Report of the Subcommittee on Capital Outlay

Senate Finance Committee
Virginia General Assembly

February 21, 2016

SENATE OF VIRGINIA
Senate Finance Committee

2015 Report of the Capital Outlay Subcommittee
The Honorable Thomas K. Norment, Jr., Chairman
February 21, 2016

Members of the Committee:

The Capital Outlay Subcommittee's primary focus this year has been on making long-term investments that are beneficial to the Commonwealth while using an appropriate level of our debt capacity. To that end, the recommended number of projects and dollars devoted to some areas of government decreased over what was in the introduced budget. This action was important in order to plan for the operating costs that these facilities will require in the future. Input from the relevant policy Subcommittees guided us on the best actions related to each area, and that advice has been incorporated in these recommendations. Additionally, Subcommittee members placed a high priority on properly maintaining existing facilities.

Based on these guiding principles, we initially incorporated many of our recommendations into SB 731, a bill that Senator Hanger and I patroned together. The bill included a capital construction pool of almost $1.3 billion in VCBA/VPBA bond proceeds for 59 projects at higher education institutions and other state agencies. This is a reduction of more than $345.0 million from the construction pool in the introduced budget. SB 731 further allocated $39.0 million in bond proceeds for supplements to existing projects (an increase of $2.0 million over the introduced budget), over $13.0 million in bond proceeds for equipment for projects that are nearing completion, and $59.0 million to reimburse localities for their investments in wastewater treatment.

The bill also referenced the $16.0 million from the general fund that we have appropriated in the budget for project planning, down from $20.0 million in the introduced budget. The Subcommittee recommends planning for a smaller number of projects in order to keep the future pool of construction projects at a manageable level. To the degree that we plan and construct additional facilities, operating costs will be required in the future.

I now wish to mention several of the major actions related to capital outlay that are reflected in the Subcommittee's amendments to the budget. First, the Subcommittee recommends $65.0 million in bond proceeds for the Higher Education Research Initiative. As I mentioned in my earlier report, this initiative will focus on the commercialization of research through the recruitment of high performing researchers. These bonds will be used to renovate laboratory space and provide equipment for this purpose.

The second major item reflected in the budget relates to the bonds for the Port of Virginia for the enhancement of the Norfolk International Terminal. Here, the Subcommittee recommends $215.0 million in VPBA bonds and $135.0 million from existing transportation dollars. As this is a large investment in one project, we recommend reporting requirements to provide accountability before the project proceeds.

The Subcommittee also proposes $20.0 million in bond proceeds in the first year for the Stormwater Local Assistance Fund in support of our continuing efforts to reduce non-point source pollution from stormwater runoff. This program provides matching grants to local governments for the implementation of stormwater projects, a cost-effective approach to reducing pollutants and improving water quality in the Chesapeake Bay Watershed.

The final item in the budget that I wish to mention is Maintenance Reserve funding. Preserving our existing facilities continues to be a top priority. For that reason, the Subcommittee recommends retaining the $129.4 million from the general fund and the $60.0 million in bond proceeds that were included in the introduced budget for this purpose. In addition, the Subcommittee has provided a supplement of $1.0 million from the general fund for Maintenance Reserve funding for two of our higher education institutions in the second year that have high needs in this area.

In conclusion, the Capital Outlay Subcommittee has proposed a plan to continue strategic investments in multiple areas of the budget while prudently using our available debt capacity.

This completes the report of your Subcommittee and I hope it will be the pleasure of the committee to adopt our amendments.

Respectfully Submitted,

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The Honorable Thomas K. Norment, Jr., Chairman

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The Honorable Richard L. Saslaw

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The Honorable Frank M. Ruff, Jr.

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The Honorable Frank W. Wagner

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The Honorable Ryan T. McDougle

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The Honorable Kenneth C. Alexander

February 21, 2016 Report of the Senate Finance Committee - CAPITAL OUTLAY
Summary of Recommended Amendments to SB 29 and SB 30, As Introduced

SB 30:

Line #	Amendment #	Short Title	Biennial GF $	Biennial Other NGF $	Biennial 9 (c) Bonds $	Biennial 9 (d) Bonds $	Biennial VCBA/VPBA $	Biennial NGF Total $
1	C-0 #1s	CO: Capital Procurement Method Approval and Reporting Language	$0		$0	$0	$0	
2	C-8.1 #1s	CO - GMU - Renovate and Upgrade Hazel Hall	$0	$3,000,000	$0	$0	$0	$3,000,000
3	C-8.1 #2s	CO - GMU - Construct Basketball Training, Wrestling and Athlete Academic Support Center	$0	$15,500,000	$0	$0	$0	$15,500,000
4	C-10.1 #1s	CO - JMU - Construct Phillips Dining Hall Replacement	$0	$8,400,000	$26,600,000	$0	$0	$35,000,000
5	C-12 #1s	CO - LU - Remove Parking Garage Project	$0	$0	$0	($17,640,000)	$0	($17,640,000)
6	C-13 #1s	CO - LU - Remove Athletic Facilities	$0	$0	$0	($35,878,000)	$0	($35,878,000)
7	C-35.1 #1s	CO - New Construction - VSP - Area 12 Office Building	$800,000	$0	$0	$0	$0	$0
8	C-43 #1s	CO - VA Port Authority Bonds and Language	$0	$0	$0	$0	($135,000,000)	($135,000,000)
9	C-44 #1s	CO - MR - Energy Efficiency Language	$0	$0	$0	$0	$0	$0
10	C-44 #2s	CO - Central Maintenance Reserve - Additional Funding	$1,000,000	$0	$0	$0	$0	$0
11	C-45 #1s	CO - Eliminate Equipment Funding in Alternate Bill	$0	$0	$0	$0	($13,049,000)	($13,049,000)
12	C-46 #1s	Central CO - Update Project Planning Amount and Language	($4,000,000)	$0	$0	$0	$0	$0
13	C-47 #1s	Central CO - Eliminate Construction Pool and Wastewater Funded in Alternate Bill from this Item	$0	($19,875,000)	$0	$0	($1,734,293,000)	($1,754,168,000)
14	C-47.5 #1s	Central CO - Fund Stormwater Local Assistance Fund	$0	$0	$0	$0	$20,000,000	$20,000,000
15	C-48 #1s	Central CO - Eliminate Project Pool Supplement Funded in Alternate Bill	$0	$0	$0	$0	($7,700,000)	($7,700,000)
16	C-49 #1s	Central CO - Eliminate Comprehensive Capital Outlay Program Supplement Funded in Alternate Bill	$0	$0	$0	$0	($29,300,000)	($29,300,000)
17		Language Amendments						$0
18		**TOTAL**	($2,200,000)	$7,025,000	$26,600,000	($53,518,000)	($1,899,342,000)	($1,919,235,000)

SB 29:

Line #	Amendment #	Short Title	Biennial GF $	Biennial Other NGF $	Biennial 9 (c) Bonds $	Biennial 9 (d) Bonds $	Biennial VCBA/VPBA $	Biennial NGF Total $
1	C-41 #1s	CO - Eliminate Additional MR Funding	($1,500,000)	$0	$0	$0	$0	0
		TOTAL	($1,500,000)	$0	$0	$0	$0	$0

Item C-0 #1s

General Conditions

General Conditions Language

Language:

Page 423, after line 26, insert:
"O. 1. All state entities, excluding the institutions of higher education governed under Chapters 675 and 685 of the 2009 Acts of Assembly, shall submit requests to use Design-build or Construction Management procurement methods, prior to proceeding with design, for new general fund supported construction projects, to the Department of General Services. The Department will review proposed construction procurement methods and make a decision on the appropriate method to be used. The method approved by the Department shall be carried out by the agency or institution of higher education. Approved projects and the approved procurement method shall be posted publicly on the Commonwealth's statewide electronic procurement system and program, eVA, at least 30 days prior to advertising for design services.

2. State entities, including institutions of higher education governed under Chapters 675 and 685 of the 2009 Acts of Assembly, with general fund supported projects already under a design contract may proceed with its selected procurement; however; the agency or institution will inform the Department of the procurement process selected, and comply with the posting requirements in this section for the construction procurement associated with such design.

3. The requirements of this section shall remain in effect until such time as the requirements of Chapters 776 and 760 of the 2015 Acts of Assembly, fourth and fifth enactment clauses are satisfied."

Explanation:

(This language only amendment requires state entities, including higher education institutions under Level I and Level II Restructuring, to receive approval from the Department of General Services prior to using Design-build and Construction Management procurement methods for new general fund supported construction projects. All state entities, including all higher education institutions, will report on existing general fund supported projects. This will provide appropriate oversight while completing the Construction procurement report required by Chapters 776 and 760 of the 2015 Acts of Assembly.)

Item C-35.1 #1s

Public Safety	**FY16-17**	**FY17-18**	
State Police, Department of	$800,000	$0	GF

Language:

Page 429, after line 13, insert:

"C-35.1 New Construction: Construct Area 12 Office Building		$800,000	$0	
Fund Sources:	General	$800,000	$0	"

Explanation:

(This amendment would provide $800,000 GF the first year to construct a new area 12 office building for the Department of State Police. The current building has had problems with mold and flooding.)

Item C-43 #1s

Transportation	**FY16-17**	**FY17-18**	
Virginia Port Authority	($135,000,000)	$0	NGF

Language:

Page 430, line 4, strike "$350,000,000" and insert "$215,000,000".
Page 430, line 5, strike "$350,000,000" and insert "$215,000,000".
Page 430, line 6, before "The" insert "A.1.".
Page 430, line 8, strike "$350,000,000" and insert "$215,000,000".
Page 430, after line 9, insert:

"2. Prior to the receipt of any state supported bond proceeds authorized in this Item, the Virginia Port Authority shall comply with all provisions set forth in Item 463 E. of this Act.".

Page 430, line 12, strike "$350,000,000" and insert "$215,000,000".

Explanation:

(This amendment eliminates $135.0 million from bond proceeds in the first year for this project. Other transportation funding of $135.0 million is being provided for this project under Item 463 E. along with additional requirements related to the funding.)

Item C-44 #1s

Central Appropriations

Central Capital Outlay — Language

Language:

Page 432, line 16, strike “D.” and insert “D.1.”.
Page 432, after line 25, insert:
“2. In order to reduce building operation costs and repay capital investments, agencies and institutions of higher education may consider maintenance reserve projects which result in guaranteed savings to the agency or institution pursuant to § 11-34.3 Code of Virginia and in accordance with Executive Order 31.”.

Explanation:

(This language only amendment states that agencies and higher education institutions may consider maintenance reserve projects which result in guaranteed savings.)

Item C-44 #2s

Central Appropriations	**FY16-17**	**FY17-18**	
Central Capital Outlay	$0	$1,000,000	GF

Language:

Page 430, line 18, strike "$98,400,000" and insert "$99,400,000".
Page 430, line 19, strike "$98,400,000" and insert "$99,400,000".
Page 432, line 13, strike "$98,400,000" and insert "$99,400,000".
Page 433, after line 4, insert:

"L. After the completion of a Capital Outlay Master Plan update, an amount of $500,000 the second year from the general fund shall be authorized for use by Norfolk State University for additional maintenance needs.

M. After the completion of a Capital Outlay Master Plan update, an amount of $500,000 the second year from the general fund shall be authorized for use by Virginia State University for additional maintenance needs."

Explanation:

(This amendment provides $500,000 GF each for Virginia State University and Norfolk State University in the second year for additional Maintenance Reserve needs. The institutions will receive the additional funding upon completion of their updated Capital Outlay Master Plans as authorized under SB 731.)

Item C-47.5 #1s

Central Appropriations	**FY16-17**	**FY17-18**	
Central Capital Outlay	$20,000,000	$0	NGF

Language:

Page 438, after line 11, insert:

"C-47.5 Improvements: Capital Outlay Pool		$20,000,000	$0	
Fund Sources:	Bond Proceeds	$20,000,000	$0	
	Nongeneral	$0	$0	"

Page 438, after line 11, insert:

"A. 1. A total of $20,000,000 plus amounts to fund related issuance costs, and other financing expenses is hereby authorized for issuance in the first year by the Virginia Public Building Authority pursuant to § 2.2-2263, Code of Virginia for water quality projects as set out in this paragraph.

2. There is hereby appropriated $20,000,000 in the first year from such bond proceeds, for the Stormwater Local Assistance Fund, established in Item 370 of this act and administered by the Department of Environmental Quality. In accordance with the purpose of the Fund, the bond proceeds shall be used to provide grants solely for capital projects, including: i) new stormwater best management practices; ii) stormwater best management practice retrofits; iii) stream restoration; iv) low impact development projects; v) buffer restoration; vi) pond retrofits; and vii) wetlands restoration. Such grants shall be in accordance with eligibility determinations made by the Department of Environmental Quality.

3. This appropriation is subject to the conditions in § 2-0 F of this act.

4. Except as provided for in paragraph A.3. of this item, the provisions of §§ 2.0 and 4-4.01 of this act and the provisions of § 2.2-1132, Code of Virginia, shall not apply to projects supported in the program.".

Explanation:

(This amendment provides $20.0 million in bond proceeds in the first year for the Stormwater Local Assistance Fund, a program administered by the Department of Environmental Quality.)