

SENATE OF VIRGINIA

Senate Finance Committee

Capital Outlay: Issues for the 2016 Session

October 22, 2015



Capital Outlay Needs Continue to be Addressed

- The General Assembly has continued to address capital needs over time.
- The Commonwealth maintains a large portfolio of land and buildings, from the seat of government, to colleges, universities, prisons, agency offices and facilities located throughout the state.
- Proper maintenance of these assets is expensive; there will be requests related to renovations and infrastructure upgrades.
- Future capital outlay requests are substantial and prioritizing these projects within available funding or debt capacity will be necessary.
- There will also be less traditional requests related to debt during the upcoming Session.



Six-Year Planning Process

- In 2008, the General Assembly codified the requirement for a six-year capital outlay plan:
 - Beginning in 2009, the Governor must submit annually a tentative bill to the General Assembly for the next six fiscal years.
 - Initial plan adopted in 2009 is a dynamic document.
 - Completed projects are removed from the plan and can then be replaced with new ones.
 - Major updates to the plan are made in even years to coincide with biennial budget, however, adjustments to the plan can be made annually.
 - The goals of this plan are:
 - 1) to provide for a more business-like approach to capital budgeting and
 - 2) to produce a more consistent, reliable, and predictable capital outlay program.
 - Projects costs are placed in a range for budgeting purposes, since precise costs are not known at this stage (i.e. \$10 to \$25 million, \$25 to \$50 million, \$75 to \$100 million).



Six-Year Project Advisory Committee

- The “Six-PAC” reviews, analyzes and recommends projects to the Governor for inclusion in the six-year plan.
 - Committee consists of the Secretary of Finance, and the Directors of Department of Planning and Budget (DPB), Department of General Services (DGS), State Council of Higher Education for Virginia (SCHEV), House Appropriations Committee and Senate Finance Committee.
 - The “Six-PAC” was also tasked by the 2013 General Assembly with managing the cash-flows of a \$1.1 billion project pool.
 - Budget language requires that no more than \$250 million in bonds be issued each year (beginning with FY 14) as this pool is completed.



Chapter 665, 2015 Session

Capital Funding

Capital Outlay Funding (in millions)

<u>Fund Type</u>	<u>2014-16</u>
General Fund Cash	\$141.4
VPBA/VCBA Tax-Supported Bonds	117.7
9(c) Revenue Bonds	67.5
9(d) NGF Revenue Bonds	119.1
Nongeneral Fund Cash	<u>74.5</u>
Total	\$520.3



Capital Outlay Requests for the Next Biennial Budget are Significant

Secretarial Area	Total Project Requests (in millions)*	General Fund Portion (in millions)*
Education	\$9,103.7	\$6,768.7
Public Safety	786.0	652.0
Health & Human Resources	641.7	593.1
Transportation	619.4	0.0
Natural Resources	407.4	5.6
Administration	197.8	173.5
Agriculture & Forestry	3.9	0.5
Commerce & Trade	1.4	0.0
Total	\$11,761.2	\$8,193.4

* As submitted to the Department of Planning and Budget. Requests include some projects that have received funding for planning.



Types of Capital Outlay Requests for the 2016 Session

- Funding for previously planned projects/projects approved for preplanning or detailed planning,
- Maintenance Reserve (SCHEV recommendation for HE is \$116.3 million),
- Equipment for facilities coming online,
- Higher Education Equipment Trust Fund,
- Higher Education (Renovations, New Facilities, Research, and Workforce),
- Health and Human Resources (Mental Health and Intellectual Disabilities),
- Natural Resources (Parks, Conservation, Water Quality, and Storm Water),
- Public Safety (Corrections, Forensics, and Department of Juvenile Justice),
- Veteran Care Facilities,
- Seat of Government, and
- Transportation (Port projects, DMV service centers, etc).



Projects Approved for Planning Would Have Significant Costs

- Current projects approved for either preplanning or detailed planning are estimated to **cost almost \$1.7 billion.**
 - Costs may be reduced based on review and “value engineering” by the Department of General Services.
 - Costs for equipment are also often removed and then funded at the projected time of project completion.
 - Some projects will likely not be ready to proceed at this time.
 - Projects at higher education institutions account for \$901.6 million for 24 projects.
 - Non-higher education projects account for almost \$791.0 million for 17 projects.



Considerations for Evaluating Capital Outlay Requests

- Total debt capacity: Unofficial October Model.
 - The State could authorize \$542.6 million per year for a ten-year period.
- Future Needs – Planned and Unplanned.
- Current deferred maintenance needs of existing facilities.
- Growth or decline in relevant populations, including long-term trends (i.e. higher education enrollment, prison population trends, etc.).
- Operating needs once a project is completed.
- Higher Education – State Council of Higher Education for Virginia (SCHEV) recommendations regarding space guidelines.



SCHEV Capital Outlay Project Request Assessment and Prioritization

Priority 1 – Projects that meet the Council’s Fixed Asset Guidelines or are considered critical to supporting the capital outlay needs of Virginia’s system of higher education. Also included in this group are projects that address ADA, security issues and infrastructure improvements for energy efficiency and mechanical, electrical and plumbing (MEP) systems.

Priority Group 1.B – Projects that address critical state wide capital outlay needs and have compelling programmatic justifications but do not meet the space need and productivity criteria under the Council’s Guidelines.

Priority 2 – Projects that do not meet the space/productivity criteria in the Council’s Guidelines but have some compelling programmatic justification.

Priority 3 – Projects that do not meet the space/productivity criteria in the Council’s Guidelines and have less immediate space/programmatic need.

Priority 4 – These are non-guideline requests. Assessment is deferred.

In addition, projects authorized for detailed planning by the General Assembly in previous legislations or for equipment funding of authorized construction.



Summary of SCHEV Capital Outlay Project Recommendations

Total Requested Funding by Fund and Priority Group - (in millions)

Priority Group	GF	NGF	9(d) Debt	Total Requests	Total Projects
Priority 1	\$1,677.4	\$38.1	\$352.9	\$2,068.3	63
Priority 1.B	955.4	101.8	31.3	1,088.5	41
<i>Included in Resolution</i>	2,632.7	139.9	384.2	3,157.0	104
Projects in Approp. Acts	690.9	5.0	10.8	706.7	22
Priority 2	1,987.6	81.3	349.0	2,417.9	58
Priority 3	1,279.2	110.4	105.1	1,494.8	49
Priority 4	120.0	3.0	120.0	243.0	4
<i>Not included in Resolution</i>	4,077.7	199.7	585.0	4,862.3	133
Total Requests	\$6,710.4	\$339.6	\$969.2	\$8,019.2	237



Examples of Capital Requests by Type:



High Need Infrastructure: VMI Post Infrastructure Improvements Phases I, II and III



- Heat Plant Improvements.
- Steam Distribution.
- Electrical Distribution.
- Monitoring and Controls.
- Roads, Bridges, Retaining Walls.
- SCHEV Priority 1 and 1.B.
- Cost estimate: \$30.7M.



Renovation: UVA Gilmer Hall - Chemistry Building



- Planning complete through preliminary documents (per previous authorizations).
- Originally a SCHEV Priority 2.
- Scope:
 - Renovate 400,000 GSF of STEM instructional and research space.
 - Replace mechanical, electrical, and plumbing systems.
- Projected cost: \$180.0M.



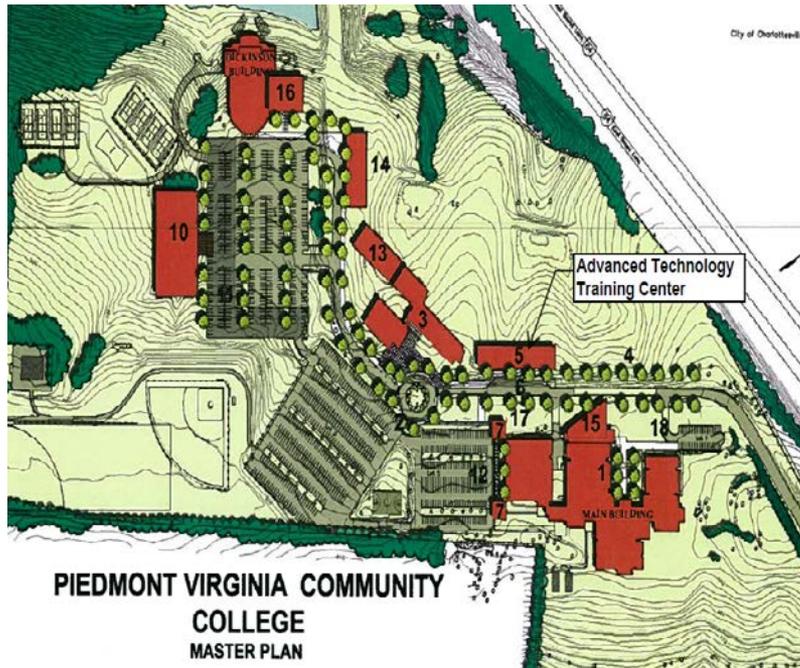
Replacement: Phase I Academic and Administration Building, Eastern Shore Community College



- Existing facility is 40 years old; major deficiencies in its structural systems (e.g., cracked walls and slabs); includes the original plumbing, mechanical, and electrical systems; not fully ADA compliant; difficult to retrofit due to existing condition.
- Construct 47,000 GSF to support STEM and other in-demand fields such as electronics technology, welding, electricity, and cyber security.
- Project will provide new labs for STEM programs, as well as space that allows the college to be flexible in its current and future program offerings.
- SCHEV Priority 1.
- Cost estimate: \$21.0 million GF.



New Construction: Advanced Technology Training Center, Piedmont Virginia Community College



- Construct 45,000 GSF for advanced technology center to house credit and non-credit programs in advanced manufacturing (engineering technology and mechatronics), information systems technology (cybersecurity, networking and programming), viticulture and enology.
- This project will dedicate a portion of the new facility for a one-stop student success center for student support services such as admissions, financial aid, advising, student activities, bookstore, and dining.
- It will also position the college to prepare students for high-tech, high-demand jobs that meet the needs of regional employers.
- SCHEV Priority 3.
- Cost estimate \$28.7 million total: \$21.7 million GF and \$7.0 million NGF.



Research: Virginia Tech Carilion Research Institute (VTCRI)



- VTCRI has a research portfolio of over \$60 million in active grants, with \$112 million in research expenditures.
- A second research facility, also located in Roanoke, VA, will support another 15 research teams focused on solving problems of the brain, heart disorders, and cancer.
- The success and growth of the VTCRI programs in brain (neuro-) science, cardiovascular and regenerative sciences, and cancer research in particular, require new facilities with large instrumentation located adjacent to the existing laboratory institute.
- Total Project Cost = \$ 45.7 Million:
 - \$30.8 GF, \$14.9 NGF.
 - SCHEV Priority 1.



Next Steps

- The Capital Outlay Subcommittee will be evaluating projects by agency, area, need, trends, etc.
- The Capital Outlay Subcommittee will cover projects in other areas that were not discussed today, including formal presentations at future meetings.
 - The Subcommittee will ask the other policy area subcommittees to provide input regarding projects and recommendations.
- Senate Finance Committee staff will work with other agencies, including DPB and DGS, to acquire better project cost estimates in order to have sufficient information to develop any potential package related to capital outlay.

