Representative Gage Froerer proposes the following substitute bill:

**HIGHER EDUCATION CAPITAL FACILITIES**

2016 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Stephen H. Urquhart

House Sponsor: Gage Froerer

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**LONG TITLE**

**General Description:**

This bill enacts and amends provisions related to capital facilities of institutions of higher education.

**Highlighted Provisions:**

This bill:

- creates the Higher Education Capital Developments Account;
- enacts provisions related to deposits into and use of funds in the account;
- enacts provisions related to the State Board of Regents' administration of funds in the account;
- enacts provisions related to how an institution of higher education may use funds from the account;
- enacts procedures for how an institution of higher education may obtain legislative approval for a capital development project;
- amends provisions related to capital developments by institutions of higher education;
- amends provisions related to the capital development and capital improvement process;
- amends provisions related to the statewide contingency reserve; and
makes technical and conforming changes.

Money Appropriated in this Bill:
None

Other Special Clauses:
This bill provides a special effective date.
This bill provides a coordination clause.

Utah Code Sections Affected:

AMENDS:
53B-7-101, as last amended by Laws of Utah 2015, Chapter 361
53B-20-104, as last amended by Laws of Utah 2012, Chapter 242
63A-5-104, as last amended by Laws of Utah 2015, Chapter 297
63A-5-209, as last amended by Laws of Utah 2010, Chapter 163

ENACTS:
53B-7-701, Utah Code Annotated 1953
53B-7-702, Utah Code Annotated 1953
53B-7-703, Utah Code Annotated 1953
53B-7-704, Utah Code Annotated 1953
53B-7-705, Utah Code Annotated 1953
53B-7-706, Utah Code Annotated 1953
63J-1-316, Utah Code Annotated 1953

Utah Code Sections Affected by Coordination Clause:
63A-5-104, as last amended by Laws of Utah 2015, Chapter 297

Be it enacted by the Legislature of the state of Utah:
Section 1. Section 53B-7-101 is amended to read:
(1) As used in this section:
(a) (i) "Higher education institution" or "institution" means an institution of higher education listed in Section 53B-1-102.
(ii) "Higher education institution" or "institution" does not include the Utah College of Applied Technology.

(b) "Research university" means the University of Utah or Utah State University.

(2) (a) The board shall recommend a combined appropriation for the operating budgets of higher education institutions for inclusion in a state appropriations act.

(b) The board's combined budget recommendation shall include:

(i) employee compensation;

(ii) mandatory costs, including building operations and maintenance, fuel, and power;

(iii) mission based funding described in Subsection (3);

(iv) performance funding described in Subsection (4);

(v) statewide and institutional priorities, including scholarships, financial aid, and technology infrastructure; and

(vi) unfunded historic growth.

(c) The board's recommendations shall be available for presentation to the governor and to the Legislature at least 30 days prior to the convening of the Legislature, and shall include schedules showing the recommended amounts for each institution, including separately funded programs or divisions.

(d) The recommended appropriations shall be determined by the board only after it has reviewed the proposed institutional operating budgets, and has consulted with the various institutions and board staff in order to make appropriate adjustments.

(3) (a) The board shall establish mission based funding.

(b) Mission based funding shall include:

(i) enrollment growth; and

(ii) up to three strategic priorities.

(c) The strategic priorities described in Subsection (3)(b)(ii) shall be:

(i) approved by the board; and

(ii) designed to improve the availability, effectiveness, or quality of higher education in the state.

(d) Concurrent with recommending mission based funding, the board shall also recommend to the Legislature ways to address funding any inequities for institutions as compared to institutions with similar missions.
(4) (a) The board shall establish performance funding.
(b) Performance funding shall include metrics approved by the board, including:
   (i) degrees and certificates granted;
   (ii) services provided to traditionally underserved populations;
   (iii) responsiveness to workforce needs;
   (iv) institutional efficiency; and
   (v) for a research university, graduate research metrics.
(c) The board shall:
   (i) award performance funding appropriated by the Legislature to institutions based on
the institution's success in meeting the metrics described in Subsection (4)(b); and
   (ii) reallocate funding that is not awarded to an institution under Subsection (4)(c)(i)
for distribution to other institutions that meet the metrics described in Subsection (4)(b).
(5) (a) Institutional operating budgets shall be submitted to the board at least 90 days
prior to the convening of the Legislature in accordance with procedures established by the
board.
   (b) [Funding] Except as provided in Subsection (5)(c), funding requests pertaining to
capital facilities and land purchases shall be submitted in accordance with procedures
prescribed by the State Building Board.
   (c) Funding requests pertaining to capital developments shall be submitted in
accordance with procedures described in Part 7, Capital Developments.
(6) (a) The budget recommendations of the board shall be accompanied by full
explanations and supporting data.
   (b) The appropriations recommended by the board shall be made with the dual
objective of:
   (i) justifying for higher educational institutions appropriations consistent with their
needs, and consistent with the financial ability of the state; and
   (ii) determining an equitable distribution of funds among the respective institutions in
accordance with the aims and objectives of the statewide master plan for higher education.
(7) (a) The board shall request a hearing with the governor on the recommended
appropriations.
   (b) After the governor delivers his budget message to the Legislature, the board shall
request hearings on the recommended appropriations with the appropriate committees of the Legislature.

(c) If either the total amount of the state appropriations or its allocation among the institutions as proposed by the Legislature or its committees is substantially different from the recommendations of the board, the board may request further hearings with the Legislature or its appropriate committees to reconsider both the total amount and the allocation.

(8) The board may devise, establish, periodically review, and revise formulas for its use and for the use of the governor and the committees of the Legislature in making appropriation recommendations.

(9) (a) The board shall recommend to each session of the Legislature the minimum tuitions, resident and nonresident, for each institution which it considers necessary to implement the budget recommendations.

(b) The board may fix the tuition, fees, and charges for each institution at levels it finds necessary to meet budget requirements.

(10) (a) Money allocated to each institution by legislative appropriation may be budgeted in accordance with institutional work programs approved by the board, provided that the expenditures funded by appropriations for each institution are kept within the appropriations for the applicable period.

(b) A president of an institution shall:

(i) establish initiatives for the president's institution each year that are:

(A) aligned with the strategic priorities described in Subsection (3); and

(B) consistent with the institution's mission and role; and

(ii) allocate the institution's mission based funding to the initiatives.

(11) The dedicated credits, including revenues derived from tuitions, fees, federal grants, and proceeds from sales received by the institutions are appropriated to the respective institutions and to be used in accordance with institutional work programs.

(12) Each institution may do its own purchasing, issue its own payrolls, and handle its own financial affairs under the general supervision of the board.

(13) (a) If the Legislature appropriates money in accordance with this section, it shall be distributed to the board and higher education institutions to fund the items described in Subsection (2)(b).
(b) During each general session of the Legislature following a fiscal year in which the Legislature provides an appropriation for mission based funding or performance funding, the board and institutions shall report to the Legislature's Higher Education Appropriations Subcommittee on the use of the previous year's mission based funding and performance funding, including performance outcomes relating to the strategic initiatives approved by the board.

Section 2. Section 53B-7-701 is enacted to read:

Part 7. Capital Developments

53B-7-701. Title.
This part is known as "Capital Developments."

Section 3. Section 53B-7-702 is enacted to read:

53B-7-702. Definitions.
As used in this part:
(1) "Account" means the Higher Education Capital Developments Account created in Section 63J-1-316.
(2) "Capital developments" means the same as that term is defined in Section 63A-5-104.
(3) "Institution" means:
(a) the University of Utah;
(b) Utah State University;
(c) Southern Utah University;
(d) Weber State University;
(e) Snow College;
(f) Dixie State University;
(g) Utah Valley University; or
(h) Salt Lake Community College.
(4) "Institution's allocation" means the total amount of funds an institution is allocated under Subsection 53B-7-703(3).
(5) "Institution's award" means the amount of funds an institution is actually awarded from the institution's allocation.

Section 4. Section 53B-7-703 is enacted to read:
(1) The board shall administer funds in the account in accordance with this part.
(2) The board may only distribute the increase described in Subsection 63J-1-316(3)(a) to an institution to use for operations and maintenance costs for a capital development project that has been fully constructed at the time of the distribution.
(3) In accordance with the rules described in Subsection 53B-7-704(1), the board shall assign an allocation to each institution.
(4) The board shall award an institution all or a portion of the institution's allocation based on the institution's success in meeting the performance funding metrics described in Section 53B-7-101.
(5) (a) For an institution that is not awarded all of the institution's allocation under Subsection (4), the board shall place the unawarded portion of the institution's allocation in escrow for the institution for two years.
   (b) (i) The institution may earn the unawarded portion of the institution's allocation through an improvement plan that is approved by the board and reported to the Higher Education Appropriations Subcommittee.
   (ii) If an institution does not earn the unawarded portion of the institution's allocation as described in Subsection (5)(a) within two years of the day on which the unawarded portion was placed in escrow, the board shall take the unawarded portion out of escrow and deposit the unawarded portion into the account.
(6) (a) An institution may submit a request to the board for funds in addition to the institution's allocation or award.
   (b) If an institution submits a request described in Subsection (6)(a), the board shall report the request, with the board's recommendations related to the request, to the Infrastructure and General Government Appropriations Subcommittee.
   (c) Any funds awarded to an institution under this Subsection (6) shall be a debit against the institution's future awards.
Section 5. Section 53B-7-704 is enacted to read:

53B-7-704. Board rulemaking.

On or before July 1, 2017, in accordance with Title 63G, Chapter 3, Utah
Administrative Rulemaking Act, the board shall make rules that:

(1) establish factors, and assign weights to the factors, to determine how to allocate
funds from the account among all institutions; and

(2) establish required components for an improvement plan described in Section
53B-7-703 that provide measurable outcomes of progress.

Section 6. Section 53B-7-705 is enacted to read:

53B-7-705. Institution use of award -- Accrual of awards.

(1) An institution may use the institution's award:

(a) for a capital development project approved by the Legislature;

(b) for ongoing operations and maintenance costs for any capital development projects
approved by the Legislature;

(c) to pay debt service on a bond approved by the Legislature; or

(d) to fund a contingency reserve or project reserve, created by the institution, for
capital development projects of the institution.

(2) An institution may accumulate the institution's awards over more than one year to
use for a capital development project.

Section 7. Section 53B-7-706 is enacted to read:

53B-7-706. Legislative approval of a capital development project -- Oversight.

(1) Except as provided in Subsection 63A-5-104(3), an institution shall obtain
legislative approval for a capital development project in accordance with this part.

(2) An institution shall submit to the board a proposal for each capital development
project for which the institution seeks board approval.

(3) The board shall:

(a) review each submission for approval received in accordance with Subsection (2);

(b) based on the submissions described in Subsection (2), create a list of approved
capital development projects;

(c) submit the list described in Subsection (3)(b) to:

(i) the Infrastructure and General Government Appropriations Subcommittee; and

(ii) the State Building Board;

(d) submit a report to the Higher Education Appropriations Subcommittee regarding
the procedures under this section; and
(e) obtain approval for each capital development project, on behalf of an institution, from the Legislature in an appropriations act.

(4) (a) After receiving the list described in Subsection (3)(b), the State Building Board shall, based on the capital development projects on the list, review and recommend capital development projects to the Infrastructure and General Government Appropriations Subcommittee.

(b) The State Building Board, in reviewing and recommending capital development projects as described in Subsection (4)(a), shall require an institution, for each of the institution's capital development projects on the list, to address whether and how, as a result of the project, the institution will:

(i) offer courses or other resources that will help meet demand for jobs, training, and employment in the current market and the projected market for the next five years;

(ii) respond to individual skilled and technical job demand over the next 3, 5, and 10 years;

(iii) respond to industry demands for trained workers;

(iv) help meet commitments made by the Governor's Office of Economic Development, including relating to training and incentives;

(v) respond to changing needs in the economy; and

(vi) based on demographics, respond to demands for online or in-class instruction.

Section 8. Section 53B-20-104 is amended to read:

53B-20-104. Capital facilities projects recommendations -- Rules.

(1) The board shall approve all new construction, repair, or purchase of educational and general buildings and facilities financed from any source at all institutions subject to the jurisdiction of the board.

(2) An institution may not submit plans or specifications to the State Building Board for the construction or alteration of buildings, structures, or facilities or for the purchases of equipment or fixtures for the structure without the authorization of the board.

(3) [The] In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the board shall make rules establishing the conditions under which facilities may be eligible to request state funds for operations and maintenance.

(4) Before approving the purchase of a building, the board shall:
(a) determine whether or not the building will be eligible for state funds for operations
and maintenance by applying the rules adopted under Subsection (3); and
(b) if the annual request for state funding for operations and maintenance will be
greater than $100,000, notify the speaker of the House, the president of the Senate, and the
cochairs of the Infrastructure and General Government subcommittee of the Legislature's Joint
Appropriation Committee.
(5) Before a capital development project may be submitted to the Legislature, the board
shall comply with the approval requirements described in Section 53B-7-706.
Section 9. Section 63A-5-104 is amended to read:
63A-5-104. Definitions -- Capital development and capital improvement process
-- Approval requirements -- Limitations on new projects -- Emergencies.
(1) As used in this section:
(a) "Capital developments" means a:
[(i) (A) remodeling, site, or utility project with a total cost of $2,500,000 or more;
[(ii) (B) new facility with a construction cost of $500,000 or more; or
[(iii) (C) purchase of real property where an appropriation is requested to fund the
purchase.
(ii) "Capital developments" does not include a project described in Subsection
(1)(b)(iii).
(b) "Capital improvements" means [a]:
(i) a remodeling, alteration, replacement, or repair project with a total cost of less than
$2,500,000 or $3,500,000;
(ii) a site or utility improvement with a total cost of less than $2,500,000; or
$3,500,000;
(iii) a utility infrastructure improvement project that:
(A) has a total cost of less than $7,000,000;
(B) consists of two or more projects that, if done separately, would each cost less than
$3,500,000; and
(C) the State Building Board determines is more cost effective or feasible to be
completed as a single project; or
(iii) "New facility" does not mean include:
(A) the replacement of state-owned space that is demolished or that is otherwise removed from state use, if the total construction cost of the replacement space is less than $3,500,000; or
(B) the construction of facilities that do not fully enclose a space.
(d) "Replacement cost of existing state facilities and infrastructure" means the replacement cost, as determined by the Division of Risk Management, of state facilities, excluding auxiliary facilities as defined by the State Building Board and the replacement cost of infrastructure as defined by the State Building Board.
(e) "State funds" means public money appropriated by the Legislature.

(2) (a) Except as provided in Subsection (2)(d), the State Building Board, on behalf of all state agencies, commissions, departments, and institutions shall submit its State Building Board's capital development recommendations and priorities to the Legislature for approval and prioritization.
(b) In developing the State Building Board's capital development recommendations and priorities, the State Building Board shall:
(i) require each state agency, commission, department, or institution requesting an appropriation for a capital development project to complete a study that demonstrates the feasibility of the capital development project, including:
(A) the need for the capital development project;
(B) the appropriateness of the scope of the capital development project;
(C) any private funding for the capital development project; and
(D) the economic and community impacts of the capital development project; and
(ii) verify the completion and accuracy of the feasibility study described in Subsection (2)(b)(i); and
(iii) require that an institution described in Section 53B-1-102, except an institution listed in Section 53B-7-702, that submits a request for a capital development project address whether and how, as a result of the project, the institution will:

(A) offer courses or other resources that will help meet demand for jobs, training, and employment in the current market and the projected market for the next five years;

(B) respond to individual skilled and technical job demand over the next 3, 5, and 10 years;

(C) respond to industry demands for trained workers;

(D) help meet commitments made by the Governor's Office of Economic Development, including relating to training and incentives;

(E) respond to changing needs in the economy; and

(F) based on demographics, respond to demands for online or in-class instruction.

(c) An agency may not modify a capital development project request after the deadline for submitting the request, except to the extent that a modification of the scope of the project, or the amount of funds requested, is necessary due to increased construction costs or other factors outside of the agency's control.

(d) The State Building Board shall submit the State Building Board's capital development recommendations for an institution listed in Section 53B-7-702, in accordance with Section 53B-7-706.

(3) (a) Except as provided in Subsections (3)(b), (d), and (e), a capital development project may not be constructed on state property without legislative approval.

(b) Legislative approval is not required for a capital development project that consists of the design or construction of a new facility if:

(i) the State Building Board determines that the requesting state agency, commission, department, or institution has provided adequate assurance that state funds will not be used for the design or construction of the facility; and

[(A)] (ii) the state agency, commission, department, or institution [has a plan for funding in place that will not require increased state funding] provides to the State Building Board a written document, signed by the head of the state agency:

(A) stating that funding or a revenue stream is in place, or will be in place before the project is completed, to ensure that increased state funding will not be required to cover the
cost of operations and maintenance to[, or state funding for,] the resulting facility for immediate or future capital improvements [to the resulting facility]; and

(B) detailing the source of the funding that will be used for the cost of operations and maintenance for immediate and future capital improvements to the resulting facility; and

[(ii) (iii)] the State Building Board determines that the use of the state property is:

(A) appropriate and consistent with the master plan for the property; and

(B) will not create an adverse impact on the state.

(c) (i) The Division of Facilities Construction and Management shall maintain a record of facilities constructed under the exemption provided in Subsection (3)(b).

(ii) For facilities constructed under the exemption provided in Subsection (3)(b), a state agency, commission, department, or institution may not request:

(A) increased state funds for operations and maintenance; or

(B) state capital improvement funding.

(d) Legislative approval is not required for:

(i) the renovation, remodeling, or retrofitting of an existing facility with nonstate funds that has been approved by the State Building Board;

(ii) a facility to be built with nonstate funds and owned by nonstate entities within research park areas at the University of Utah and Utah State University;

(iii) a facility to be built at This is the Place State Park by This is the Place Foundation with funds of the foundation, including grant money from the state, or with donated services or materials;

(iv) a capital project that:

(A) is funded by:

(I) the Uintah Basin Revitalization Fund; or

(II) the Navajo Revitalization Fund; and

(B) does not provide a new facility for a state agency or higher education institution; or

(v) a capital project on school and institutional trust lands that is funded by the School and Institutional Trust Lands Administration from the Land Grant Management Fund and that does not fund construction of a new facility for a state agency or higher education institution.

(e) (i) Legislative approval is not required for capital development projects to be built for the Department of Transportation:
(A) as a result of an exchange of real property under Section 72-5-111; or
(B) as a result of a sale or exchange of real property from a maintenance facility if the
real property is exchanged for, or the proceeds from the sale of the real property are used for,
another maintenance facility, including improvements for a maintenance facility and real
property.

(ii) When the Department of Transportation approves a sale or exchange under
Subsection (3)(e), it shall notify the president of the Senate, the speaker of the House, and the
cochairs of the Infrastructure and General Government Appropriations Subcommittee of the
Legislature's Joint Appropriation Committee about any new facilities to be built or improved
under this exemption.

(4) (a) (i) The State Building Board, on behalf of all state agencies, commissions,
departments, and institutions shall by January 15 of each year, submit a list of anticipated
capital improvement requirements to the Legislature for review and approval.

(ii) The list shall identify:
(A) a single project that costs more than $1,000,000;
(B) multiple projects within a single building or facility that collectively cost more than
$1,000,000;
(C) a single project that will be constructed over multiple years with a yearly cost of
$1,000,000 or more and an aggregate cost of more than $2,500,000;
(D) multiple projects within a single building or facility with a yearly cost of
$1,000,000 or more and an aggregate cost of more than $2,500,000;
(E) a single project previously reported to the Legislature as a capital improvement
project under $1,000,000 that, because of an increase in costs or scope of work, will now cost
more than $1,000,000; [and]
(F) multiple projects within a single building or facility previously reported to the
Legislature as a capital improvement project under $1,000,000 that, because of an increase in
costs or scope of work, will now cost more than $1,000,000]; and
(G) projects approved under Subsection (1)(b)(iii).

(b) Unless otherwise directed by the Legislature, the State Building Board shall
prioritize capital improvements from the list submitted to the Legislature up to the level of
appropriation made by the Legislature.
(c) In prioritizing capital improvements, the State Building Board shall consider the
results of facility evaluations completed by an architect/engineer as stipulated by the building
board's facilities maintenance standards.

(d) [Beginning on July 1, 2013, in] In prioritizing capital improvements, the State
Building Board shall allocate at least 80% of the funds that the Legislature appropriates for
capital improvements to:

(i) projects that address:
   (A) a structural issue;
   (B) fire safety;

   (C) a code violation; or
   (D) any issue that impacts health and safety;

(ii) projects that upgrade:
   (A) an HVAC system;
   (B) an electrical system;

   (C) essential equipment;

   (D) an essential building component; or

   (E) infrastructure, including a utility tunnel, water line, gas line, sewer line, roof,
parking lot, or road; or

   (iii) projects that demolish and replace an existing building that is in extensive
disrepair and cannot be fixed by repair or maintenance.

(e) [Beginning on July 1, 2013, in] In prioritizing capital improvements, the State
Building Board shall allocate no more than 20% of the funds that the Legislature appropriates
for capital improvements to:

(i) remodeling and aesthetic upgrades to meet state programmatic needs; or

(ii) construct an addition to an existing building or facility.

(f) The State Building Board may require an entity that benefits from a capital
improvement project to repay the capital improvement funds from savings that result from the
project.

(g) The State Building Board may provide capital improvement funding to a single
project, or to multiple projects within a single building or facility, even if the total cost of the
project or multiple projects is [$2,500,000] $3,500,000 or more, if:
(i) the capital improvement project [or multiple projects require more than one year to complete] is a project described in Subsection (1)(b)(iii); and

(ii) the Legislature has [affirmatively authorized the capital improvement project or multiple projects to be funded in phases] not refused to fund the project with capital improvement funds.

(h) In prioritizing and allocating capital improvement funding, the State Building Board shall comply with the requirement in Subsection 63B-23-101(2)(f).

(5) The Legislature may authorize:

(a) the total square feet to be occupied by each state agency; and

(b) the total square feet and total cost of lease space for each agency.

(6) If construction of a new building or facility [will be paid for by nonstate funds, but] will require an immediate or future increase in state funding for operations and maintenance or for capital improvements, the Legislature may not authorize the new building or facility until the Legislature appropriates funds for:

(a) the portion of operations and maintenance, if any, that will require an immediate or future increase in state funding; and

(b) the portion of capital improvements, if any, that will require an immediate or future increase in state funding.

(7) (a) Except as provided in Subsection (7)(b) [or (c)], the Legislature may not fund the design or construction of any new capital development projects, except to complete the funding of projects for which partial funding has been previously provided, until the Legislature has appropriated 1.1% of the replacement cost of existing state facilities and infrastructure to capital improvements.

(b) (i) As used in this Subsection (7)(b):

(A) "Education Fund budget deficit" [is as] means the same as that term is defined in Section 63J-1-312; and

(B) "General Fund budget deficit" [is as] means the same as that term is defined in Section 63J-1-312.

(ii) If the Legislature determines that an Education Fund budget deficit or a General Fund budget deficit exists, the Legislature may, in eliminating the deficit, reduce the amount appropriated to capital improvements to 0.9% of the replacement cost of state buildings and
[c] (i) The requirements under Subsections (6)(a) and (b) do not apply to the 2008-09, 2009-10, 2010-11, 2011-12, and 2012-13 fiscal years:

(ii) For the 2013-14 fiscal year, the amount appropriated to capital improvements shall be reduced to 0.9% of the replacement cost of state facilities:

(8) [It is the policy of the Legislature that a new building or facility be approved and funded for construction in a single budget action, therefore] Except as provided in Title 53B, Chapter 7, Part 7, Capital Developments, the Legislature may not fund the programming, design, and construction of a new building or facility in phases over more than one year unless the Legislature has approved each phase of the funding for the construction of the new building or facility by the affirmative vote of two-thirds of all the members elected to each house.

(9) (a) If, after approval of capital development and capital improvement priorities by the Legislature under this section, emergencies arise that create unforeseen critical capital improvement projects, the State Building Board may, notwithstanding the requirements of Title 63J, Chapter 1, Budgetary Procedures Act, reallocate capital improvement funds to address those projects.

(b) The State Building Board shall report any changes it makes in capital improvement allocations approved by the Legislature to:

(i) the Office of the Legislative Fiscal Analyst within 30 days of the reallocation; and

(ii) the Legislature at its next annual general session.

(10) (a) The State Building Board may adopt a rule allocating to institutions and agencies their proportionate share of capital improvement funding.

(b) The State Building Board shall ensure that the rule:

(i) reserves funds for the Division of Facilities Construction and Management for emergency projects; and

(ii) allows the delegation of projects to some institutions and agencies with the requirement that a report of expenditures will be filed annually with the Division of Facilities Construction and Management and appropriate governing bodies.

(11) It is the intent of the Legislature that in funding capital improvement requirements under this section the General Fund be considered as a funding source for at least half of those costs.
Subject to Subsection (12)(b), at least 80% of the state funds appropriated for capital improvements shall be used for maintenance or repair of the existing building or facility.

(b) The State Building Board may modify the requirement described in Subsection (12)(a) if the State Building Board determines that a different allocation of capital improvements funds is in the best interest of the state.

Section 10. Section 63A-5-209 is amended to read:

63A-5-209. Building appropriations supervised by director -- Contingencies -- Disposition of project reserve funds -- Set aside for Utah Percent-for-Art Program.

(1) The director shall:

(a) (i) supervise the expenditure of funds in providing plans, engineering specifications, sites, and construction of the buildings for which legislative appropriations are made; and
(ii) specifically allocate money appropriated when more than one project is included in any single appropriation without legislative directive;
(b) (i) expend the amount necessary from appropriations for planning, engineering, and architectural work; and
(ii) (A) allocate amounts from appropriations necessary to cover expenditures previously made from the planning fund under Section 63A-5-211 in the preparation of plans, engineering, and specifications; and
(B) return the amounts described in Subsection (1)(b)(ii)(A) to the planning fund; and
(c) hold in a statewide contingency reserve the amount budgeted for contingencies:
(i) in appropriations for the construction or remodeling of facilities; and
(ii) which may be over and above all amounts obligated by contract for planning, engineering, architectural work, sites, and construction contracts.

(2) (a) The director shall base the amount budgeted for contingencies on a sliding scale percentage of the construction cost ranging from:
(i) 4-1/2% to 6-1/2% for new construction; and
(ii) 6% to 9-1/2% for remodeling projects.
(b) The director shall hold the statewide contingency funds to cover:
(i) costs of change orders; and
(ii) unforeseen, necessary costs beyond those specifically budgeted for the project.

(c) (i) The Legislature shall annually review the percentage and the amount held in the statewide contingency reserve.

(d) An institution listed in Section 53B-7-702 is not eligible to receive statewide contingency reserve funds.

(ii) The Legislature may reappropriate to other building needs, including the cost of administering building projects, any amount from the statewide contingency reserve that is in excess of the reserve required to meet future contingency needs.

(3) (a) The director shall hold in a separate reserve those state appropriated funds accrued through bid savings and project residual as a project reserve.

(b) The director shall account for the funds accrued under Subsection (3)(a) in separate accounts as follows:

(i) bid savings and project residual from a capital improvement project, as defined in Section 63A-5-104; and

(ii) bid savings and project residual from a capital development project, as defined in Section 63A-5-104.

(c) The State Building Board may authorize the use of project reserve funds in the account described in Subsection (3)(b)(i) for a capital improvement project:

(i) approved under Section 63A-5-104; and

(ii) for which funds are not allocated.

(d) The director may:

(i) authorize the use of project reserve funds in the accounts described in Subsection (3)(b) for the award of contracts in excess of a project's construction budget if the use is required to meet the intent of the project; and

(ii) transfer money from the account described in Subsection (3)(b)(i) to the account described in Subsection (3)(b)(ii) if a capital development project has exceeded its construction budget.

(e) The director shall report to the Office of the Legislative Fiscal Analyst within 30 days:

(i) an authorization under Subsection (3)(c); or

(ii) a transfer under Subsection (3)(d).
(f) The Legislature shall annually review the amount held in the project reserve for possible reallocation by the Legislature to other building needs, including the cost of administering building projects.

(g) An institution listed in Section 53B-7-702 is not eligible to receive statewide project reserve funds.

(4) If any part of the appropriation for a building project, other than the part set aside for the Utah Percent-for-Art Program under Title 9, Chapter 6, Part 4, Utah Percent-for-Art Act, remains unencumbered after the award of construction and professional service contracts and establishing a reserve for fixed and moveable equipment, the balance of the appropriation is dedicated to the project reserve and does not revert to the General Fund.

(5) (a) One percent of the amount appropriated for the construction of any new state building or facility may be appropriated and set aside for the Utah Percent-for-Art Program administered by the Division of Fine Arts under Title 9, Chapter 6, Part 4, Utah Percent-for-Art Act.

(b) The director shall release to the Division of Fine Arts any funds included in an appropriation to the division that are designated by the Legislature for the Utah Percent-for-Art Program.

(c) Funds from appropriations for any state building or facility of which any part is derived from the issuance of bonds, to the extent it would jeopardize the federal income tax exemption otherwise allowed for interest paid on bonds, may not be set aside.

Section 11. Section 63J-1-316 is enacted to read:

63J-1-316. Establishing a Higher Education Capital Developments Account -- Providing for deposits into the account -- Providing for interest generated by the account.

(1) As used in this section:

(a) "Account" means the Higher Education Capital Developments Account, created in Subsection (2)(a).

(b) "Capital developments" means the same as that term is defined in Section 63A-5-104.

(c) "Education Fund revenue surplus" means the same as that term is defined in Section 63J-1-313.

(d) "Operating deficit" means the same as that term is defined in Section 63J-1-313.
(2) (a) There is created within the Education Fund a restricted account known as the Higher Education Capital Developments Account.

(b) The account shall be funded by legislative appropriations, the surplus revenue required to be deposited into the account by this section, and other funds required to be deposited into the account under Section 53B-7-703.

(c) The account may accrue interest, which shall be deposited into the account.

(3) (a) Subject to future budget constraints, each year the Legislature shall increase the amount appropriated to the account by 3% of the capital developments amounts provided by legislative appropriations described in Subsection (2)(b).

(b) The State Board of Regents shall ensure that the increase described in Subsection (3)(a) is used exclusively to fund operations and maintenance costs for capital development projects approved by the Legislature.

(4) (a) At the end of any fiscal year in which the Division of Finance, in consultation with the legislative fiscal analyst and in conjunction with the completion of the annual audit by the state auditor, determines that there is an Education Fund revenue surplus, the Division of Finance shall transfer 12.5% of the Education Fund revenue surplus into the account.

(b) The Division of Finance shall calculate the amount to be transferred under this Subsection (4) excluding any direct legislative appropriation made to the account.

(c) The Division of Finance shall transfer the amount required under this Subsection (4):

(i) after transferring the Education Fund revenue surplus required to be transferred in accordance with Section 63J-1-313; and

(ii) before transferring from the Education Fund revenue surplus any other year-end contingency appropriations, year-end set-asides, or other year-end transfers required by law.

(d) Notwithstanding Subsection (4)(a), if, at the end of a fiscal year, the Division of Finance determines that an operating deficit exists, the Division of Finance may reduce the transfer to the account by the amount necessary to eliminate the operating deficit.

(5) Expenditures from the account shall be made in accordance with Section 53B-7-703.

Section 12. Effective date.

(1) Except as provided in Subsection (2), this bill takes effect on May 10, 2016.
(2) The following sections take effect on January 1, 2020:

(a) Section 53B-7-101;
(b) Section 53B-7-703;
(c) Section 53B-7-705;
(d) Section 53B-7-706;
(e) Section 53B-20-104;
(f) Section 63A-5-103;
(g) Section 63A-5-104;
(h) Section 63A-5-206; and
(i) Section 63A-5-209.

Section 13. Coordinating S.B. 188 with S.B. 156 – Substantive and technical amendments.

If this S.B. 188 and S.B. 156, State Facilities Amendments, both pass and become law, it is the intent of the Legislature that the Office of Legislative Research and General Counsel, in preparing the Utah Code database for publication, make the following changes:

(1) Subsection 63A-5-104(2)(b)(iii) in S.B. 188 supersedes Subsection 63A-5-104(2)(b)(iii) in S.B. 156; and

(2) not enact Subsection 63A-5-104(2)(b)(iv) in S.B. 156.