

Budget Brief – Capital Improvements

NUMBER CFGO-08-29

SUMMARY

Capital Improvements—formerly known as “alteration, repair and improvements” (AR&I)—are usually improvement projects costing less than \$2.5 million on the state’s existing fixed capital assets. They can also be new construction projects costing less than \$500,000. Capital improvement funds may not be used for program equipment or routine maintenance. Statute requires capital improvements to be funded at a level equal to 1.1 percent of the replacement value of existing state buildings prior to any new capital development project being approved. During budget deficits the statute allows funding at 0.9 percent.

Utah didn’t fund capital improvements at the 1.1 percent level until the 2005 General Session, when it exceeded the minimum by \$2.5 million. Since then it has stayed at the 1.1 percent level.

ISSUES AND RECOMMENDATIONS

FY09 Requirement

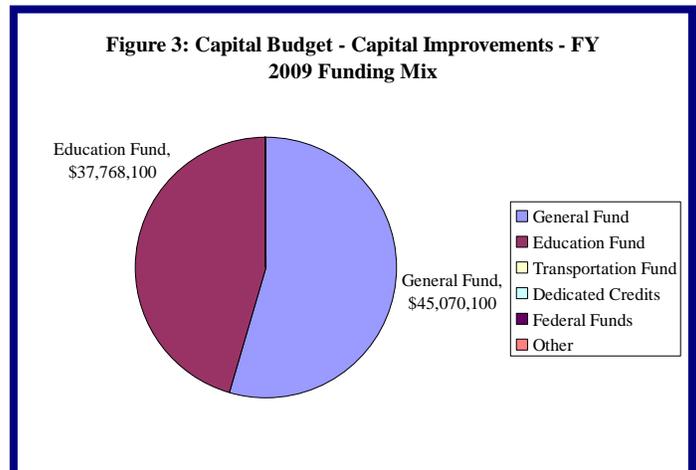
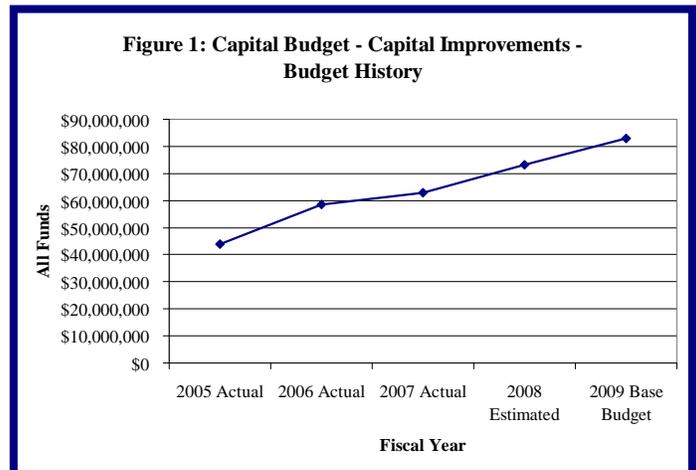
The statutorily required amount of funding for FY 2009 is \$82,838,200. Prior year appropriations were:

- FY 2008: \$73,059,900
- FY 2007: \$62,921,300
- FY 2006: \$58,661,600

The Executive Appropriations Committee has already recognized the FY 2009 amount as a mandate and authorized it to be placed in the FY 2009 Base Appropriations Bill. The Analyst recommends the funding increase be split evenly between the General Fund and the Education Fund. Currently the General Fund covers 54 percent of the appropriation even though education facilities expend more than 50 percent. In UCA 63A-5-104 the Legislature declares its intent to fund at least half of the capital improvement budget with the General Fund.

Significant Funding Increases Last Four Years

Please see Issue Brief CFGO-08-07 for a discussion of growth in capital improvement funding in recent years and consideration of whether the Legislature should tighten its oversight of this growing part of the budget.



ACCOUNTABILITY DETAIL

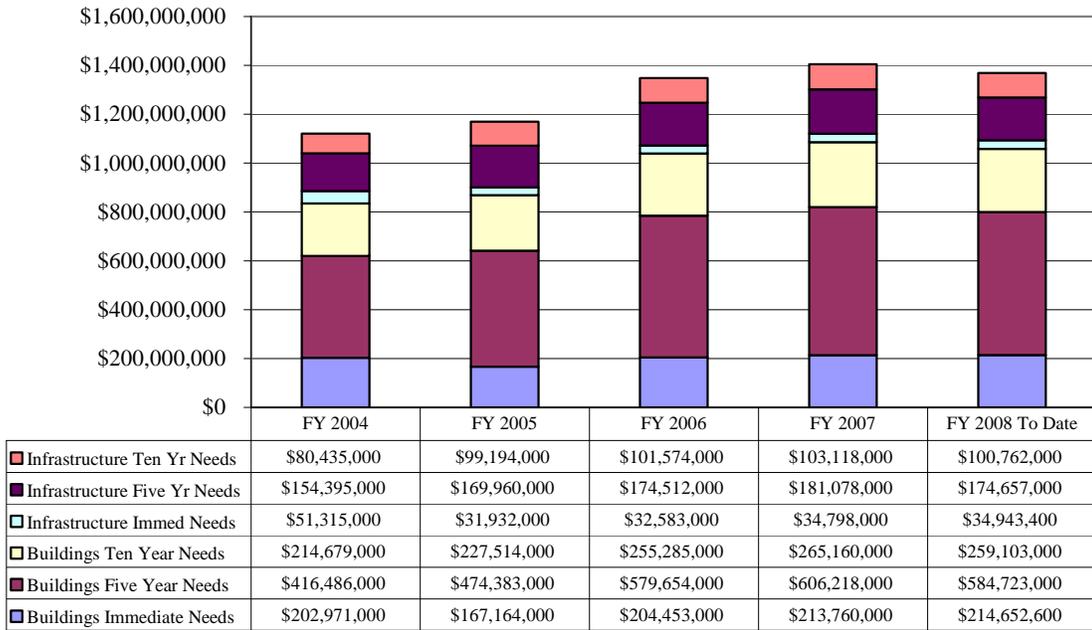
Expenditures by Major Area

Summary of Capital Improvement Funding

	FY 2003	%	FY 2004	%	FY 2005	%	FY 2006	%	FY 2007	%	FY 2008 Est	%
Higher Ed	\$18,596,600	52%	\$22,040,300	52%	\$23,690,100	54%	\$30,287,900	54%	\$34,826,300	53%	\$38,701,300	53%
UCAT	\$1,394,500	4%	\$1,712,700	4%	\$883,700	2%	\$1,254,500	2%	\$1,841,200	3%	\$2,051,800	3%
State Agencies	\$13,025,200	36%	\$15,171,600	36%	\$16,038,800	36%	\$20,170,723	36%	\$23,932,300	36%	\$26,659,500	36%
Statewide Issues	\$3,090,400	9%	\$3,790,100	9%	\$3,444,300	8%	\$4,448,477	8%	\$4,993,500	8%	\$5,647,300	8%
Total	\$36,106,700	100%	\$42,714,700	100%	\$44,056,900	100%	\$56,161,600	100%	\$65,593,300	100%	\$73,059,900	100%
Other	\$4,400,000											

Progress on Maintenance Backlog

Facility Condition Assessment: Maintenance Backlog



DFCM’s Facility Condition Assessment Program has identified \$250 million in “immediate” repair needs to buildings and infrastructure, and more than \$1.3 billion in needs over the next ten years. Capital improvement funds cannot address all issues, since many problems cost more than \$2.5 million to correct. In those cases, funds must be used from the Capital Development line item. The Legislature sometimes spends Capital Development funds on building replacements rather than expansions.

The Analyst believes the numbers presented in the maintenance backlog are overstated. Contract evaluators included every item, whether small or large, critical or optional. DFCM is in the process of issuing a new contract with new deliverables that will require evaluators to better categorize maintenance needs.

BUDGET DETAIL

The addition of \$9,778,300 in FY 2009 appropriation was split evenly between the General Fund and the Education Fund.

Budget Recommendation for FY 2009:

The Analyst recommends a total FY 2009 Capital Improvement budget of \$82,838,200. This includes the FY 2008 base budget of \$73,059,900 plus an additional \$9,778,300. The additional funds are already allocated in the FY 2009 Base Budget Bill and are therefore also included in the table below.

LEGISLATIVE ACTION

The Analyst recommends the Legislature adopt:

1. A total appropriation of \$82,838,200 for the Capital Improvements Line Item in FY 2009.

BUDGET DETAIL TABLE

Capital Budget - Capital Improvements						
	FY 2007	FY 2008		FY 2008		FY 2009*
Sources of Finance	Actual	Appropriated	Changes	Revised	Changes	Base Budget
General Fund	35,111,600	40,180,900	0	40,180,900	4,889,200	45,070,100
Education Fund	27,809,700	32,879,000	0	32,879,000	4,889,100	37,768,100
Total	\$62,921,300	\$73,059,900	\$0	\$73,059,900	\$9,778,300	\$82,838,200
Programs						
Capital Improvements	62,921,300	73,059,900	0	73,059,900	9,778,300	82,838,200
Total	\$62,921,300	\$73,059,900	\$0	\$73,059,900	\$9,778,300	\$82,838,200
Categories of Expenditure						
Other Charges/Pass Thru	62,921,300	73,059,900	0	73,059,900	9,778,300	82,838,200
Total	\$62,921,300	\$73,059,900	\$0	\$73,059,900	\$9,778,300	\$82,838,200

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