



# Jan 12<sup>th</sup> Brief: Capital Developments

## CAPITAL FACILITIES AND GOVERNMENT OPERATIONS

### SUMMARY

Capital developments include renovations or other projects costing \$2,500,000 or more, new facilities costing \$500,000 or more, or real property purchases needing an appropriation for financing. The Legislature uses this line item to appropriate funds for construction of new capital developments. The Legislature divides capital developments into two types: state-funded developments, and "other"-funded developments.

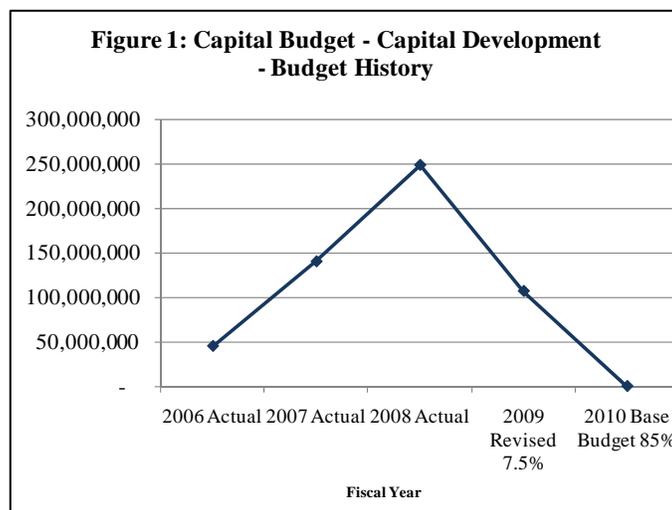
For purposes of capital developments, statute defines "state funds" as public monies appropriated by the Legislature. By extension, "other funds" include revenue bonds (although these must be approved by the Legislature) and any monies from non-state sources, such as donations.

### ISSUES AND RECOMMENDATIONS

#### *Prior Budget Increases*

During the 2008 General Session the Legislature appropriated an additional \$159.2 million General and Education Funds to this line item as follows:

- Salt Lake Government Office Building: \$51.5M
- UDC 192-Bed Pod/288-Bed Pod Design: \$54.5M
- Veterans Nursing Home: \$19.7M
- Utah Museum of Natural History: \$25M
- National Guard Armories: \$3M
- Capitol East/West Buildings: \$5.5M



#### *FY 2009 Special Session Reductions*

During the 2008 Second Special Session the Legislature replaced \$30 million in ongoing state funds (General Fund or Education Fund) in this line item with one-time funds.

#### *FY 2009 Additional Budget Reductions*

The Analyst recommends a one-time reduction of \$52,000,000 for the UDC 192-Bed Pod / 288-Bed Pod Design. Both are currently in the design phase. In order for the Department of Corrections to meet its targeted cuts, it was considering the closure of one or two existing pods. Rather than close existing pods, the Analyst recommends discontinuing construction of new pods. This would have the impact of reducing UDC's future inmate housing options rather than its current options.

**CAPITAL FACILITIES AND GOVERNMENT OPERATIONS**

**LEGISLATIVE ACTION**

The Analyst recommends the Legislature consider adopting:

1. An FY 2009 supplemental reduction of \$52,000,000 from UDC Inmate Housing.

**BUDGET DETAIL TABLE**

Capital Budget - Capital Development								
Sources of Finance	FY 2007 Actual	FY 2008 Actual	FY 2009 Approp	7.5% Reduction	FY 2009 Revised	FY 2010 Base	15% Reduction	FY 2010 Revised
General Fund	10,791,200	30,000,000	0	0	0	0	0	0
General Fund, One-time	64,208,800	144,313,600	77,200,000	(52,000,000)	25,200,000	0	0	0
Uniform School Fund	0	0	0	0	0	0	0	0
Education Fund	19,208,800	0	0	0	0	0	0	0
Education Fund, One-time	44,483,200	71,841,000	25,000,000	0	25,000,000	0	0	0
Transportation Fund	0	0	0	0	0	0	0	0
Transportation Fund, One-time	1,200,000	2,000,000	4,506,000	0	4,506,000	0	0	0
Capital Projects Fund	0	400,000	0	0	0	0	0	0
<b>Total</b>	<b>139,892,000</b>	<b>248,554,600</b>	<b>106,706,000</b>	<b>(52,000,000)</b>	<b>54,706,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Programs</b>								
Courts St. George Courthouse	0	29,000,000	0	0	0	0	0	0
CPB East/West Buildings	0	5,500,000	0	0	0	0	0	0
CPB State Capitol Building	50,000,000	51,242,200	0	0	0	0	0	0
DATC Technology/Manufact	0	14,240,000	0	0	0	0	0	0
DNR Midway Fish Hatchery	5,000,000	0	0	0	0	0	0	0
DPS/Tax Joint DL/DMV Buildi	0	5,342,000	0	0	0	0	0	0
MATC N. Utah County Buildi	0	1,000,000	0	0	0	0	0	0
Salt Lake Government Office E	0	51,500,000	0	0	0	0	0	0
SLCC Public Safety Training C	0	1,277,400	0	0	0	0	0	0
Snow College Library/Classroo	0	17,651,000	0	0	0	0	0	0
UBATC/USU Vernal Building	9,942,000	0	0	0	0	0	0	0
UDC Gunnison Inmate Housin	20,000,000	0	54,500,000	(52,000,000)	2,500,000	0	0	0
UDOT Clearfield Maintenance	1,200,000	0	0	0	0	0	0	0
UDOT Hurricane Maintenance	0	0	4,506,000	0	4,506,000	0	0	0
UDOT Panguitch Maintenance	0	2,000,000	0	0	0	0	0	0
UNG Armories	0	0	3,000,000	0	3,000,000	0	0	0
Unified Health Lab	0	30,852,000	0	0	0	0	0	0
USU Agriculture Building	0	2,500,000	0	0	0	0	0	0
USU Agriculture Campus	5,000,000	0	0	0	0	0	0	0
Utah Museum of Natural Histo	0	0	25,000,000	0	25,000,000	0	0	0
UU Nursing Building	0	13,500,000	0	0	0	0	0	0
UVSC Digital Learning Center	46,750,000	0	0	0	0	0	0	0
Veterans Nursing Home	0	0	19,700,000	0	19,700,000	0	0	0
WSU Classroom Building/Chil	2,000,000	22,950,000	0	0	0	0	0	0
<b>Total</b>	<b>139,892,000</b>	<b>248,554,600</b>	<b>106,706,000</b>	<b>(52,000,000)</b>	<b>54,706,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Categories of Expenditure</b>								
Other Charges/Pass Thru	139,892,000	248,554,600	106,706,000	(52,000,000)	54,706,000	0	0	0
<b>Total</b>	<b>139,892,000</b>	<b>248,554,600</b>	<b>106,706,000</b>	<b>(52,000,000)</b>	<b>54,706,000</b>	<b>0</b>	<b>0</b>	<b>0</b>

# Jan 12<sup>th</sup> Brief: Capital Improvements

CAPITAL FACILITIES AND GOVERNMENT OPERATIONS

**SUMMARY**

Capital improvement projects are those which cost less than \$2,500,000 to improve an existing facility, or less than \$500,000 to construct a new facility. These projects are sometimes known to as "Alterations, Repairs and Improvements" (AR&I). Capital improvement funds may not be used for program equipment or routine maintenance.

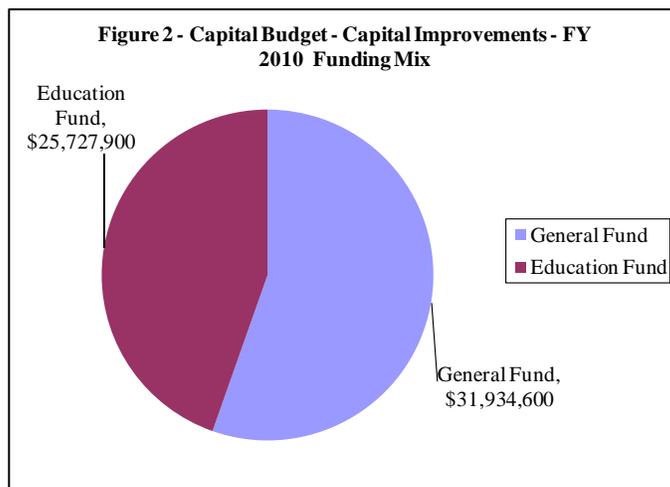
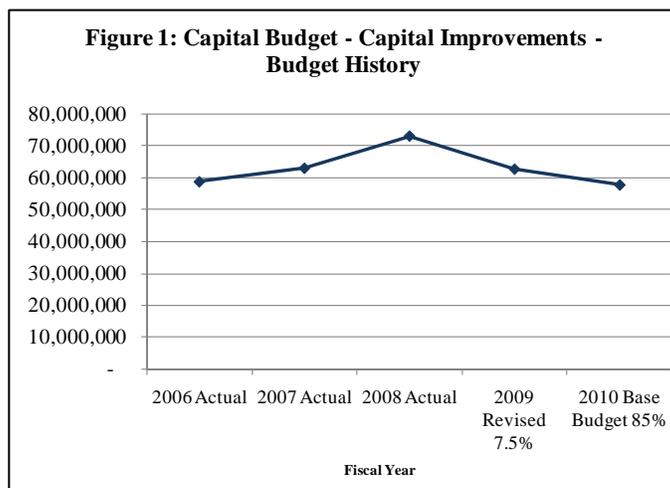
Statute requires that capital improvements be funded before any new capital development project can be approved. During the 2001 General Session the Legislature increased the minimum improvement funding formula from 0.9 percent to 1.1 percent of the replacement value of all state buildings. As revenue projections went unmet in FY02-03, the Legislature amended statute to allow for flexibility to fund capital improvements at the original 0.9 percent level during times of budget deficits. In the current economic environment, the Legislature may need the ability to fund less than 0.9%.

Since funding for capital improvements is based on the replacement value of existing infrastructure, funding usually grows each year to reflect new buildings and construction costs. However, even during growth years capital improvement funding by itself is not sufficient to cover all deferred maintenance. Facility condition assessments estimate \$250 million in immediate needs.

**ISSUES AND RECOMMENDATIONS**

***Prior Budget Increases***

During the 2008 General Session the Legislature appropriated an additional \$9.8 million to this line item, bringing the new total to \$82,838,200. Had this funding remained, it would have completed the fourth consecutive year that capital improvements were funded at the 1.1% level.



**CAPITAL FACILITIES AND GOVERNMENT OPERATIONS**

***FY 2009 Special Session Reductions***

During the September, 2008 Special Session the Legislature reduced the FY09 Capital Improvement line item’s budget by \$15,000,000 to a new total of \$67,838,200. This helped balance the state’s budget by cutting back to the 0.9% level. DFCM and the Building Board identified the projects to be reduced and put them at the top of the priority list for funding in FY10.

***FY 2009 Additional 7.5% Budget Reductions***

The Analyst recommends another one-time reduction of \$5,200,000 for FY09. A statutory change will be necessary prior to making this cut. This reduction would drop funding to 0.83% of the replacement value of existing buildings. Since the Legislature has already authorized capital developments in FY09, this action would place the state out of statutory compliance without a change.

***FY 2010 Base Budget Reduction of 15%***

The Analyst recommends an ongoing FY10 funding reduction of 15%, or \$10,175,700. This reduction would bring the FY10 total to \$57,662,500, equal to 0.77% of the replacement value of existing buildings (using FY09 building values). Using FY10 building values would cause the percentage to be 0.73%.

**LEGISLATIVE ACTION**

The Analyst recommends the Legislature consider adopting:

1. An FY 2009 supplemental 7.5% reduction of \$5,200,000 from the General Fund and Education Fund.
2. An FY 2010 ongoing 15% base reduction of \$10,175,700 from the General Fund and Education Fund.

**BUDGET DETAIL TABLE**

<b>Capital Budget - Capital Improvements</b>								
<b>Sources of Finance</b>	<b>FY 2007 Actual</b>	<b>FY 2008 Actual</b>	<b>FY 2009 Approp</b>	<b>7.5% Reduction</b>	<b>FY 2009 Revised</b>	<b>FY 2010 Base</b>	<b>15% Reduction</b>	<b>FY 2010 Revised</b>
General Fund	35,111,600	40,180,900	37,570,100	0	37,570,100	37,570,100	(5,635,500)	31,934,600
General Fund, One-time	0	0	0	(2,879,900)	(2,879,900)	0	0	0
Education Fund	27,809,700	32,879,000	30,268,100	0	30,268,100	30,268,100	(4,540,200)	25,727,900
Education Fund, One-time	0	0	0	(2,320,100)	(2,320,100)	0	0	0
<b>Total</b>	<b>62,921,300</b>	<b>73,059,900</b>	<b>67,838,200</b>	<b>(5,200,000)</b>	<b>62,638,200</b>	<b>67,838,200</b>	<b>(10,175,700)</b>	<b>57,662,500</b>
<b>Programs</b>								
Capital Improvements	62,921,300	73,059,900	67,838,200	(5,200,000)	62,638,200	67,838,200	(10,175,700)	57,662,500
<b>Total</b>	<b>62,921,300</b>	<b>73,059,900</b>	<b>67,838,200</b>	<b>(5,200,000)</b>	<b>62,638,200</b>	<b>67,838,200</b>	<b>(10,175,700)</b>	<b>57,662,500</b>
<b>Categories of Expenditure</b>								
Other Charges/Pass Thru	62,921,300	73,059,900	67,838,200	(5,200,000)	62,638,200	67,838,200	(10,175,700)	57,662,500
<b>Total</b>	<b>62,921,300</b>	<b>73,059,900</b>	<b>67,838,200</b>	<b>(5,200,000)</b>	<b>62,638,200</b>	<b>67,838,200</b>	<b>(10,175,700)</b>	<b>57,662,500</b>



# Jan 12<sup>th</sup> Brief: Property Acquisition

## SUMMARY

By definition, any purchase of real property where an appropriation is requested to fund the purchase is a capital development. The Legislature uses this line item to fund acquisitions of existing real property, whereas it uses the Capital Development line item to fund construction of new capital developments.

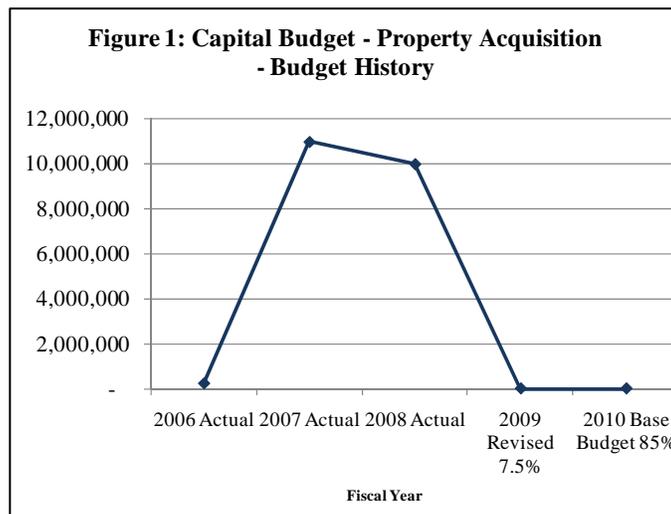
## ISSUES AND RECOMMENDATIONS

### *Prior Budget Increases*

During the 2008 General Session the Legislature appropriated, as a Fiscal Year 2008 supplemental appropriation, \$1,600,000 from the Education Fund to pay off the debt on the Sevier Valley Center at the Snow College Richfield Campus.

### *FY 2009 Special Session Reductions*

This line item was not affected during the September, 2008 Special Session. This line item has no ongoing state funds in FY 2010.



**CAPITAL FACILITIES AND GOVERNMENT OPERATIONS**

**BUDGET DETAIL TABLE**

<b>Capital Budget - Property Acquisition</b>								
<b>Sources of Finance</b>	<b>FY 2007 Actual</b>	<b>FY 2008 Actual</b>	<b>FY 2009 Approp</b>	<b>7.5% Reduction</b>	<b>FY 2009 Revised</b>	<b>FY 2010 Base</b>	<b>15% Reduction</b>	<b>FY 2010 Revised</b>
General Fund	0	0	0	0	0	0	0	0
General Fund, One-time	3,620,000	1,500,000	0	0	0	0	0	0
Education Fund, One-time	7,350,000	6,200,000	0	0	0	0	0	0
Capital Projects Fund	0	282,000	0	0	0	0	0	0
Contingency Reserve Fund	0	2,000,000	0	0	0	0	0	0
<b>Total</b>	<b>10,970,000</b>	<b>9,982,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Programs</b>								
CEU Dormitories	3,000,000	0	0	0	0	0	0	0
CEU Energy Training Center	1,100,000	0	0	0	0	0	0	0
Courts St. George Land Purch:	3,620,000	0	0	0	0	0	0	0
DSC Auxiliary Facilities	0	4,200,000	0	0	0	0	0	0
Heber Wells Building Parking	0	1,500,000	0	0	0	0	0	0
MATC Northern Utah County	3,250,000	0	0	0	0	0	0	0
Snow College Sevier Valley Ce	0	1,600,000	0	0	0	0	0	0
SWATC Land Purchase	0	2,282,000	0	0	0	0	0	0
USU Uintah Basin Building	0	400,000	0	0	0	0	0	0
<b>Total</b>	<b>10,970,000</b>	<b>9,982,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Categories of Expenditure</b>								
Other Charges/Pass Thru	10,970,000	9,982,000	0	0	0	0	0	0
<b>Total</b>	<b>10,970,000</b>	<b>9,982,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



# Jan 12<sup>th</sup> Brief: Land Banking

## SUMMARY

Any purchase of real property where an appropriation is requested to fund the purchase is a capital development. The Legislature uses this line item to fund land acquisitions. Land banking is the process of buying and holding land for future sale or development. Parcels of land desirable for land banking are often those that lie directly in the growth path of rapidly developing communities. The state’s aim in land banking is to buy and hold land for future state use so as to avoid paying high prices that occur in rapidly expanding areas. The state’s growing population causes increased demand for state services while reducing the supply of land available to state government.

The Legislature created the Land Banking line item during the 2008 General Session.

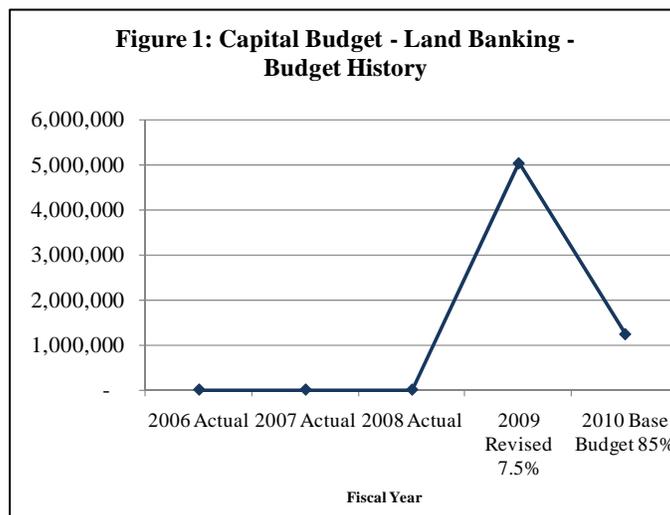
## ISSUES AND RECOMMENDATIONS

### *Prior Budget Increases*

During the 2008 General Session the Legislature appropriated a total of \$5,033,000, with \$3,800,000 coming from the General Fund, to acquire two pieces of property: a parcel in Ogden for a future Juvenile Court building, and a parcel in Orem to expand the UVSC campus. The Ogden property was financed entirely with the General Fund. The UVSC property was financed with \$550,000 from the General Fund, \$233,000 from the State Debt Collection Fund, and \$1,000,000 from the Contingency Reserve Fund. State appropriations paid approximately half of the UVSC parcel's cost; UVSC funded the other half with institutional monies.

### *FY 2009 Special Session Reductions*

This line item was not affected during the September, 2008 Special Session. This line item has no ongoing state funds in FY10.



**CAPITAL FACILITIES AND GOVERNMENT OPERATIONS**

**BUDGET DETAIL TABLE**

<b>Capital Budget - Land Banking</b>								
	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>7.5%</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>15%</b>	<b>FY 2010</b>
<b>Sources of Finance</b>	<b>Actual</b>	<b>Actual</b>	<b>Approp</b>	<b>Reduction</b>	<b>Revised</b>	<b>Base</b>	<b>Reduction</b>	<b>Revised</b>
General Fund, One-time	0	0	3,800,000	0	3,800,000	0	0	0
State Debt Collection Fund	0	0	233,000	0	233,000	233,000	0	233,000
Contingency Reserve Fund	0	0	1,000,000	0	1,000,000	1,000,000	0	1,000,000
<b>Total</b>	<b>0</b>	<b>0</b>	<b>5,033,000</b>	<b>0</b>	<b>5,033,000</b>	<b>1,233,000</b>	<b>0</b>	<b>1,233,000</b>
<b>Programs</b>								
Courts Ogden Land Purchase	0	0	3,250,000	0	3,250,000	0	0	0
UVSC Land Purchase	0	0	1,783,000	0	1,783,000	1,233,000	0	1,233,000
<b>Total</b>	<b>0</b>	<b>0</b>	<b>5,033,000</b>	<b>0</b>	<b>5,033,000</b>	<b>1,233,000</b>	<b>0</b>	<b>1,233,000</b>
<b>Categories of Expenditure</b>								
Other Charges/Pass Thru	0	0	5,033,000	0	5,033,000	1,233,000	0	1,233,000
<b>Total</b>	<b>0</b>	<b>0</b>	<b>5,033,000</b>	<b>0</b>	<b>5,033,000</b>	<b>1,233,000</b>	<b>0</b>	<b>1,233,000</b>