

CAPITAL IMPROVEMENTS

INFRASTRUCTURE AND GENERAL GOVERNMENT APPROPRIATIONS SUBCOMMITTEE
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BUDGET BRIEF

SUMMARY

The Analyst recommends a FY 2014 budget of \$41,739,100 for the Capital Improvements line item and adopting the list of anticipated capital improvement projects for FY 2014. If the Legislature determines to approve capital development projects in FY 2014, statute requires the Legislature either fund capital improvements at the full 1.1% of replacement value of buildings or pass legislation creating an exemption for FY 2014.

BACKGROUND

Capital Improvements – formerly known as “alteration, repair and improvements” (AR&I) – consist of projects costing less than \$2,500,000 to improve an existing facility or less than \$500,000 to construct a new facility. The Division of Facilities Construction and Management (DFCM), under the direction of the State Building Board, uses capital improvement funds to make critical repairs to state facilities and replace worn equipment. Typical improvement projects include repairs to utility tunnels, HVAC systems, electrical systems, roofs, and parking lots. Capital improvement funds may not be used for program equipment or routine maintenance.

State statute requires the Legislature to fund capital improvements at a level equal to 1.1% of the replacement value of existing state buildings before the Legislature may approve new capital development projects. During budget deficits the statute allows funding at 0.9% of the replacement value of existing state buildings. For FY 2009 thru FY 2013 the Legislature amended the statute to allow funding below the 0.9% level.

ISSUES AND RECOMMENDATIONS

Allocations by Major Area

Each year the Legislature appropriates a fixed amount to the Capital Improvements line item. Then, in the spring following the General Session, the State Building Board meets and makes specific allocations from the appropriation to state agencies

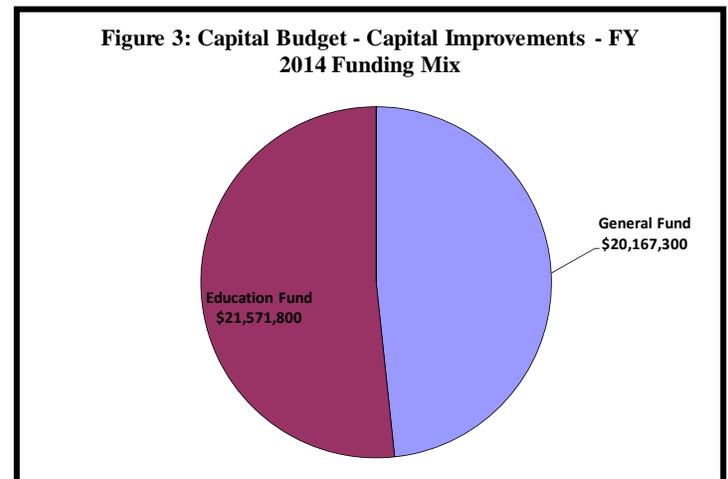
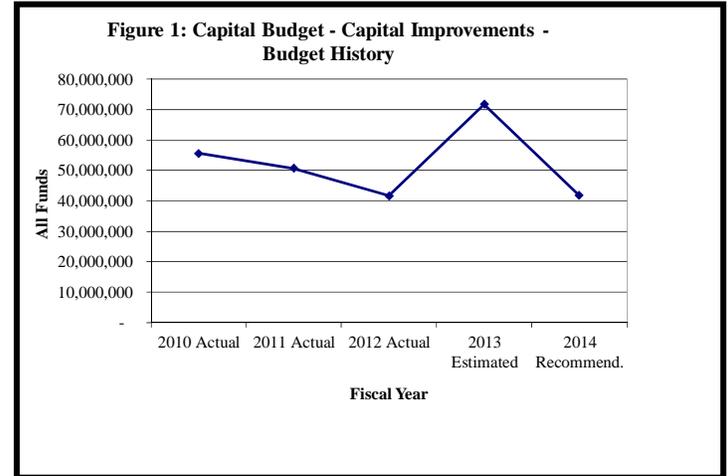


Table 1: Capital Improvement Allocations

Utah State Univ. - Eastern	\$800,000	Corrections	3,137,900
Dixie College	1,659,500	Courts	2,715,000
Salt Lake Comm. College	2,861,000	DFCM	2,147,600
Snow College	1,448,000	Environ Quality	600,000
Southern Utah University	2,010,000	Fairpark	357,800
University of Utah	20,586,000	Health	903,400
Utah State University	5,752,000	Human Services	3,878,100
Utah Valley State College	2,645,000	National Guard	2,127,000
Weber State University	2,775,500	Natural Resources	780,600
UCAT	3,340,400	Office of Education	600,000
Subtotal Higher Ed	\$43,877,400	Public Safety	520,000
State Agencies		Tax Commission	799,800
Agriculture	255,500	Transportation	1,637,500
Alcoholic Beverage Ctrl	845,000	Workforces Services	360,500
Capitol Preservation Bd	1,432,000	Statewide Programs	4,662,000
Community & Culture	102,000	Total State Agencies	\$27,861,700
		Grand Total	\$71,739,100

and institutions of higher education based on need and on the percentage of buildings maintained. The projects for which the Building Board allocates funding must have first been reviewed and approved by the Legislature.

Table 1 on the previous page depicts the FY 2013 allocation of capital improvement funds by the State Building Board. Over the past five years the allocation of capital improvement funds has remained consistent. The last five years Higher Education has received an average of 57% of the capital improvement appropriation, state agencies received 35%, and DFCM receives 8% to use for statewide improvements and reserves for emergency projects.

FY 2014 Funding Level

The statutorily required amount of funding for FY 2014 is \$95,019,700 at the 1.1% level and \$77,743,400 at the 0.9% level. These amounts represent a 0.6% increase over the required amounts for FY 2013. Most of this increase results from the addition of buildings (constructed or otherwise) to the insured values currently owned by the state. The FY 2014 beginning base for Capital Improvements is \$41,739,100 which represents 0.48% of the replacement value of buildings in FY 2014. Figure 1 below shows the funding history of capital improvements for the past ten years.

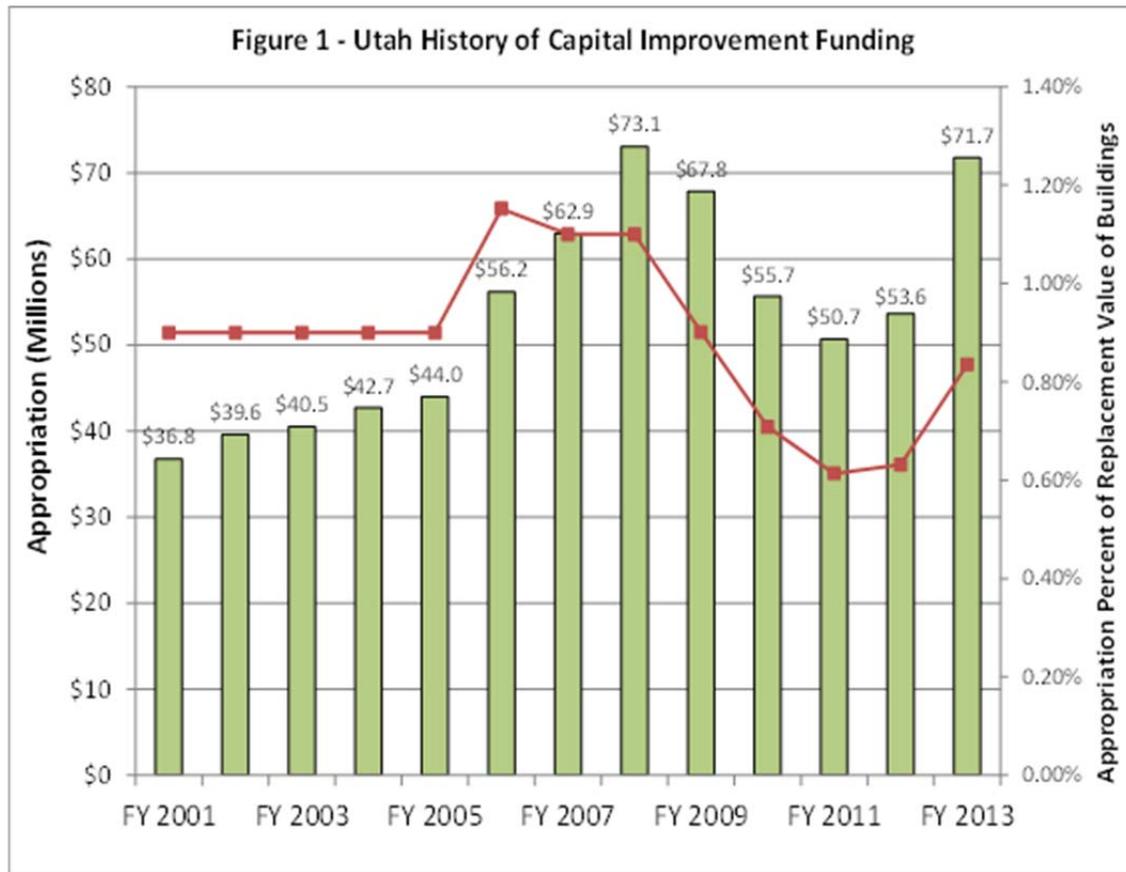


Figure 1

Capital Improvement Project Requests

Each year state law (UCA 63A-5-104(4)) requires the Building Board to “submit a list of anticipated capital improvement requirements to the Legislature for review and approval.” The list of capital improvement requests for FY 2014 is included in the Building Board’s *Five Year Building Program* publication on pages 66-82 and in the *Capital Improvement FY 2014 Requests* Issue Brief. The total number of requests for FY 2014 amount to \$181 million while the base budget for FY 2014 is \$42 million. The Analyst recommends

the Legislature approve this list so that the Building Board may allocate improvement funds to the most critical projects.

Maintenance Backlog

DFCM monitors the condition of current state-owned facilities and forecasts future repairs needed to adequately maintain those buildings. This program, known as Facility Condition Assessment, annually identifies deficiencies in mechanical and electrical systems, general building conditions and code compliance, parking lots, utility tunnels, and heat plants.

Facilities Condition Assessment				
	<u>Immediate</u>	<u>5 Year</u>	<u>10 Year</u>	<u>Total</u>
Building Repairs	\$425,634,500	\$1,079,625,100	\$286,547,400	\$1,791,807,000
Infrastructure	23,906,500	62,194,300	53,965,300	140,066,100
Total	\$449,541,000	\$1,141,819,400	\$340,512,700	\$1,931,873,100

Table 2

As shown in Table 2 above, the most recent Facility Condition Assessment program identified \$450 million in “immediate” repair needs to buildings and infrastructure and almost \$1.9 billion in needs over the next ten years (see page 101 of the Building Board’s *5-year book*). Capital improvement funds cannot address all issues, since many problems cost more than \$2.5 million to correct. In those cases, the Legislature would need to fund capital development projects to either repair the problem or replace the building.

BUDGET DETAIL

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 (see Figure 1 on page 2). Had this funding remained, it would have completed the fourth consecutive year that capital improvements were funded at the 1.1% level. However, budget reductions during the September 2008 Special Session and subsequent Legislative sessions have reduced the FY 2014 base budget to \$41,739,100.

LEGISLATIVE ACTION

The Analyst recommends the Legislature consider:

1. Adopting a FY 2014 budget of \$41,739,100 for this line item.
2. Adopting the list of anticipated capital improvement projects as found on pages 66-82 of the Building Board’s 2014 General Session 5-year book and also contained in the *Capital Improvement FY 2014 Requests* Issue Brief.
3. Funding the Capital Improvement line item at the 1.1% level required by statute (an additional \$53,280,600), legislation exempting FY 2014 from the requirement, or not approving any capital development projects in FY 2014.

BUDGET DETAIL TABLE

CAPITAL IMPROVEMENTS

Capital Budget - Capital Improvements						
Sources of Finance	FY 2012 Actual	FY 2013 Appropriated	Changes	FY 2013 Revised	Changes	FY 2014* Recommended
General Fund	20,417,300	20,167,300	0	20,167,300	0	20,167,300
General Fund, One-time	(340,500)	15,000,000	0	15,000,000	(15,000,000)	0
Education Fund	21,571,800	21,571,800	0	21,571,800	0	21,571,800
Education Fund, One-time	0	15,000,000	0	15,000,000	(15,000,000)	0
Total	\$41,648,600	\$71,739,100	\$0	\$71,739,100	(\$30,000,000)	\$41,739,100
Programs						
Capital Improvements	41,648,600	71,739,100	0	71,739,100	(30,000,000)	41,739,100
Total	\$41,648,600	\$71,739,100	\$0	\$71,739,100	(\$30,000,000)	\$41,739,100
Categories of Expenditure						
Other Charges/Pass Thru	41,648,600	71,739,100	0	71,739,100	(30,000,000)	41,739,100
Total	\$41,648,600	\$71,739,100	\$0	\$71,739,100	(\$30,000,000)	\$41,739,100