

Budget Brief – Capital Developments

NUMBER CFAS-06-23

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.

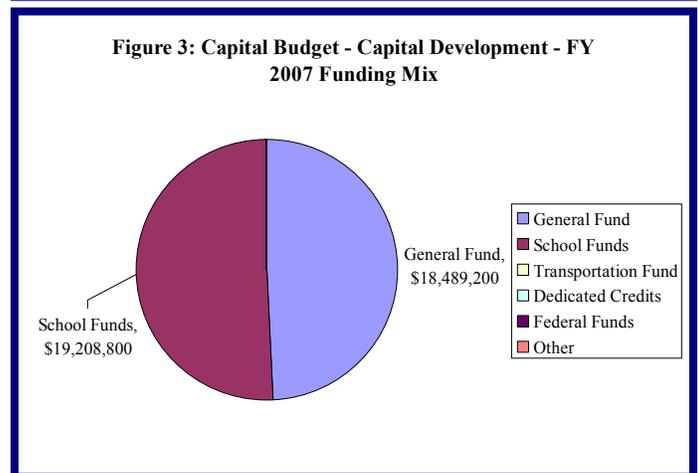
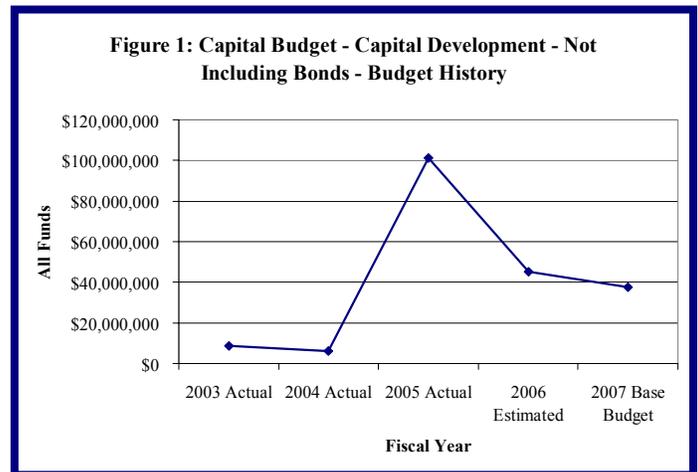
Capital Development requests are traditionally categorized as “State-Funded” or “Other-Funded.” State Funded requests include all projects that that are requesting general tax funds. These projects compete for prioritization in the Building Board’s plan. Other funds can be revenue bonds, donations, restricted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

ISSUES AND RECOMMENDATIONS

Ongoing Funds in the Base Budget

The 2005 Legislature appropriated \$35M in ongoing funds for capital projects. This serves two purposes: 1) Moves the state toward a pay-as-you-go approach to financing buildings; and 2) Established a sort of “working rainy day fund” that could be used in case of budget deficits. The Legislature further moved \$2.7 million from the Debt Service Line Item (based on interest savings from reduced bonding) to the Capital Developments base budget, making the total FY 2007 ongoing base budget \$37.7 million.

The Analyst recommends reallocating another \$6,151,800 in FY 2006 General Funds and \$5,500,000 in FY 2007 General Funds from the Debt Service line item to the Capital Developments line item. Please see the Debt Service Budget Brief for more information.



Retired Bonds in FY 2006

The 2005 Legislature chose not to bond for any capital developments except the Veteran's Nursing Home at \$4.5 million. In the previous two sessions the subcommittee chose to limit facility bond authorizations to the amount of principal to be retired within the current fiscal year. Using that option the Legislature would limit facilities bonding to \$59.5 million for the 2006 General Session. Such an approach keeps debt service payments level (assuming bonding for highways follows the same pattern) but does not lower the state's indebtedness over time. Therefore the Analyst recommends that capital facilities be financed with one-time cash rather than bonding.

Legislatively Approved Projects – 2005 Sessions**Legislatively Approved Capital Projects - 2005 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	\$56,161,600				\$56,161,600	H.B. 1 & 301
CPB State Capitol Renov	\$50,000,000				\$50,000,000	S.B. 1
DHS Develop Ctr Housing	\$2,575,000				\$2,575,000	H.B. 301
UDC 288-Beds Gunnison	\$13,216,200		\$1,383,800		\$14,600,000	H.B. 301
DSC Health Sciences Building	\$15,743,000			\$2,582,500	\$18,325,500	H.B. 301
UU Marriott Library & ASRS	\$48,023,000			\$22,700,000	\$70,723,000	S.B. 1
UU Museum of Fine Arts	\$465,000				\$465,000	S.B. 1
SUU Teacher Ed Building	\$10,000,000				\$10,000,000	H.B. 301
BATC Bourns Bldg Purchase	\$3,585,500				\$3,585,500	S.B. 1
UNG Veterans Nursing Home		\$4,500,000			\$4,500,000	H.B. 1007
Subtotal State Funded	\$199,769,300	\$4,500,000	\$1,383,800	\$25,282,500	\$230,935,600	
<u>Appropriated Separately</u>						
DNR State Parks Renovations	\$2,000,000				\$2,000,000	H.B. 301
USU Relocate Ag Buildings	\$5,000,000				\$5,000,000	H.B. 301
Total State Funded	\$206,769,300	\$4,500,000	\$1,383,800	\$25,282,500	\$237,935,600	
<u>Other Funded Projects</u>						
DABC Three Liquor Stores	\$7,867,000				\$7,867,000	H.B. 287
UU Hospital Expansion		\$42,000,000	\$45,500,000		\$87,500,000	H.B. 287
WSU Shepherd Union Renov		\$20,000,000			\$20,000,000	H.B. 287
DNR Fire Management Ctr			\$694,000		\$694,000	H.B. 301
Courts Provo Land Purchase			\$300,000		\$300,000	H.B. 301
UDOT Vernal Maint Bldg			\$1,457,000		\$1,457,000	H.B. 301
MATC Span Fk Lease Purch			\$3,250,000		\$3,250,000	H.B. 287
UNG 85th CST Readiness Ctr			\$2,068,000		\$2,068,000	H.B. 287
UNG Joint Forces HQ Addition			\$1,460,000		\$1,460,000	H.B. 287
UNG 19th Spec Forces Addn			\$1,500,000		\$1,500,000	H.B. 287
UNG 117th Util/120th QM Det			\$1,500,000		\$1,500,000	H.B. 287
DNR Fish Experiment Station			\$938,000		\$938,000	H.B. 287
UU Social Work Bldg Addn				\$3,500,000	\$3,500,000	H.B. 287
UU Humanities Bldg Phase I				\$11,100,000	\$11,100,000	H.B. 287
SC Stadium Renovation				\$5,000,000	\$5,000,000	H.B. 287
CUCF/Snow Education Facil				\$2,263,000	\$2,263,000	H.B. 287
CEU Fine Arts Center				\$11,200,000	\$11,200,000	S.B. 3
Total Other Funded	\$7,867,000	\$62,000,000	\$58,667,000	\$33,063,000	\$161,597,000	

BUDGET DETAIL

The base budget of \$37.7 million is comprised of \$18.5 million in General Funds and \$19.2 million in income tax revenue. However, the Legislature can easily change the mix of funding sources as necessary and appropriate for whatever projects it authorizes in the 2006 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.

LEGISLATIVE ACTION

This section is a summary of what actions might be taken if the Legislature wishes to adopt the recommendations of this brief. The Analyst recommends the Legislature consider:

1. A total base appropriation of \$37,698,000 for the Capital Developments Line Item.
2. Reallocating another \$6,151,800 in FY 2006 General Funds and \$5,500,000 in FY 2007 General Funds from the Debt Service line item to the Capital Developments line item. Please see the Debt Service Budget Brief for more information.

BUDGET DETAIL TABLE

Capital Budget - Capital Development						
Sources of Finance	FY 2005 Actual	FY 2006 Appropriated	Changes	FY 2006 Revised	Changes	FY 2007* Base Budget
General Fund	0	18,489,200	0	18,489,200	0	18,489,200
General Fund, One-time	50,000,000	(2,698,000)	0	(2,698,000)	2,698,000	0
Income Tax	0	19,208,800	0	19,208,800	0	19,208,800
Income Tax, One-time	48,488,000	6,534,200	0	6,534,200	(6,534,200)	0
Transportation Fund, One-time	0	1,457,000	0	1,457,000	(1,457,000)	0
Federal Funds	0	1,383,800	0	1,383,800	(1,383,800)	0
GFR - Special Administrative Expense	2,801,000	0	0	0	0	0
Contingency Reserve Fund	0	694,000	0	694,000	(694,000)	0
Total	\$101,289,000	\$45,069,000	\$0	\$45,069,000	(\$7,371,000)	\$37,698,000
Programs						
Capital Development Fund	2,801,000	0	0	0	37,698,000	37,698,000
CPB State Capitol Building	50,000,000	0	0	0	0	0
DSC Health Sciences Building	0	15,743,000	0	15,743,000	(15,743,000)	0
UU Marriott Library	48,023,000	0	0	0	0	0
DHS Developmental Center Housing	0	2,575,000	0	2,575,000	(2,575,000)	0
UDC Gunnison Inmate Housing	0	14,600,000	0	14,600,000	(14,600,000)	0
SUU Teacher Education Building	0	10,000,000	0	10,000,000	(10,000,000)	0
UDOT Vernal Maintenance Complex	0	1,457,000	0	1,457,000	(1,457,000)	0
DNR Fire Management Service Facility	0	694,000	0	694,000	(694,000)	0
Utah Museum of Fine Arts	465,000	0	0	0	0	0
Total	\$101,289,000	\$45,069,000	\$0	\$45,069,000	(\$7,371,000)	\$37,698,000
Categories of Expenditure						
Other Charges/Pass Thru	101,289,000	45,069,000	0	45,069,000	(7,371,000)	37,698,000
Total	\$101,289,000	\$45,069,000	\$0	\$45,069,000	(\$7,371,000)	\$37,698,000

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