

Compendium of Budget Information for the 2014 General Session

Infrastructure and General Government Appropriations Subcommittee

Agency: Capital Budget

Line Item: Capital Improvements

Function

Capital improvement projects are defined as improvement projects on an existing facility costing less than \$2,500,000 or new construction projects costing less than \$500,000. These projects are sometimes referred to as "Alterations, Repairs and Improvements" (AR&I). Capital improvement funds may not be used for program equipment or routine maintenance.

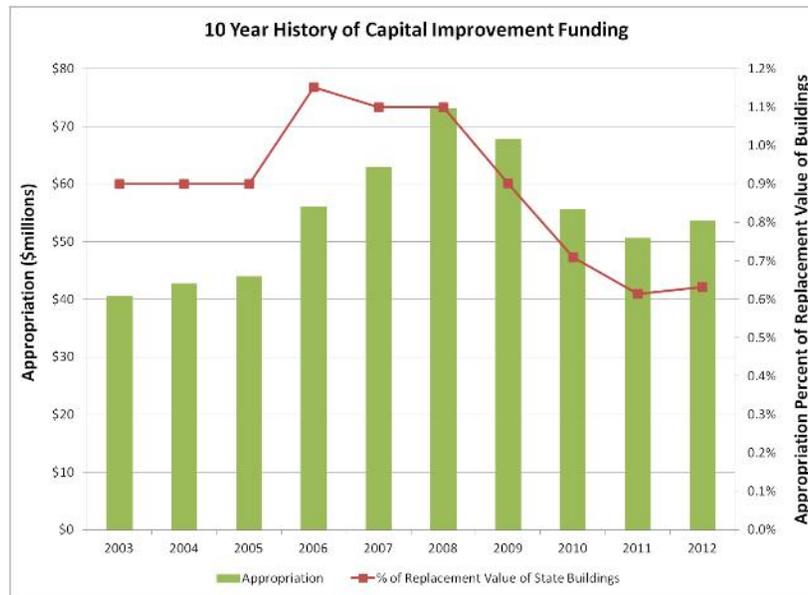
As per UCA 63A-5-104(6) capital improvements must be funded before any new capital development project can be approved. During the 2001 General Session the Legislature increased the minimum improvement funding formula from 0.9 percent to 1.1 percent of the replacement value of all state buildings. As revenue projections went unmet in FY 2002 and FY 2003, the Legislature amended statute to allow for more flexibility. The change allowed the Legislature to fund the program at the original 0.9 percent level during times of budget deficits.

Even though funding for capital improvements will increase annually due to inflation and new construction, these funds cannot keep pace with the annual requests for repairs and improvements. Nearly forty percent of Utah's facilities are over twenty-five years old and many have significant problems. One way some maintenance backlogs are eliminated, besides the use of capital improvement funds, is through renovations or replacements of older buildings. The Legislature has used capital development funds to replace aging and worn space that is contributing to the existing maintenance backlog. This helps the state's bond rating, and recognizes the fact that capital improvements alone cannot alleviate the maintenance backlog.

In the 2010 General Session the Legislature passed S.B. 189, "Capital Facilities Amendments," which allows the State Building Board to re-allocate bid savings and project residuals for approved capital improvement projects. This change allows funds that otherwise would be deposited in the Project Reserve Fund to be reallocated back to the Capital Improvements line item to be used on other critical improvement projects.

Background

The following chart shows the 10 year history of capital improvement funding.



Starting in FY 1995 the Legislature required funding capital improvements at 0.9 percent of the replacement value of state-owned buildings. As mentioned above, the Legislature increased the formula for capital improvement funding to 1.1 percent; but, as a result of economic challenges, did not appropriate the full 1.1 percent level to capital improvements until FY 2006 (when it actually contributed 1.15 percent). In the 2009 thru 2013 General Sessions the Legislature amended the statute to allow a reduction in capital improvement funding below the 1.1 percent level.

Intent Language

The Legislature intends that the Department of Administrative Services and the Division of Facilities Construction and Management propose a prioritized scoring process for capital improvements similar to what the Transportation Commission uses to prioritize highway capacity projects, and that the proposal be provided to the Legislative Fiscal Analyst by July 1, 2013, with copies provided to members of the Infrastructure and General Government Subcommittee. The Legislature also intends that the Department of Administrative Services and the Division of Facilities Construction and Management provide to the State Building Board's prioritized list for distribution of Capital Improvement Funds to the Infrastructure and General Government Subcommittee before the State Building Board gives final approval to that list.

Funding Detail

As construction costs escalated from FY 2005 to 2008, so too did the replacement value of the state's buildings; which led to large funding increases in this line item. However, constrained state revenues in FY 2009 thru 2014 necessitated reductions in funding.

In FY 2010 and FY 2012 the Legislature funded a portion of the Capital Improvement budget from the Project Reserve Fund. The Fund had significant balances in those years as a result of favorable construction bids and sizable residuals on major construction projects.

Sources of Finance	2013 Actual	2014 Approp	2014 Change	2014 Revised	2015 Change	2015 Approp
General Fund	\$20,167,300	\$20,167,300	\$0	\$20,167,300	\$2,619,700	\$22,787,000
General Fund, One-time	\$15,000,000	\$46,000,000	\$0	\$46,000,000	(\$20,218,200)	\$25,781,800
Education Fund	\$21,571,800	\$21,571,800	\$0	\$21,571,800	\$2,418,500	\$23,990,300
Education Fund, One-time	\$15,000,000	\$0	\$0	\$0	\$27,684,500	\$27,684,500
Project Reserve Fund	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$71,739,100	\$87,739,100	\$0	\$87,739,100	\$12,504,500	\$100,243,600

Programs	2013 Actual	2014 Approp	2014 Change	2014 Revised	2015 Change	2015 Approp
Capital Improvements	\$71,739,100	\$87,739,100	\$0	\$87,739,100	\$12,504,500	\$100,243,600
Total	\$71,739,100	\$87,739,100	\$0	\$87,739,100	\$12,504,500	\$100,243,600

Categories of Expenditure	2013 Actual	2014 Approp	2014 Change	2014 Revised	2015 Change	2015 Approp
Other Charges/Pass Thru	\$71,739,100	\$87,739,100	\$0	\$87,739,100	\$12,504,500	\$100,243,600
Total	\$71,739,100	\$87,739,100	\$0	\$87,739,100	\$12,504,500	\$100,243,600

COBI contains unaudited data as presented to the Legislature by state agencies at the time of publication. For audited financial data see the State of Utah's Comprehensive Annual Financial Reports.