



# CAPITAL DEVELOPMENTS

INFRASTRUCTURE AND GENERAL GOVERNMENT 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 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.

Capital Development requests are traditionally categorized as “state funded” or “non-state funded.” State funded requests include all projects that request general tax funds. These projects compete for prioritization in the Building Board’s plan and, if applicable, the Board of Regents’ evaluation. Non-state funded requests use revenue bonds, donations, restricted funds, federal funds, or other non-tax funding for construction. Non-state funded projects are not prioritized by the Building Board or the Regents, but are either recommended or not recommended.

## ISSUES AND RECOMMENDATIONS

### ***Ongoing Funds in the Base Budget***

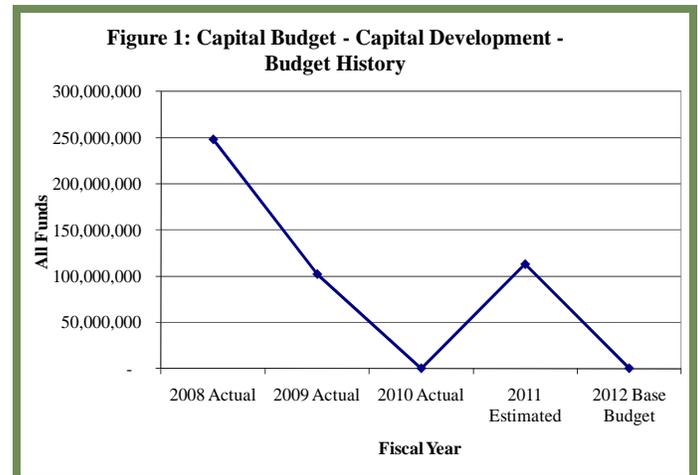
The 2006 Legislature appropriated \$30 million in ongoing funds to the Capital Development line item. These funds allowed the state to finance buildings using a pay-as-you-go strategy and established a “working rainy day fund” that could be used in case of budget deficits. In the 2008 2nd Special Session the Legislature removed the \$30 million ongoing to help balance the budget during a period of economic decline. The Capital Developments line item, therefore, has no base budget. When state revenues begin to improve, the Analyst would recommend that the Legislature consider restoring ongoing funding to this line item.

### ***State Space Standards***

The state uses space standards when planning new buildings and leases to align job function with square footage requirements. 1994 was the last time the State Building Board revised the standards for state agencies and the standards did not include higher education as originally anticipated. The Analyst recommends updating the space standards and therefore recommends the Legislature approve the intent language proposed below. (See *Utah State Space Standards* Issue Brief for more information.)

### ***Contingency and Project Reserve Funds***

The Contingency Reserve Fund, used for unexpected change orders and contingencies, has a balance of \$15.2 million due to the large number of projects under construction. The Project Reserve Fund has a balance of \$18 million due to the favorable bid climate that has required fewer funds for construction. The Analyst recommends reallocating \$12 million from the Project Reserve Fund and keeping the Contingency Reserve Fund at the current level. (See *Capital Facilities Reserve Funds* Issue Brief for more information.)



**State Office Space Leasing**

The state currently leases \$20.1 million of office space for state agencies. While state leases typically have a non-appropriation clause, the long-term consequences of breaking a lease could cost the state more than the short term budget savings. Seventy leases expire or come due for renewal in FY 2011 and FY 2012 including some of the higher cost leases in the state. Few vacant state-owned facility options exist. The Analyst recommends DFCM study current space utilization in both leased and state-owned space and therefore recommends the intent language proposed below. (See *State Facility Leasing Issue Brief* for more information.)

**Energy Service Company Projects**

Current statute allows agencies to enter into energy savings performance contracts for up to 20 years without Legislative approval. The state currently has approximately \$38.9 million of outstanding loans on energy savings projects and will likely enter into three additional multi-million dollar contracts in FY 2011. (See *State Energy Savings Performance Contracts Issue Brief* for more information.)

**Veteran’s Nursing Home**

The state received the 65% federal reimbursement for constructing the \$19.7 million Veteran's Nursing Home in Ogden. The \$12,733,000 reimbursement resides in a holding fund until appropriated by Legislature. There are currently no restrictions on the funds.

**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 2012 (column “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	USH Building Consolidation	\$ 30,881,000		\$ 30,881,000	116,000	\$ 14,500
2			Multiple	Multi-Agency Warehouse Freeport Bldgs	\$ 10,383,000		\$ 10,383,000	229,800	\$ 180,000
3			Courts	Ogden Juvenile Court House	\$ 27,100,000		\$ 27,100,000	84,500	\$ 425,000
4			Multiple	DPS, Health, Agriculture Module #2 Unified State Labs	\$ 35,855,000		\$ 35,855,000	89,000	\$ 238,000
5	1		U of U	Utility Distribution Infrastructure Replacement	\$ 50,000,000		\$ 50,000,000	N/A	\$ -
6	4		WSU	Professional Programs Classroom Building (Davis)	\$ 31,535,000	\$ 8,400,000	\$ 39,935,000	115,000	\$ 725,000
7			Corrections	CUCF West Coumpound Expansion of 192 Bed Unit	\$ 46,294,000		\$ 46,294,000	138,000	\$ 725,000
8			SWATC	Health Science and Information Technology Building	\$ 14,510,000	\$ 118,000	\$ 14,628,000	68,000	\$ 483,000
9			DXATC	Land Purchase	\$ 2,436,000		\$ 2,436,000	N/A	\$ -
10	3		CEU	Arts and Education Building	\$ 18,589,000		\$ 18,589,000	70,000	\$ 393,500
11			DPS	Homeland Security: Emergency Operations Center	\$ 11,973,000	\$ 500,000	\$ 12,473,000	32,000	\$ 172,600
12			TATC	UCAT - TATC/USU Tooele County Campus	\$ 9,981,000	\$ 4,500,000	\$ 14,481,000	66,800	\$ 569,000
13	5		USU	Business Building Addition/Remodel	\$ 28,390,000	\$ 20,000,000	\$ 48,390,000	100,000	\$ 797,000
14			DATC	Medical Building Expansion	\$ 21,349,000	\$ 150,000	\$ 21,499,000	65,000	\$ 390,000
15			GOED	World Trade Center	\$ 26,832,000		\$ 26,832,000	100,000	\$ 550,000
16			DNR Parks	Wasatch Mountain State Park Main Campground	\$ 4,500,000		\$ 4,500,000	N/A	\$ -
17			DHS	Southwest Utah Youth Center Expansion	\$ 1,368,000		\$ 1,368,000	3,600	\$ 5,000
18	2		USU	Kent Concert Hall Addition/Remodel	\$ 20,310,000		\$ 20,310,000	13,500	\$ 796,000
19			MATC	Central Utah County Campus	\$ 6,889,000		\$ 6,889,000	29,000	\$ 208,000
20			BATC	Health Science and Technology Building	\$ 30,602,000		\$ 30,602,000	120,000	\$ 618,000
21			DEQ	Quality Technical Support Center	\$ 2,363,000		\$ 2,363,000	21,500	\$ -
22	6		Snow	Science Building Addition Remodel	\$ 11,178,000		\$ 11,178,000	12,000	\$ 199,000
23	6		SUU	New Business Building	\$ 11,942,000		\$ 11,942,000	40,000	\$ 28,400

Table 1

**Homeland Security Emergency Operations Center**

The Building Board ranked eleventh the Department of Public Safety request for a \$12 million emergency operations center. This request would allow the existing emergency operations center to move off Capitol Hill and into a stand-alone facility. While this 37,000 square foot facility would provide considerable space and flexibility for the Division of Homeland Security, the Division is currently expanding emergency operations space in the State Capitol using a \$2.2 million federal grant.

During the summer of 2010 DFCM and the Capitol Preservation Board discovered approximately 4,700 square feet in the basement of the Utah State Capitol that a master architectural plan set aside for an emergency operations center. Under the direction of the Capitol Preservation Board, DFCM and the Division of Homeland Security are currently renovating this space. Statute allows the renovation or remodeling of existing facilities without legislative approval if done with non-state funding. The new space will allow Homeland Security to expand the central command center to more adequately accommodate decision makers in the event of an emergency and for training purposes. Staff personnel will remain in offices in the State Office Building.

**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	Recommend	UVU	Student Wellness building*	\$ 38,000,000	160,000	none
Recommend	Recommend	UVU	Parking Structure*	\$ 8,000,000	n/a	none
Recommend	Recommend	UofU	Ambulatory Care Complex Parking Phase I	\$ 16,328,000	n/a	none
Recommend	Recommend	UofU	Dee Glen Smith Athletic Center Expansion	\$ 20,000,000	58,000	none
Recommend	Recommend	UofU	UU Healthcare Medical Services Bldg.*	\$ 25,857,000	70,000	none
Recommend	Recommend	USU	Art Barn Renovation	\$ 2,500,000	12,500	\$35,000
Recommend	Recommend	USU	Regional Campus Distance Ed Bldg.	\$ 10,000,000	27,500	none
Recommend	Recommend	Snow	Student Housing*	\$ 15,689,000	93,000	none
Recommend	Recommend	DNR	Lee Kay Archery Center	\$ 2,300,000	50,000	none
Recommend	Recommend	DNR	Kamas Fish Hatchery Water Filtration	\$ 1,600,000	3,200	none
Recommend	Recommend	Courts	Purchase of the Farmington Courthouse	\$ 3,900,000	36,200	none
Recommend		UCAT	UCAT Board of Trustee Bldg.*	\$ 1,200,000	8,000	none
Recommend		Dixie	Housing Project	\$ 8,700,000	77,000	none
		USU	Athletics Competitive/Practice Facility	\$ 7,500,000	28,000	none

**Table 2**

**Legislatively Approved Projects – 2010 Session**

The following table details the capital projects approved during the 2010 General Session.

<u>New State Funded Projects</u>	<u>State Funds</u>	<u>G.O. Bonds</u>	<u>Other Funds</u>	<u>Collections/ Donations</u>	<u>Total</u>	<u>Bill(s)</u>
Capital Improvements	\$50,685,400				\$50,685,400	SB 1/HB 2
DSC Centennial Commons	\$35,000,000			\$10,000,000	\$45,000,000	SB 282
UVU Science/Health Bldg	\$45,000,000				\$45,000,000	SB 282
SLCC Instructional and Admin.	\$29,000,000				\$29,000,000	SB 282
UNG Armory Upgrades / Repairs	\$4,000,000				\$4,000,000	SB 282
USU Agricultural Building		\$43,111,000			\$43,111,000	SB 280
USTAR Bldgs at UU & USU		\$46,000,000			\$46,000,000	SB 280
<b>Total State Funded</b>	<b>\$163,685,400</b>	<b>\$89,111,000</b>	<b>\$0</b>	<b>\$10,000,000</b>	<b>\$262,796,400</b>	
<u>Other Funded Projects</u>	<u>SBOA Bonds</u>	<u>USHE Bonds</u>	<u>Other Funds</u>	<u>Collections/ Donations</u>	<u>Total</u>	<u>Bill(s)</u>
UU Ambulatory Care Complex		\$119,541,000			\$119,541,000	HB 5
UU Orthopaedic Center		\$25,000,000			\$25,000,000	HB 5
WSU Phase I Student Housing		\$15,000,000			\$15,000,000	HB 5
UU Ambassador Building		\$12,000,000			\$12,000,000	HB 5
UU University Guest House		\$10,000,000			\$10,000,000	HB 5
UU Henry Eyring Building				\$17,878,000	\$17,878,000	HB 5
SUU Museum of Art		\$2,500,000		\$7,500,000	\$10,000,000	HB 5
Ogden Driver License Bldg			\$3,294,000		\$3,294,000	HB 5
USU Botanical Center Classroom				\$3,000,000	\$3,000,000	HB 5
Residential Facility for the Blind			\$1,497,000		\$1,497,000	HB 5
<b>Total Other Funded</b>	<b>\$0</b>	<b>\$184,041,000</b>	<b>\$4,791,000</b>	<b>\$28,378,000</b>	<b>\$217,210,000</b>	

**Table 3**

***FY 2012 Land Banking Requests***

SBB	BOR	Gov	Agency/Inst	Description	State Funds	Acres
1			<b>Courts</b>	No. Utah County Land Acquisition	\$ 1,750,000	5 to 7
2			<b>SUU</b>	Property Adjacent to Campus	\$ 2,520,000	3.00
3			<b>SLCC</b>	Herriman land purchase	\$ 9,900,000	90.00
4			<b>Dixie</b>	Property Adjacent to Campus	\$ 2,145,000	
5			<b>DATC</b>	Morgan property for future Entrepreneur Center	\$ 300,000	10.50
6			<b>USU</b>	Property Adjacent to Campus	\$ 23,200,000	55.00
7			<b>BATC</b>	Property Adjacent to Campus	\$ 8,175,000	54.23

**Table 4**

**INTENT LANGUAGE**

The Analyst recommends the Legislature adopt the following intent language for FY 2012 (see *State Facility Leasing* and *Utah State Space Standards* Issue Briefs for more information):

*The Legislature intends that the Division of Facilities Construction and Management (DFCM) study asset utilization, cost, and operation and maintenance in state-owned and leased properties and report back to the Infrastructure and General Government Appropriations Subcommittee during the 2011 Interim. The Legislature further intends that state agencies and institutions of higher education work with DFCM in accomplishing this study by providing necessary information on agency or institution-specific facilities.*

*The Legislature intends that the Division of Facilities Construction and Management explore options for updating the current space standards for state facility construction including Higher Education and report back to the Infrastructure and General Government Appropriations Subcommittee during the 2011 Interim.*

**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 the intent language listed above.
2. Adopting a prioritized list of state funded capital development projects from Table 1 of this Brief.
3. Approval of specific non-state funded capital development projects from Table 2 of this Brief (if any) for inclusion in the annual *Revenue Bond and Capital Facilities Authorizations* bill.

**BUDGET DETAIL TABLE**

Capital Budget - Capital Development						
Sources of Finance	FY 2010 Actual	FY 2011 Appropriated	Changes	FY 2011 Revised	Changes	FY 2012* Base Budget
General Fund, One-time	0	113,000,000	0	113,000,000	(113,000,000)	0
<b>Total</b>	<b>\$0</b>	<b>\$113,000,000</b>	<b>\$0</b>	<b>\$113,000,000</b>	<b>(\$113,000,000)</b>	<b>\$0</b>
<b>Programs</b>						
DSC Centennial Commons Building	0	35,000,000	0	35,000,000	(35,000,000)	0
SLCC Instructional Complex	0	29,000,000	0	29,000,000	(29,000,000)	0
UNG Armories	0	4,000,000	0	4,000,000	(4,000,000)	0
UVU Science Building Addition	0	45,000,000	0	45,000,000	(45,000,000)	0
<b>Total</b>	<b>\$0</b>	<b>\$113,000,000</b>	<b>\$0</b>	<b>\$113,000,000</b>	<b>(\$113,000,000)</b>	<b>\$0</b>
<b>Categories of Expenditure</b>						
Other Charges/Pass Thru	0	113,000,000	0	113,000,000	(113,000,000)	0
<b>Total</b>	<b>\$0</b>	<b>\$113,000,000</b>	<b>\$0</b>	<b>\$113,000,000</b>	<b>(\$113,000,000)</b>	<b>\$0</b>

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