

March 23, 2016

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: USHE – Capital Facilities Update for 2016-17

Issue

The 2016 Utah State Legislature appropriated a total of \$106,915,100 in state funds for USHE capital development projects, the third highest appropriation in the last twenty years. In addition, the Legislature appropriated \$117,818,300 for statewide capital improvements and authorized three USHE non-state funded projects totaling \$82,000,000. The following sections and Attachment A provide additional descriptions and information for each of these areas.

State Funded Capital Development: The Legislature approved funding to support four new USHE capital development projects and a cost increase for a project funded the prior year for a total appropriation of \$105,315,100:

SLCC CTE Center at Westpointe	\$ 42,590,500
UVU Performing Arts Building	\$ 22,000,000*Note
SUU New Business Building	\$ 8,000,000
USU Biological Sciences Building	\$ 28,000,000*Note
Snow College Science Building Cost Adjustment	\$ 4,724,600

This is a 65 percent increase over last year when the Legislature funded \$63,937,000 for the Snow Science, UU Crocker Science, and USU Clinical Services buildings. It is the third highest year of legislative funding to USHE facilities in the last twenty years (after \$128 million in 2001 and \$109 million in 2010). The Legislature also appropriated ongoing funding of \$3,539,200 for operation and maintenance for the four new facilities.

*Note: \$20 million has been appropriated ongoing (\$10 million for UVU and \$10 million for USU) to complete the UVU Performing Arts Building and the USU Biological Sciences Building over the next two years.

State Funded Other Projects: The Legislature funded two small projects for \$1.6 million as follows:

USU Extension Botanical Center	\$ 1,200,000
Snow College Richfield Land Acquisition	\$ 400,000

Last year the Legislature funded \$19,500,000 for the Huntsman Cancer Institute and six other small projects.

State Funded Capital Improvement: State statute requires the Legislature to fund capital improvements at 1.1 percent of the replacement value of state buildings. For 2016-17, the 1.1 percent requirement is \$117,818,300, an increase of \$6,271,200, which the legislature funded with \$58,909,200 of General Fund and \$58,909,100 of Education Fund. USHE institutions historically receive about 55 to 60 percent of the capital improvement funding, which will be allocated by the State Building Board in April.

Non-State Funded Capital Development: The Legislature authorized the use of revenue bonds and other non-state revenue sources for the following facilities:

UU – Eccles School of Business Executive Education Building	\$ 50,000,000
USU – Purchase of a student apartment building complex and property	\$ 20,000,000
USU – Space Dynamics Laboratory Phase II	\$ 12,000,000

No operation and maintenance funding was requested of the Legislature for the three non-state funded projects. The Legislature approved intent language that Weber State University (Social Science Building) and University of Utah (Medical Education and Discovery Building) proceed with planning and design using donations and institutional funds for the state funded capital development projects that were not funded this year.

Statutory Changes: The Legislature passed Senate Bill 156, *State Facility Amendments* (Harper) that provides needed inflationary adjustments to capital improvement project cost thresholds, creates new procedures and reporting for operation and maintenance expenditures to the State Building Board, and directs the State Building Board to give more weight to Regent capital development prioritization. Further description of this bill may be found in Attachment B.

Commissioner's Recommendation

This is an information item and no action is required.

David L. Buhler
Commissioner of Higher Education

DLB/KLH/RPA
Attachments

ATTACHMENT A

2016 General Session Legislative Action on Capital Facilities (2016-17)

State-Funded Capital Improvements	General Fund	Education Fund	Total
State-Funded Capital Improvements (S.B. 6 and H.B. 2)*	\$58,909,200	\$58,909,100	\$117,818,300
Total - State-Funded Capital Improvements			\$117,818,300

*Capital Improvement Funds are appropriated to the State Building Board to allocate for requested projects. USHE typically receives 55-60 percent.

State-Funded Capital Projects				
Bill	Project	Cash	GO Bond	State O&M
H.B. 2	SLCC - CTE Center at Westpointe	\$42,590,500		\$1,080,500
H.B. 2	UVU - Performing Arts Building	22,000,000	*	1,168,000
H.B. 2	SUU - New Business Building	8,000,000		349,000
H.B. 2	USU - Biological Sciences Building	28,000,000	*	941,700
H.B. 2	Snow - New Science Building	4,724,600		-
H.B. 2	USU - Extension Botanical Center	1,200,000		-
H.B. 3	Snow - Richfield Land Acquisition	400,000		-
Total - State-Funded Capital Development Projects		\$106,915,100	-	\$3,539,200

*Ongoing funds of \$10 million for each project will be available next year (2017-18) to complete the projects.

Other Funds Projects				
Bill	Project	Funding Source	Amount	State O&M
H.B. 9	UU - Eccles School of Business Exec. Education Building	Donations/Bonding	\$50,000,000	-
H.B. 9	USU - Purchase of a Student Apartment Complex	Housing/Bonding	20,000,000	-
H.B. 9	USU - Space Dynamics Laboratory Phase II	Research/Bonding	12,000,000	-
Total - Other Funds Projects			\$82,000,000	-

ATTACHMENT B

Senate Bill 156 First Substitute, *State Facilities Amendments* (Harper)

Senator Harper's bill modifies State Building Board functions related to capital development prioritization, capital improvement project costs and operation and maintenance oversight. Of note the bill requires the State Building Board to give greater weight in their ranking process to priorities of the State Board of Regents and provides a process to review operation and maintenance expenditures and adjust funding levels for inflation. The table below compares the current law and processes to the changes made by Senator Harper's bill. The final column references the line numbers of the bill.

Process	Current Law	S.B. 156 Change	Line
Capital Development Prioritization	The State Building Board submits capital development recommendations and priorities to the Legislature. No provision for SBR rankings.	Requires the State Building Board to give more weight in their prioritization process to requests that are "designated as a higher priority by the State Board of Regents."	407-410
Operation and Maintenance Expenditures	Requires the State Building Board to establish standards for O&M reporting and utility metering.	In addition to the current standards: - Creates O&M programs within institutional line item budgets. - Creates a process to review and fund inflationary increases to O&M.	261-293
Capital Development Requests	Requires a study for each capital development project that demonstrates need and feasibility.	In addition to feasibility studies USHE institutions must describe how a capital development project will help an institution to meet market needs for trained workers.	395-406
Capital Improvements	Projects must cost less than \$2.5 million.	- Raises the project threshold to \$3.5 million. - Allows for Utility Infrastructure projects up to \$7 million.	347-364
Non-State Funded Requests	Requires a plan for funding that will not require increases in state funding for projects requested using donations and other non-state sources.	Requires a written document, signed by an institution's president, stating that funding or revenue streams are in place or will be in place that will ensure increased state funding will not be required to cover operation and maintenance or capital improvements.	415-433
Research Funds used for O&M	None.	Requires a study from the Board of Regents before Nov. 2016 identifying the amount of funds from research and development that should be spent on O&M.	976-984
Operation and Maintenance for New Buildings	Institutions submit a form for each new facility calculating new O&M funding with a formula that multiplies new square feet by agreed upon O&M costs per square foot and subtracts current O&M funding.	Requires the Building Board to determine the actual cost for O&M for new facilities.	270-271