CAPITAL DEVELOPMENTS

CAPITAL FACILITIES AND GOVERNMENT OPERATIONS APPROPRIATIONS SUBCOMMITTEE
STAFF: RICHARD AMON

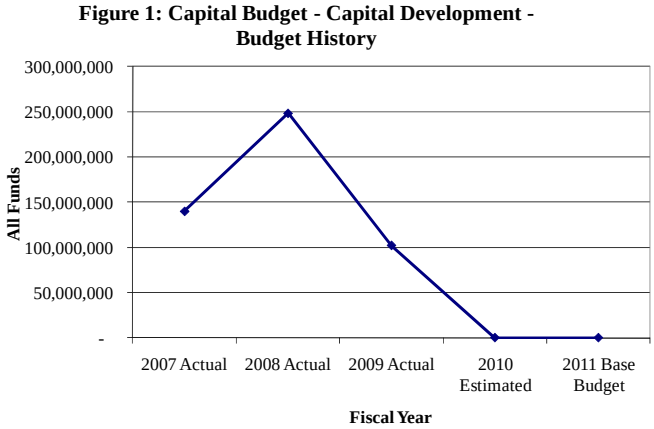
BUDGET BRIEF

SUMMARY

Utah Code section 63A-5-104 defines "Capital Developments" as:

- A remodeling, site, or utility project with a cost of $2,500,000 or more
- A new facility with a construction cost of $500,000 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 is included in each Subcommittee member's binder.

Capital Development requests are traditionally categorized as "State Funded" or "Non-State 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. Non-State 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

Ongoing Funds in the Base Budget

The 2006 Legislature appropriated $30 million in ongoing funds to this line item for capital development projects. 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. Credit rating agencies view such practices favorably because those practices 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.

In the 2008 2nd Special Session the Legislature removed the $30 million ongoing state funds and replaced them with $30 million one-time. The Legislature used the $30 million as a "working rainy day fund" to help balance the budget during a period of economic decline. The Capital Developments line item, therefore, has no base budget in FY 2010, FY 2011, or for future years. When state revenues begin to improve, the Analyst would recommend that the Legislature consider restoring ongoing funding to this line item.

Capital Development Adjustments

During the 2009 General Session the Legislature made several adjustments to previously approved capital development projects. First, the Legislature replaced $32 million of General Fund for two projects (the Salt Lake Government Office Building and the Snow Library) with General Obligation bonds. Second, the Legislature removed $52 million of General Fund from the Gunnison prison 192-bed inmate housing project. The Legislature originally appropriated $54.5 million for this project; however, the Department of Corrections had already spent $2.5 million on planning and design by the time the Legislature decided to put the project on hold and use the money to fill gaps in the budget.

USTAR Capital Development Adjustment

During the 2009 General Session the Legislature also removed $46 million of General Fund from the USTAR program for two buildings in FY 2009. The Legislature previously provided $110 million of general obligation bonding in addition to the $46 million of General Fund to construct a USTAR facility at both the University of Utah and Utah State University. The Legislature passed S.J.R 22 in the 2009 General Session which gave DFCM authority to move forward with the construction of the two facilities even though the $46 million to complete the projects does not currently exist in the budget. In May and September of 2009 the state issued all of the $110 million authorization to facilitate the construction of these two facilities. In order to complete the USTAR facilities, the Legislature will need to authorize the remaining $46 million as general obligation bonds. Funds currently exist in the Debt Service line item to pay the ongoing debt service on these bonds should the Legislature authorize them.

Veteran's Nursing Home

Two years ago the Legislature passed H.B. 129 *Appropriation for Construction of a Veterans' Nursing Home in Ogden* (2008 G.S.) that appropriated $19.7 million to construct a Veteran's Nursing Home in Ogden. The appropriation allowed the State to move off of the Federal waiting list for funding of a veteran's nursing home and proceed with construction. The Federal Government committed to reimburse the State for 65 percent of the cost of construction. The Utah Department of Veterans' Affairs expects to receive between $12.6 to 12.8 million from the Federal Government before the end of the fiscal year (FY 2010). The actual reimbursement will depend on the final cost of construction. The Department expects the repayment to go to the Division of Finance for deposit in the General Fund.

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 2011 (Column labeled SBB). The table also contains columns listing the ranking of the Board of Regents (BOR) for higher education facilities and the Governor's Recommendation (Gov).

SBB	BOR	Gov	Agency/Inst	Description	Requested State Funds	Other Funds	Total Cost	New Sq Ft	State O&M
1			**DHS**	Building Consolidation	29,753,000	0	29,753,000	116,000	14,539
2	2		**UVU**	Science/Health Science Building Addition	49,767,000	0	49,767,000	160,000	1,244,000
3			**Corrections**	CUCF West Compound Expansion 192 Bed Unit	33,694,000	0	33,694,000	73,000	417,600
4	1		**DSC**	Jeffrey R. Holland Centennial Commons Building	35,000,000	10,000,000	45,000,000	175,000	712,000
5			**Courts**	Ogden Juvenile Court House	26,302,000	0	26,302,000	80,000	437,000
6			**Agriculture**	Module #2 Of The Unified State Lab.	24,228,000	0	24,228,000	46,000	305,900
7			**Nat'l Guard**	Upgrades and Repairs to various Armories	4,000,000	0	4,000,000	N/A	0
8			**DPS**	State Emergency Operations Center	12,285,000	500,000	12,785,000	32,000	147,840
9	4		**U of U**	Critical Infrastructure Distribution Replacement	15,000,000	0	15,000,000	N/A	0
10	NR		**WSU**	Davis Campus Professional Program Classroom Bldg.	36,242,000	9,500,000	45,742,000	115,000	664,000
11		Rec	**DPS**	Ogden Drivers License Building	3,294,000	0	3,294,000	10,500	7,500
12			**SWATC**	Allied Health and Technology Building	14,433,000	118,000	14,551,000	68,000	374,000
13			**Tooele ATC**	UCAT – TATC/USU Tooele County Campus	13,975,000	6,000,000	19,975,000	80,000	557,600
14			**Agriculture**	William Spry Agriculture Building	19,117,000	0	19,117,000	52,000	243,880
15			**DHS**	Southwest Utah Youth Center Expansion	1,297,000	0	1,297,000	4,640	5,000
16	10		**U of U**	L.S. Skaggs Pharmacy Research Building	20,000,000	50,700,000	70,700,000	150,000	1,253,000
17			**DEQ**	Quality Technical Support Center	2,400,000	0	2,400,000	21,500	0
18	5		**CEU**	Arts & Education Building	17,263,000	0	17,263,000	50,000	293,000
19			**DNR: Parks**	Wasatch Mtn.State Park Main Campground	4,060,000	0	4,060,000	N/A	0
20	3		**SLCC**	Instructional and Administrative Complex	29,943,000	0	29,943,000	136,000	449,180
21	6		**USU**	Business Building Addition/Remodel	44,848,000	0	44,848,000	203,000	1,000,336
22	8		**USU**	Kent Concert Hall Addition/Renovation	19,597,000	0	19,597,000	170,000	450,000
23			**GOED**	World Trade Center (State Office Building)	26,832,000	0	26,832,000	100,000	469,000
24			**DTS**	Richfield Alternate Data Center Expansion Project	4,384,000	0	4,384,000	10,000	28,000
25	9		**SUU**	Business Building Addition	11,015,000	0	11,015,000	35,000	149,600
26	7		**Snow**	Science Building Addition Remodel	11,803,000	0	11,803,000	52,000	199,000
27			**Fair Park**	Multi Purpose Arena	21,988,000	0	21,988,000	175,000	0
Not Ranked			**Veterans**	Utah State Veterans Nursing Home, Southern Utah	6,000,000	11,000,000	17,000,000	65,000	0
Not Ranked			**Veterans**	Utah State Veterans Nursing Home, Utah County	6,000,000	11,000,000	17,000,000	65,000	0

Building Board and Governor Priorities – Non-State Funds

The following table shows non-state funded buildings and recommendations by the Building Board and the Governor.

Building Board Recommend.	Governor Recommend.	Agency/ Institution	Project	Amount	Square Feet	State-Funded O&M
Recommend		**ABC**	South/West Jordan Liquor Store	$ 3,800,000	12,000	none
Recommend		**ABC**	Salt Lake City East Side Liquor Store	$ 4,200,000	12,000	none
Recommend		**DSVBI**	Residential Facility for the Blind	$ 1,497,000	8,000	none
N/A	Recommend	**Dixie**	Gardner Center Bookstore Renovation	$ 3,000,000	12,000	none
N/A	Recommend	**Dixie**	Sports Medicine and Athletic Training Center	$ 19,251,300	76,466	none
Recommend	Recommend	**SUU**	Museum of Arts*	$ 10,000,000	28,000	$ 238,000
Recommend		**U of U**	Ambulatory Care Complex*	$ 119,541,000	214,050	none
Recommend	Recommend	**U of U**	School of Dentistry	$ 37,000,000	70,200	$ 311,906
Recommend	Recommend	**U of U**	Henry Eyring Building PI: South Addition	$ 17,878,000	40,915	$ 344,915
Recommend		**U of U**	University Guest House Expansion*	$ 10,000,000	39,535	none
Recommend	Recommend	**USU**	Brigham City Campus Addition/ Renovation	$ 5,000,000	22,000	$ 162,360
Recommend	Recommend	**USU**	Botanical Center Classroom Building	$ 3,000,000	7,900	$ 58,302
Recommend	Recommend	**USU**	Art Barn Renovation and Addition	$ 2,000,000	12,500	$ 37,116
Recommend		**WSU**	Phase I Student Housing*	$ 15,000,000	48,000	none
N/A		**U of U**	Purchase of Ambassador Building*	$ 12,000,000	90,000	none
N/A		**U of U**	Purchase of Orthopaedic Center*	$ 25,000,000	103,000	none

* Projects include a request to issue revenue bonds

Legislatively Approved Projects – 2009 Session

The following table details the capital projects approved during the 2009 General Session.

New State Funded Projects	State Funds	G.O. Bonds	Other Funds	Collection/ Donation	Total	Bill(s)
Capital Improvements	$55,662,500				$55,662,500	SB 2
USDB Purchase L. Edwards School		$6,500,000			$6,500,000	SB 201
SLCC Digital Design/Comm Center		$21,305,000		$9,362,500	$30,667,500	SB 201
MATC N. Utah Co. Campus Bldg		$18,800,000			$18,800,000	SB 201
UU School of Business Replacemt		$22,900,000		$57,100,000	$80,000,000	SB 201
OWATC Health Tech Bldg		$21,812,000		$700,000	$22,512,000	SB 201
UNG Armories Upgrades		$4,000,000			$4,000,000	SB 201
SUU Gibson Science Center		$13,851,000		$5,000,000	$18,851,000	SB 201
DSC Centennial Commons Design		$3,000,000			$3,000,000	SB 201
UVU Science/Health Bldg Design		$2,800,000			$2,800,000	SB 201
Subtotal Projects	**$55,662,500**	**$114,968,000**	**$0**	**$72,162,500**	**$242,793,000**	
Adjusted State Funded Projects						
Salt Lake Government Office Bldg	($18,000,000)	$18,000,000			$0	HB3/HB4
Snow Library/Classroom Bldg	($14,000,000)	$14,000,000			$0	HB3/HB4
USTAR Bldgs at UU & USU	($46,000,000)				($46,000,000)	HB3
UDC Gunnison 192-Bed Pod	($52,000,000)				($52,000,000)	HB3
Subtotal Projects	**($130,000,000)**	**$32,000,000**	**$0**	**$0**	**($98,000,000)**	
Total State Funded	**($74,337,500)**	**$146,968,000**	**$0**	**$72,162,500**	**$144,793,000**	
Other Funded Projects	SBOA Bonds	USHE Bonds	Other Funds	Collection/ Donation	Total	Bill(s)
DABC Property Purchase	$3,800,000				$3,800,000	SB 5
DABC Warehouse Expansion	$19,904,000				$19,904,000	SB 5
UU South Campus Housing		$48,000,000			$48,000,000	SB 5
UU Green Field Infrastructure		$44,000,000			$44,000,000	SB 5
UU Neuropsych. Inst. Expansion		$45,000,000			$45,000,000	SB 5
USU Vernal Entrepreneurship Ctr		$3,800,000			$3,800,000	SB 5
UU Ambulatory Care Complex Design					$0	SB 5
UU School of Business Replacemt				$64,445,000	$64,445,000	SB 5
UU Kennecott Building				$8,689,000	$8,689,000	SB 5
UU Sorenson Arts & Educ Complex				$30,737,000	$30,737,000	SB 5
UU Meldrum Civil Engineer Bldg				$4,477,500	$4,477,500	SB 5
UU Universe Project				$71,000,000	$71,000,000	SB 5
UVU Business Resource Center			$750,000	$1,900,000	$2,650,000	SB 5
UVU Track & Field Facility			$400,000	$800,000	$1,200,000	SB 5
UVU Intramural Playing Fields			$600,000		$600,000	SB 5
SUU Baseball/Soccer Complex				$2,000,000	$2,000,000	SB 5
DNR Interagency Fire Dispatch			$3,000,000		$3,000,000	SB 5
DNR Vernal Curation Facility			$7,500,000		$7,500,000	SB 5
DNR Seed Warehouse Expansion			$650,000		$650,000	SB 5
VA Cemetery Improvements			$3,500,000		$3,500,000	SB 5
DFCM Fairpark Land Lease to UTA					$0	SB 5
DWS Sell Buildings					$0	SB 5
Total Other Funded	**$23,704,000**	**$140,800,000**	**$16,400,000**	**$184,048,500**	**$364,952,500**	

Prior Year Bonds for Capital Development

The Legislature did not authorize any bonds for capital facilities from the 2005 General Session through the 2008 General Session except for $110 million associated with the USTAR initiative (authorized in the 2006 General Session). During those four years the Legislature funded capital facilities projects with cash ("pay-as-you-go"). In the 2009 General Session the Legislature authorized $147 million of general obligation bonds for capital facility projects. Those bond authorizations include $32 million to replace cash with bonds (which helped balance the FY 2009 budget) and $115 million for new projects (see table above under Legislatively Approved Projects – 2009 Session).

The State made two issuances of capital facility bonds in FY 2009 for the authorizations mentioned above. The 2009B bond series issued $111,000,000 of capital facility debt ($32 million for cash replacement, $42 million of the new buildings authorized, and $37 million for USTAR). The 2009C bond series issued $135,968,000 of capital facility debt ($63 million of the new buildings authorized, and $73 million for USTAR).

BUDGET DETAIL

This line item contains no base budget.

LEGISLATIVE ACTION

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

1. Adopting a prioritized list of state funded capital development projects from page 2 of this Brief.
2. Approval of specific non-state funded capital development projects from page 3 of this Brief (if any) for inclusion in the annual *Revenue Bond and Capital Facilities Authorizations* bill.
3. Authorization of $46 million of General Obligation bonds to replace the $46 million of cash reduced from the USTAR project in FY 2009 and needed to complete buildings at the U of U and USU (this could be a recommendation to Executive Appropriations or an item on the prioritized list of projects).
4. The possible reallocation of the $12.6 million Federal reimbursement for the Ogden Veteran's Nursing Home for other capital budget priorities.

BUDGET DETAIL TABLE

Capital Budget - Capital Development

Sources of Finance	FY 2009 Actual	FY 2010 Appropriated	Changes	FY 2010 Revised	Changes	FY 2011* Base Budget
General Fund, One-time	77,200,000	0	0	0	0	0
Education Fund, One-time	25,000,000	0	0	0	0	0
Total	$102,200,000	$0	$0	$0	$0	$0
Programs						
UDC Gunnison Inmate Housing	54,500,000	0	0	0	0	0
UNG Armories	3,000,000	0	0	0	0	0
Utah Museum of Natural History	25,000,000	0	0	0	0	0
Veterans Nursing Home	19,700,000	0	0	0	0	0
Total	$102,200,000	$0	$0	$0	$0	$0
Categories of Expenditure						
Other Charges/Pass Thru	102,200,000	0	0	0	0	0
Total	$102,200,000	$0	$0	$0	$0	$0

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