	44.75

Table 2

Building Board and Governor Priorities – Non-State Funds

The following table shows non-state funded buildings and recommendations by the Building Board. The Governor did not recommend any non-state funded projects in FY 2013.

Recommend.	Institution	Project	Other	Bonds	O&M
Recommend	**Courts**	Richfield Courthouse Purchase		$ 1,900,000	
Recommend	**UBATC**	Petroleum Technology Training Building	$ 1,000,000		35,000
Recommend	**UU**	Dental School Building	$ 37,400,000		
Recommend	**UU**	Orthopaedic Center Phase II Expansion		$ 9,580,000	
Recommend	**UU**	S.J. Quinney College of Law Building	$ 60,500,000		$ 910,600
Recommend	**UU**	HPER Parking Terrace		$ 21,702,000	
Recommend	**UU**	Health Sciences Center Parking Terrace		$ 19,980,000	
Recommend	**UU**	Dee Glen Smith Athletic Center Expansion **		$ 30,000,000	
Recommend	**USU**	San Juan Campus Student Housing		$ 4,000,000	
Recommend	**WSU**	Social Sciences Building Renovation	$ 20,000,000		$ 379,500
Recommend	**WSU**	Stromberg Center Addition		$ 8,000,000	

**Note: The Athletic Center was approved in the 2011 General Session for $20 million. This request increases the authorization $10 million.

Table 3

Program Size of Building Construction Budget

The following figure illustrates the five year history of expenditures for building construction in the capital budget. The bars represent expenditures – debt service (spent in another line item, but attributable to buildings), capital improvements, state funded capital developments, and non-state funded capital developments. The lines represent revenues received each year and are cumulative – state funds (General and Education Fund), bond proceeds, and non-state funds from agencies and institutions of higher education.

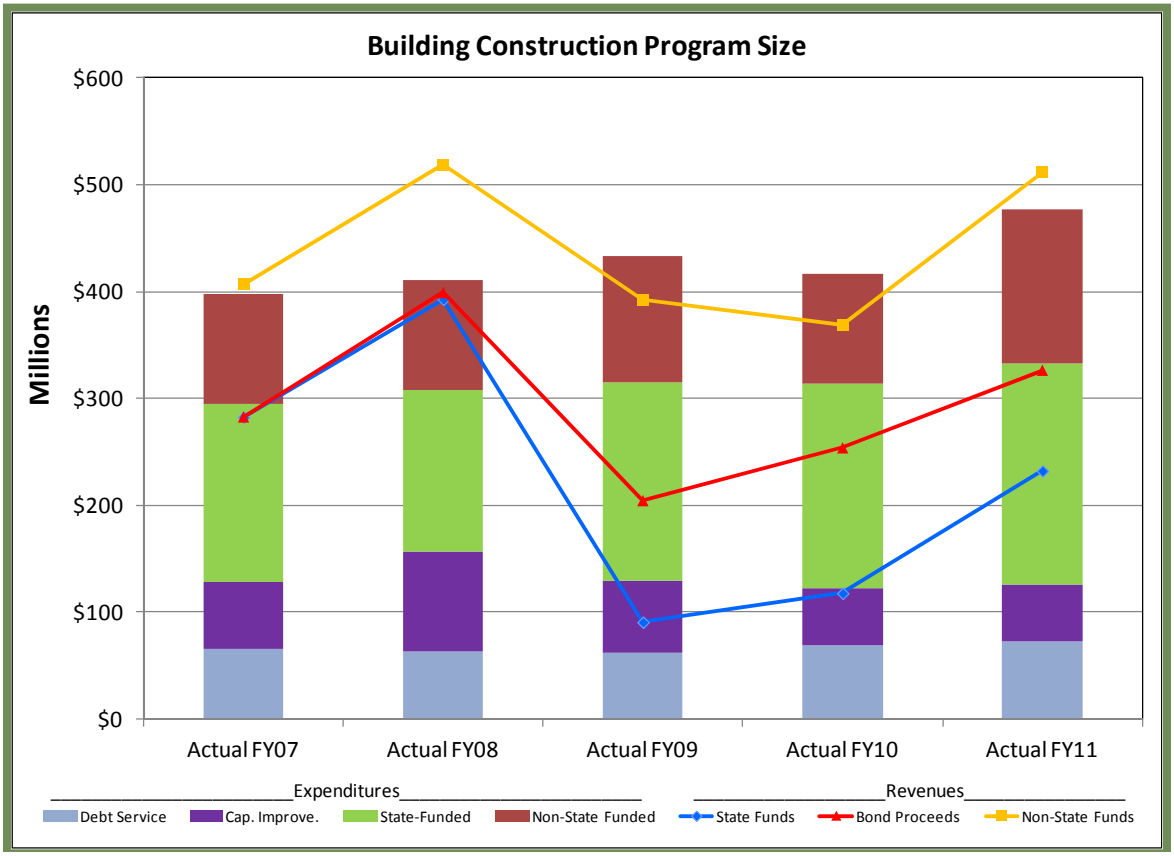


Figure 2

Over the last five years the capital budget for buildings has spent an average of $425 million and collected an average of $440 million. Bonding, over the last three years, has increased and replaced state fund cash as the primary method for

funding state funded projects. One result of increased bonding is that debt service (light blue bar) has increased. During the same time, capital improvement funding has decreased and currently (in FY 2011) the state spends more in debt service than in capital improvement.

LEGISLATIVE ACTION

As no base budget exists for this line item, no Legislative action is required for a FY 2013 budget appropriation. The Analyst, however, does recommend the Legislature consider:

1. Adopting a prioritized list of capital development projects from Table 1 (state funded projects), Table 2 (land banking), and/or projects in Table 3 (non-state projects requiring state-funded O&M) to forward to the Executive Appropriations Committee for further consideration.
2. Approval of specific non-state funded capital development projects with no required state-funded O&M from Table 3 (if any) for inclusion in the annual *Revenue Bond and Capital Facilities Authorizations* bill.

BUDGET DETAIL TABLE

Capital Budget - Capital Development

Sources of Finance	FY 2011 Actual	FY 2012 Appropriated	Changes	FY 2012 Revised	Changes	FY 2013* Recommended
General Fund, One-time	113,000,000	0	0	0	0	0
GFR - Veterans' Nursing Home	0	12,700,000	0	12,700,000	(12,700,000)	0
Total	$113,000,000	$12,700,000	$0	$12,700,000	($12,700,000)	$0
Programs						
DSC Centennial Commons Building	35,000,000	0	0	0	0	0
SLCC Instructional Complex	29,000,000	0	0	0	0	0
UNG Armories	4,000,000	0	0	0	0	0
UVU Science Building Addition	45,000,000	0	0	0	0	0
Veterans' Nursing Home Utah Coun	0	6,350,000	0	6,350,000	(6,350,000)	0
Veterans' Nursing Home Washingtc	0	6,350,000	0	6,350,000	(6,350,000)	0
Total	$113,000,000	$12,700,000	$0	$12,700,000	($12,700,000)	$0
Categories of Expenditure						
Other Charges/Pass Thru	113,000,000	12,700,000	0	12,700,000	(12,700,000)	0
Total	$113,000,000	$12,700,000	$0	$12,700,000	($12,700,000)	$0

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.