

March 18, 2015

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: USHE - Capital Facilities Update for 2015-16

The 2015 State Legislature funded Capital Development Projects totaling \$83,437,000 for USHE institutions. They also provided \$111,942,100 of statewide Capital Improvement Funding and authorized seven USHE non-state funded projects totaling \$157,700,000. These project approvals are broken down into the following categories:

1. Capital Development Project Funding - The Legislature chose to not issue any General Obligation bonds and as a result, all capital development funding was provided from appropriated funds. The \$83,187,000 amount funded is \$12,713,000 less than the \$95,900,000 amount funded a year ago. The following USHE capital projects were funded:

• Snow - New Science Building	\$19,937,000	Construction
• UU - Crocker Science Center	34,000,000	Construction
• UU - Huntsman Cancer Institute	9,500,000	Construction
• USU - Clinical Services Building	10,000,000	Construction
• SLCC - CTE Learning Resource/Classroom Bldg.	3,000,000	Design
• DSU - University Plaza Land Bank Purchase	3,000,000	Purchase
• USU - Botanical Center Infrastructure	1,250,000	Construction
• WSU - Browning Center Seating	1,000,000	Replacement
• UVU - Student Activity Center Seating	1,500,000	Construction
• SLCC - Sound-barrier Fencing	250,000	Construction
Total	\$83,437,000	

The UU Huntsman Cancer Institute (HCI) funding request was presented directly to the Building Board and did not go through the Regents' CDP process. The \$9,500,000 provided this year is intended to be the final amount of funding for construction of the Primary Children & Families Cancer Center that is the final phase of the Huntsman Cancer Research and Treatment Complex for which the Legislature has previously provided \$10,500,000. The Huntsman Cancer Foundation will provide \$80,000,000 of capital development funding for the project.

The USU Botanical Center Project, WSU Browning Center Seating, UVU Student Activity Center (expansion to provide seating for athletics, students, and community gatherings), and SLCC Fencing funding requests did not go through either the Regents or the State Building Board, but

were presented directly to the Infrastructure and General Government (IGG) Appropriations Subcommittee of the Legislature.

The Legislature also adopted two "intent" language statements that apply to USHE. The intent in Senate Bill 2 pertains to state-funded projects that include other-funds as part of the funding package. For such projects, the legislature expressed its intent that none of the FY 2016 state appropriated funds be expended until the Building Board certifies that it has "credible evidence" that the other funds are actually available.

Senate Bill 3 states that institutions of higher education may use donated or institutional funds for planning and design of proposed capital developments, with the provision that this did not signify that the Building Board or the Legislature would provide a higher prioritization for such projects in the future.

Please refer to Attachment A for a listing of all capital development projects funded by the Legislature this year.

2. Capital Improvement Funding (CI) - The total amount provided statewide by this year's Legislature is \$111,942,100, an increase of \$11,698,500 over last year. This is 1.1% of the current replacement value (CRV) of state buildings and infrastructure and is the second consecutive year that funding has been provided at the statutorily required amount.

Last year the funding package was comprised of \$46,777,300 of base budget funding and \$53,466,300 of one time funding for a total of \$100,243,600. This year the Legislature increased the base budget by \$64,769,600 to fulfil the statutory requirement of \$111,546,900 entirely with base budget funds. \$395,200 of one-time funding was also provided as a supplemental appropriation for the current fiscal year.

Last year the statutory language for calculation of the CI funding pool was amended to add "infrastructure" to the replacement cost base for buildings. Because the study being conducted by the Division of Facilities Construction and Management (DFCM) to determine the total replacement value of this infrastructure component - for which the data provided by the USHE Utilities Infrastructure is a part - an arbitrary estimate of 10% of the current replacement value (CRV) of buildings was used this year. The amount determined by this DFCM study is expected to replace the 10% estimate in subsequent years.

Implementation of this statutory change is a positive step in dealing with the future utility infrastructure needs identified in the aforementioned USHE Utilities Infrastructure Study which, we believe, was largely responsible for creating an awareness of the need and the resulting change in the statute.

3. Other Funds Projects - Authorization was provided to plan, build, and where applicable, bond for the following non-state funded projects:

Institution	Project	Amount	Building Authorization	Bonding Authorization	Authorization to Request Future O&M Funding	
					Requested	Appropriated
UU	Orson Spencer Hall Redevelopment	\$ 60,000,000	Yes	\$ 45,000,000	\$1,049,500	\$ 1,049,500
UU	Browning Building Addition	8,200,000	Yes	n/a	199,700	199,700
USU	Fine Arts Complex Addition/Renovation	10,000,000	Yes	n/a	175,900	175,900
USU	Valley View Residence Hall Replacement	23,100,000	Yes	\$ 23,100,000	n/a	n/a
USU	Romney Stadium West-side Renovation	31,000,000	Yes	\$ 23,000,000	n/a	n/a
DSU	Student Housing Project	21,500,000	Yes	\$ 20,000,000	n/a	n/a
SLCC	Strength & Conditioning Center	3,900,000	Yes	n/a	n/a	n/a
TOTAL - Other Funds Projects		\$ 157,700,000			\$1,425,100	\$ 1,425,100

A noteworthy change in consideration of requests for state-appropriated O&M support for non-state funded projects was implemented. For the first time since the beginning of the recession in 2009, the Legislature not only authorized the use of state-appropriated funds for O&M support of qualifying non-state funded buildings, they actually advance appropriated the requested O&M amounts in the same manner as they have done for several years to fund O&M support for state-funded projects.

4. Statutory Changes - Over the last two years there have been ongoing discussions with IGG and the Building Board about the viability of the processes for evaluation and prioritization of requests for funding of new capital development requests and the existing funding mechanisms for O&M support, both ongoing support and funding for new buildings. During this session, the Co-chairs of IGG proposed new statutory language to strengthen and clarify the processes and to review and consider alternative mechanisms for determination of funding amounts. Those changes were submitted as Senate Bill 217 and adopted by the legislature. A summary of the added requirements is provided in Attachment B.

It is noteworthy that the Board of Regents is singled out as a primary collaborator to work with the Building Board in dealing with this issue, and Commissioner's Office staff were asked to assist in drafting the newly implemented statutory language.

Commissioner's Recommendation

This is an information item; no action is required.

David L Buhler
Commissioner of Higher Education

DLB/GLS/WRH
Attachment

ATTACHMENT A

STATE FUNDED CAPITAL DEVELOPMENT PROJECTS
2015 Legislative Session

Snow College – New Science Building	\$19,937,000	Construction
Public Safety – Unified State Laboratory	39,741,500	Construction
Utah School for the Deaf & Blind – Salt Lake Center	14,500,000	Construction
UU – Huntsman Cancer Institute	9,500,000	Construction
DXATC – Permanent Campus	\$31,900,000	Construction
UU – Crocker Science Center	34,000,000	Construction
DNR – Dead Horse Point Campground	5,000,000	Construction
DNR – Great Salt Lake Nature Center	2,500,000	Construction
DHS-DJJS – Weber Valley Multi-use Center	19,630,000	Construction
USU – Clinical Services Building	10,000,000	Construction
Box Elder DPS Consolidation	2,500,000	
WSU – Browning Center Seating	1,000,000	Replacement
Goblin Valley State Park Access Road Parking	135,000	Construction
Historic Wendover Airfield	500,000	Construction
Olympic Oval Expansion	3,000,000	Construction
Olympic Park Improvement	1,000,000	Construction
Prison Relocation	80,000,000	
SLCC – Sound-barrier Fencing	250,000	Construction
DSU – University Plaza Land Bank Purchase	3,000,000	Purchase
USU – Botanical Center Infrastructure	1,250,000	Construction
UVU – Student Activity Center Seating	1,500,000	Construction
SLCC – CTE Learning Resource/Classroom Building	3,000,000	Design
TOTAL Capital Projects	\$283,843,500	

ATTACHMENT B

Senate Bill 217 Amendments to UCA 63A-5-104 Capital Development and Capital Improvement Process

Senate Bill 217 amended the Capital Development and Capital Improvement section of UCA 63A was sponsored by Senator Wayne Harper and representative Gage Froerer, Co-Chairs of the Infrastructure and General Government Appropriations Subcommittee (IGG). The amendments strengthen the role of the State Building Board by implementing the following requirements:

- a. Establishment of standards and requirements for reporting O&M expenditures for state-owned buildings, including standards and requirements relating to utility metering
- b. Conducting ongoing facilities maintenance audits for state-owned facilities
- c. Stipulating that the Building Board, in developing its capital development recommendations and priorities, must require each state agency, commission, department, or institution requesting funding for a project to complete a study that demonstrates the feasibility of the capital development project, including
 - i. the need for the project
 - ii. the appropriateness of the project
 - iii. the scope of the project
 - iv. any private funding for the project
 - v. the economic and community impacts of the project
- d. Completion, in collaboration with the State Board of Regents and other state institutions and agencies, of a report that proposes:
 - i. a process for tracking direct and indirect O&M costs on an individual building basis
 - ii. alternative funding mechanisms for O&M costs for state-owned and state-operated facilities that incorporate actual expenses, the purpose for which the facility is used, the age of the facility, the condition of the facility, and the location of the facility
 - iii. consideration of internal service funds, individual appropriation line items, and a formula as alternatives for determination of funding amounts
 - iv. The deadline for submission of the report to IGG and the Office of the Legislative Fiscal Analyst (LFA) is September 1, 2015

UTAH SYSTEM OF HIGHER EDUCATION
Legislative Action on Capital Facilities for 2015-16

State-funded Capital Improvements

H.B. 3	Amount funded by the 2015 Legislature	\$111,942,100 *
H.B. 6	Capital Improvement Funds are appropriated to the State Building Board and are allocated to projects of up to \$2.5 million. USHE	
S.B. 2	typically receives 55-60 percent of these funds.	
	* Includes \$111,546,900 for FY 2016 and \$395,200 of supplemental funding for FY 2015	

State-funded Capital Development Projects

	Project	Legislative Action			Future State O&M
		Cash	GO Bond	Cumulative	
S.B. 2	Snow College - New Science Building	\$ 19,937,000		\$ 19,937,000	322,000
S.B. 2	Huntsman Cancer Research Center	9,500,000		\$ 29,437,000	1,850,000
S.B. 2	UU - Crocker Science Center	34,000,000		\$ 63,437,000	682,700
S.B. 2	USU - Clinical Services Building	10,000,000		\$ 73,437,000	630,500
S.B. 3	SLCC - CTE Learning Resource & Classroom Building	3,000,000		\$ 76,437,000	
S.B. 2	DSU - University Plaza Land Bank Purchase	3,000,000		\$ 79,437,000	
S.B. 2	USU - Botanical Center Infrastructure	1,250,000		\$ 80,687,000	
S.B. 2	WSU - Browning Center Seating	1,000,000		\$ 81,687,000	
S.B. 2	UVU - Student Activity Center	1,500,000		\$ 83,187,000	
S.B. 2	SLCC - Fencing	250,000		\$ 83,437,000	
Total - State-funded Capital Development Projets		\$ 83,437,000	0	n/a	\$ 3,485,200

Other Funds Projects

	Project	Funding Source	Legislative Action			
			Approved Amount	Bonding Approval	State O&M Requested	Future State O&M
S.B. 9	UU - Browning Building Addition	Donated Funds	\$ 8,200,000	n/a	\$ 199,700	\$ 199,700
S.B. 9	UU - Orson Spencer Hall Redevelopment	Donations/Bonding	60,000,000	\$ 45,000,000	1,049,500	1,049,500
S.B. 9	USU - Fine Arts Complex Addition/Renovation	Donations/Bonding	10,000,000	n/a	175,000	175,000
S.B. 9	USU - Valley View Residence Hall Replacement	Bonding	23,100,000	23,100,000	n/a	n/a
S.B. 9	USU - Romney Stadium West Side Renovation	Donations/Bonding	31,000,000	23,000,000	n/a	n/a
S.B. 9	DSU - Student Housing Project	Bonding	21,500,000	20,000,000	n/a	n/a
S.B. 9	SLCC - South City Campus Strength & Conditioning Center	Bond Reserves	3,900,000	n/a	n/a	n/a
Total - Other Funds Projects			\$ 157,700,000	\$ 111,100,000	\$ 1,424,200	\$ 1,424,200