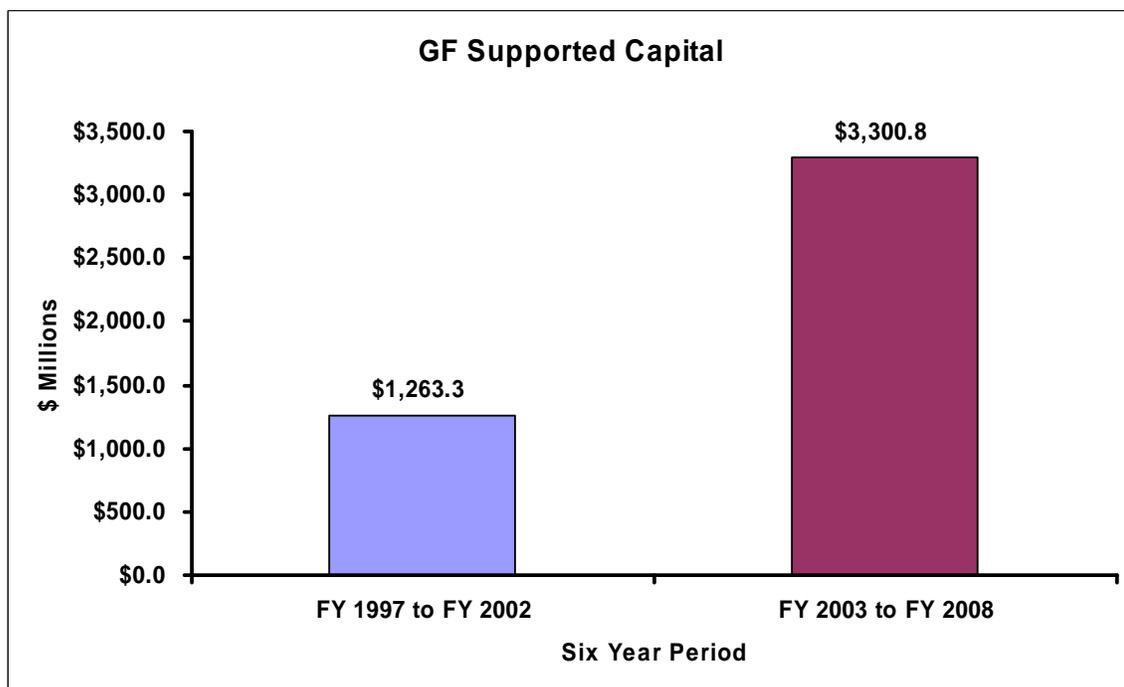
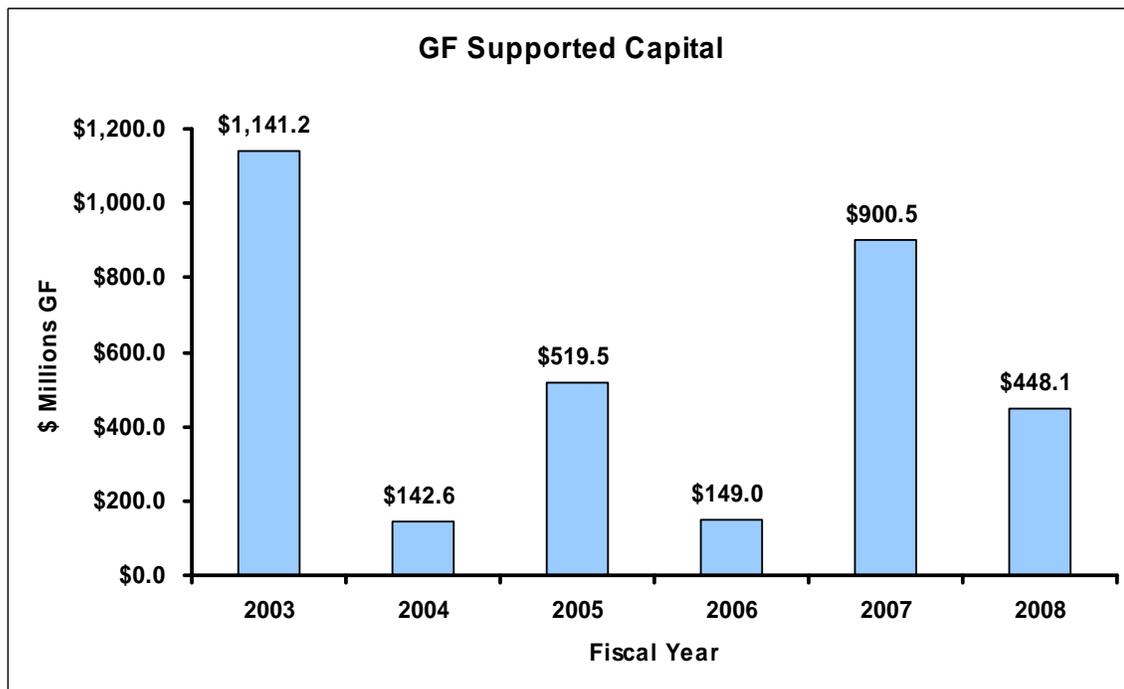


# **Capital Outlay**

**Senate Finance Committee  
November 15-16, 2007**

# GF support for capital projects has increased

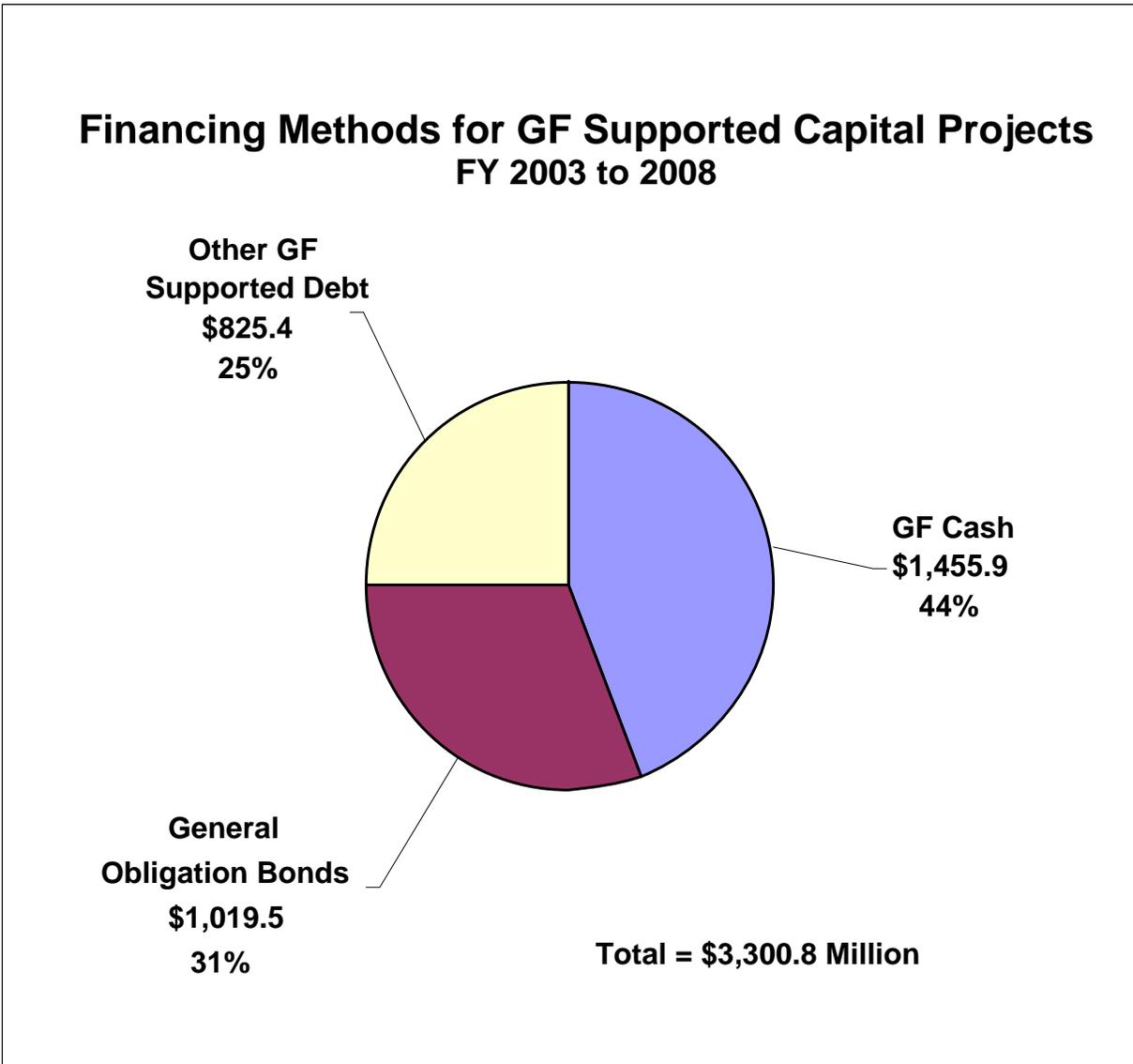
- Over the past six years the Commonwealth has invested over \$3.3 billion in GF supported capital projects – almost three times the GF support in the preceding six years.



# GF support for capital projects has increased

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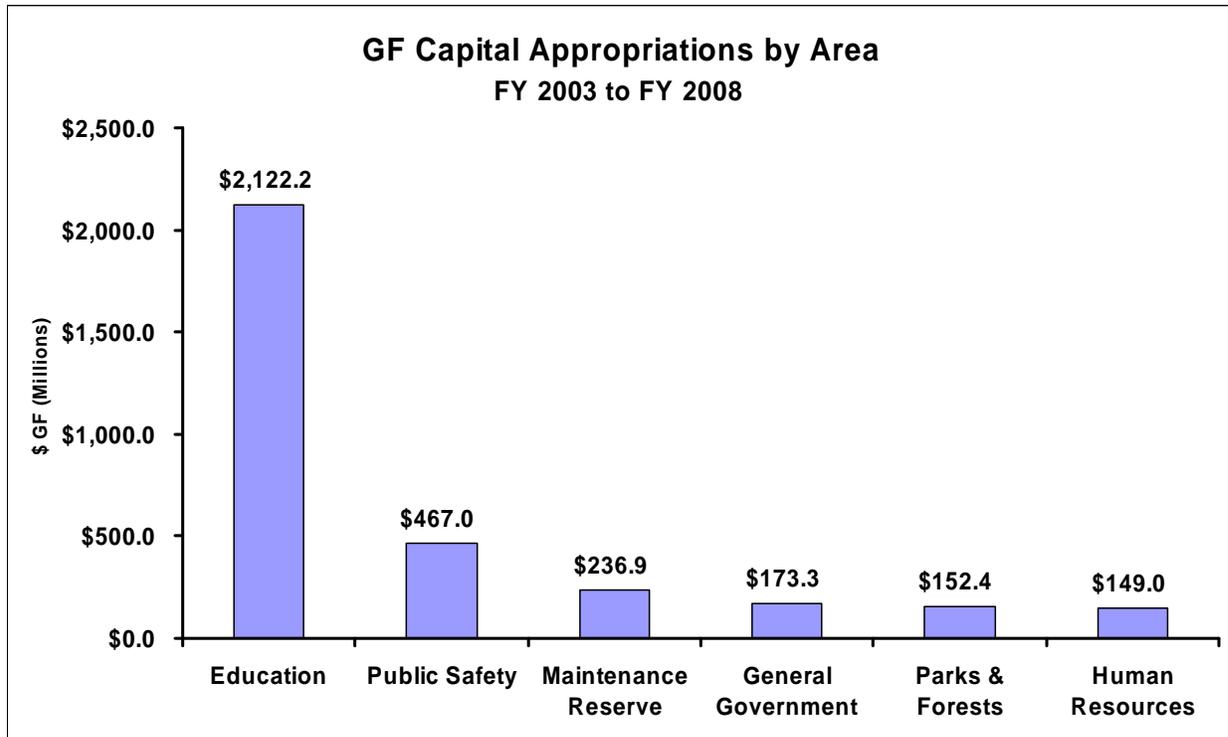
- In the past six years almost half of the funding for GF supported capital projects has come from cash.



## GF support for capital projects has increased

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- Almost two-thirds of this \$3.3 billion of GF supported projects has been for educational institutions.
  - About 14 percent has gone to Public Safety, mostly for prison construction.



- Maintenance Reserve is used to fund maintenance projects too large to be supported from the agency operating budget, such as roof replacement.
  - Maintenance Reserve funding is allocated to all agencies with general fund supported facilities, but the majority goes to institutions of higher education.

## Several milestones have been achieved

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- This major investment of GF support for capital projects has allowed the Commonwealth to achieve important milestones in several areas:
  - Higher education,
  - Mental health and mental retardation facilities,
  - Public Safety,
  - General government, and
  - State Parks.

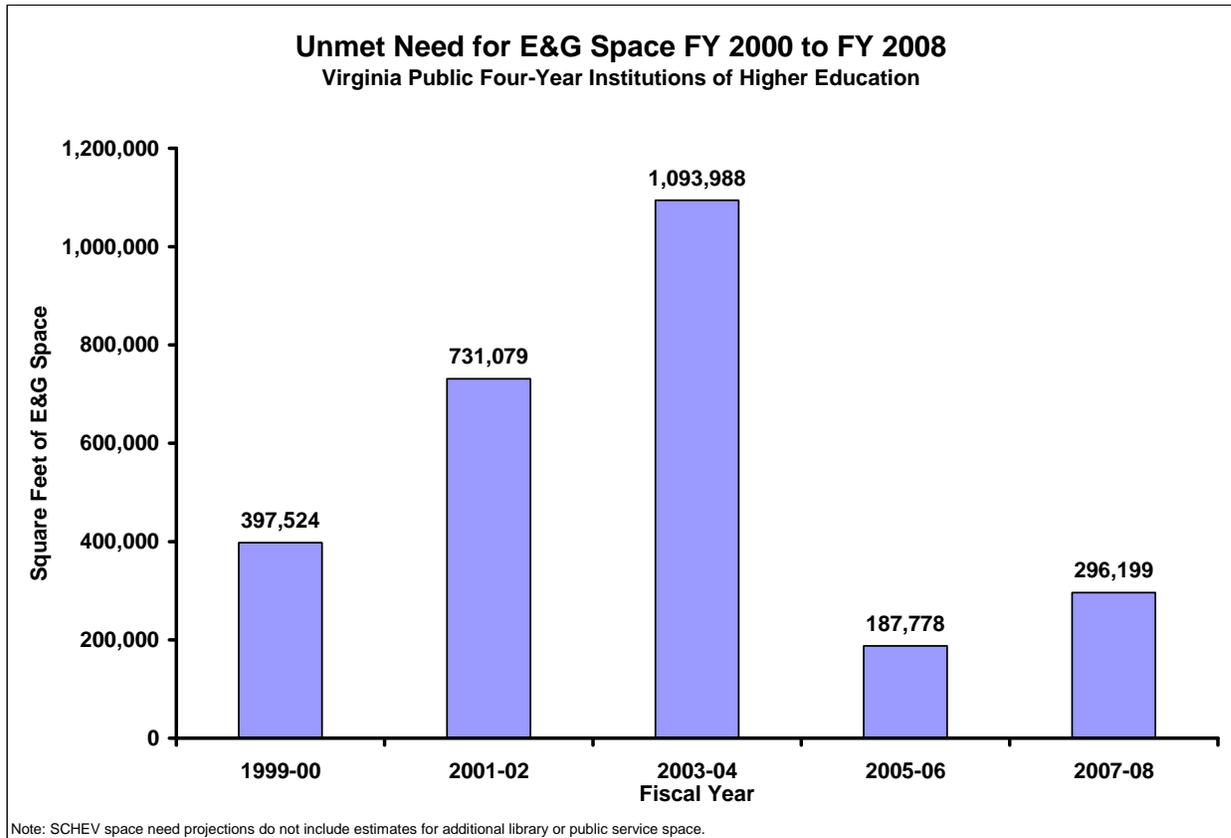
### **Higher Education**

- The unmet space needs for Educational and General (E&G) programs (i.e. classrooms, laboratories, faculty offices, etc.) at Virginia's four-year institutions of higher education have dropped 74 percent since FY 2004.
- The need for E&G space is assessed by the State Council of Higher Education in Virginia's (SCHEV) space planning guidelines.
- These guidelines use several factors to link space needs with student enrollment:
  - FTE student enrollment,
  - Types of academic programs offered,
  - Existing space, and
  - Utilization of existing space.

## Several milestones have been achieved

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- The guidelines anticipate that approved projects will be completed as scheduled.



## Mental Health and Mental Retardation

- The Commonwealth has begun to modernize its aging mental health and mental retardation facilities.
- Construction has begun on the replacement of two facilities:
  - Hancock Geriatric Center, and
  - Eastern State Hospital.

## Several milestones have been achieved

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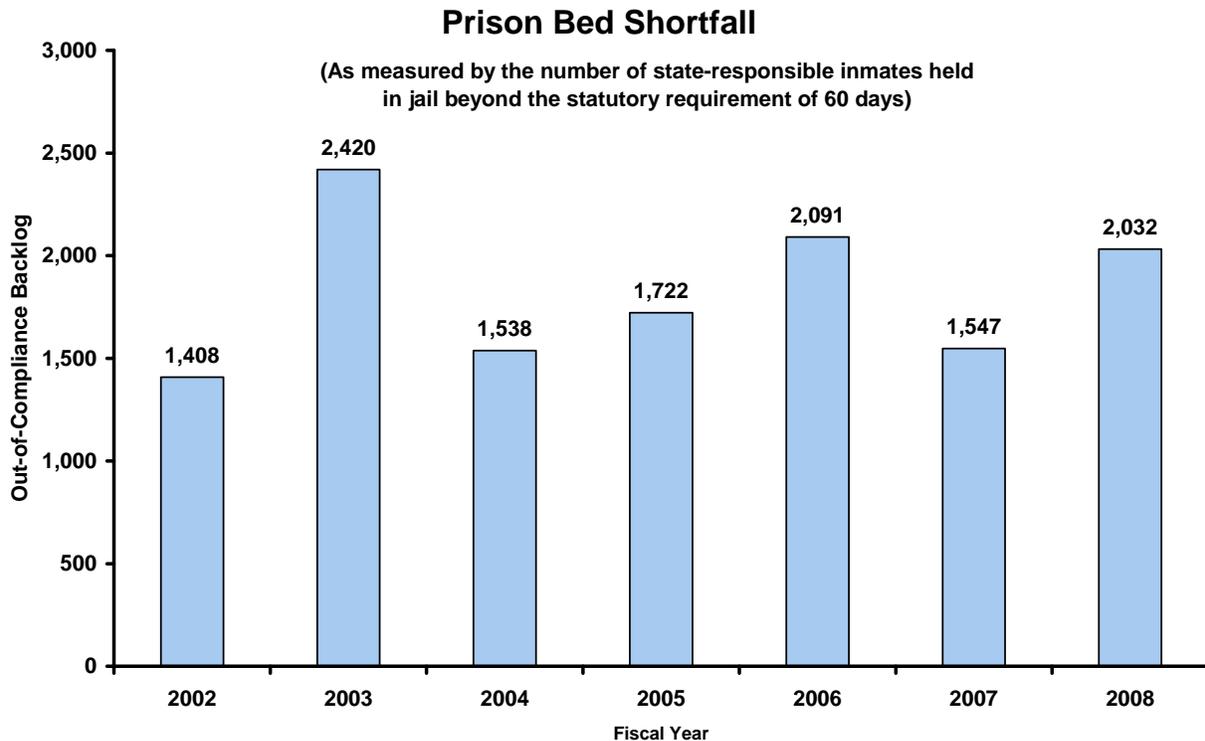
- Architectural and Engineering work has been funded for the replacement of three facilities:
  - Southeastern Virginia Training Center,
  - Central Virginia Training Center, and
  - Western State Hospital.

### **Public Safety**

- From 1998-2002 Virginia had excess prison bed capacity and housed up to 4,000 out-of-state prisoners.
- Since 2002 the Commonwealth has added or expanded five prisons, with a total of 4,472 beds:
  - Replacement of St. Brides Correctional Center,
  - Expansion of Deerfield Correctional Center,
  - Construction of three Medium Security Prisons - Tazewell, Pittsylvania, and Grayson Counties.
- In 2007 the General Assembly authorized planning for a medium security prison in Charlotte County.
- This increase in capacity has allowed the Commonwealth to keep pace with the need for additional prison space, resulting in a stable prison bed shortfall.

# Several milestones have been achieved

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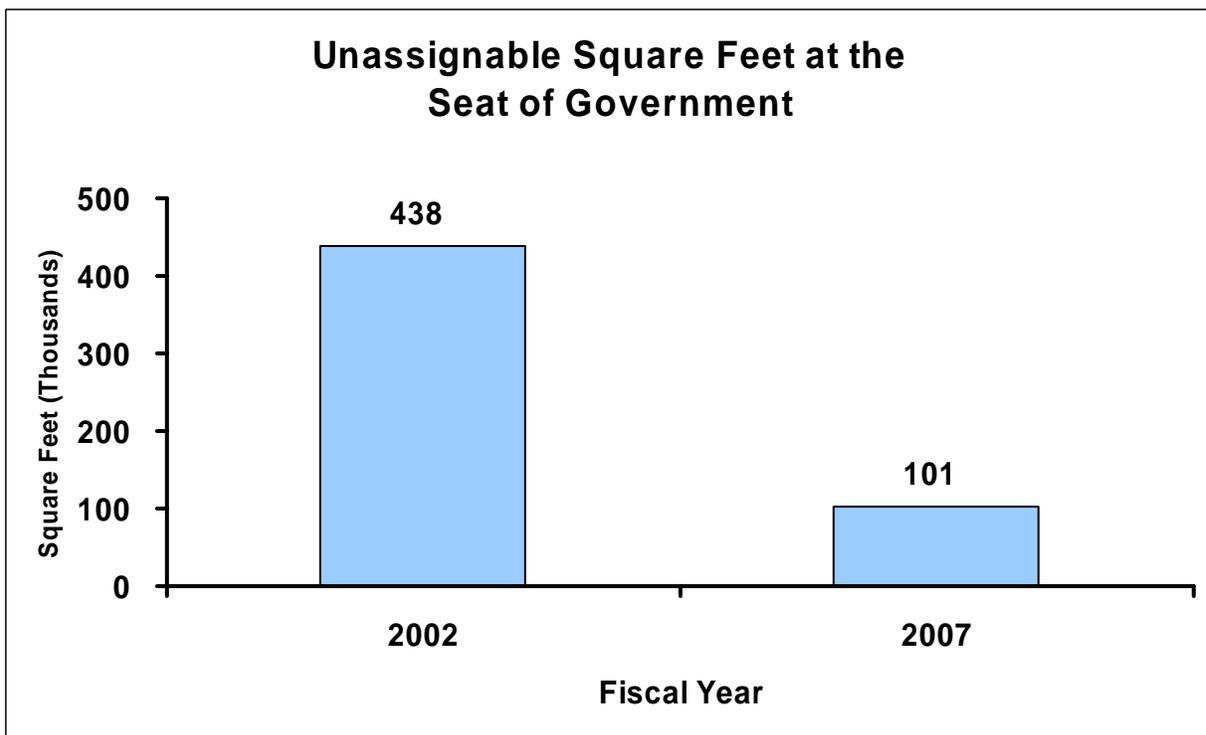
- The accomplishment may be offset by budget reduction proposals that affect two prisons:
  - The elimination of \$1.2 million appropriated in 2007 to acquire land for a medium security prison in Charlotte County, and
  - The proposal to utilize Greenville Correctional Center to house up to 1,000 contract inmates.

# Several milestones have been achieved

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## General Government

- The Commonwealth has renovated and modernized key facilities at the seat of government in Richmond, reducing the square footage of derelict, unassignable square feet by over 75 percent.



- Key projects at the seat of government include:
  - Renovation and expansion of the State Capitol,
  - Renovation of the Old State Library (Patrick Henry Building),
  - Renovation of the Old Finance Building (Oliver Hill Building),
  - Renovation of the Washington Building, and

## Several milestones have been achieved

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- Planning for the renovation and replacement of the 8<sup>th</sup> and 9<sup>th</sup> Street Office Buildings.

### State Parks

- Almost 80 percent of the \$152.0 million provided for GF supported projects at state parks was included in the 2002 General Obligation Bond (GOB) Authorization.
- GF support for parks projects has provided for:
  - Acquisition of land for 3 new state parks and 6 natural areas,
  - Acquisition of additional land for 8 state parks and 2 natural areas,
  - Construction of 75 new cabins at 7 state parks,
  - Construction of 192 new campsites at 5 state parks,
  - Renovation of 150 new campsites at 3 state parks, and
  - Construction of 4 meeting facilities at 4 state parks.

## Future capital requirements

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- Success in achieving major capital goals provides an opportunity to address other capital issues.

### General Capital Issues

- Construction costs have increased significantly in the past five years, and will require either increased capital expenditures or a reduction in the number of projects undertaken.
  - Five projects requested for the 2008-14 six-year capital improvement plan are at or above \$200 million GF.
  - Ten projects requested for the 2008-14 six-year capital improvement plan are at or above \$100 million GF.
  - No project in the 2006-2008 biennium is budgeted for more than \$64 million GF.
- Deferred maintenance on state facilities is estimated at \$3.0 billion (all funds), including \$1.9 billion (all funds) at institutions of higher education.
  - Some deficient buildings can be repaired, but others will need to be replaced.
- Additional project cost overruns may require funding.
- The Commonwealth still leases 2.4 million square feet of office space in the Richmond area at an annual cost of \$38.0 million (all funds).

# Future capital requirements

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## Higher Education

- Continued enrollment growth will fuel the need for as much as 1.2 million additional square feet of E&G space at Virginia's institutions of higher education over the next six years.
  - George Mason, James Madison, Old Dominion and Virginia Commonwealth Universities are projected to need an additional 524,000 square feet of E&G space by 2014.
  - The Virginia Community College System is projected to need an additional 638,000 square feet of E&G space by 2014.
  
- Institutions of higher education have requested that SCHEV undertake revisions and additions to the higher education space guidelines, which fall into five categories.
  - Update of the existing E& G space guidelines,
  - Elevation of certain E&G space renovations to a higher priority within the existing guidelines,
  - Creation of new space guidelines for "distance learning",
  - Creation of new research space guidelines, and
  - Creation of new "quality of E&G space" guidelines.

# Future capital requirements

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## Public Safety

- Projected growth in the state-responsible prison population will likely result in the need for the equivalent of one new prison in each of the next six years.
  - Based on current designs each prison will cost at least \$100 million.
  - Only one new prison (Charlotte County, 2008-10) was requested for the 2008-14 six-year capital improvement plan.
- A number of the Commonwealth's prisons are old and in need of extensive renovation or replacement, which could provide:
  - Increased bed capacity;
  - Additional medical, mental health, and geriatric beds; and
  - Improved operating efficiency sufficient to cover the capital costs.

## Mental Health and Mental Retardation

- Many of the Commonwealth's mental health and mental retardation facilities are obsolete.
- An additional sexually violent predator facility may be needed in the 2010-12 biennium.

# Future capital requirements

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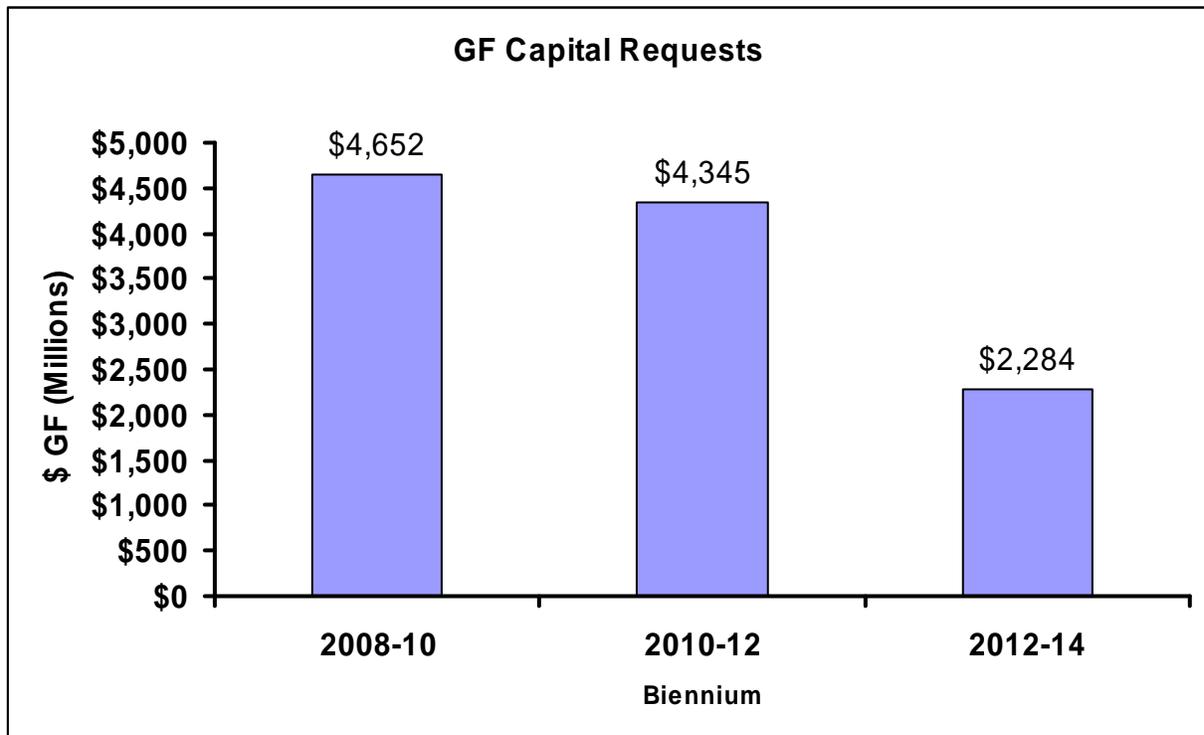
## State Parks

- Parks projects included in the 2002 GOB authorization were scaled back to address cost increases.
- Growth in the public's utilization of state parks and natural areas makes additional projects likely.

## Planning for future capital projects

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- Agencies requested almost \$11.3 billion GF for inclusion in the 2008-2014 six year capital outlay plan - including over \$1.0 billion in the 2008-10 biennium for projects already planned.



- The magnitude of the capital requests makes planning for future capital programs essential.
- Planning for future capital projects provides several important benefits:
  - Improved allocation of resources in a timely manner,
  - Improved prioritization of projects,
  - Improved institutional planning for service delivery,
  - Reduction of project cost overruns, and

## Planning for future capital projects

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- Reduction in project cost increases due to changes in scope.
  - Existing sections of the Code of Virginia require planning for capital projects:
    - § 2.2-1503.2 of the Code of Virginia requires submission of a six-year capital improvement plan by Governor.
    - §2.2-1502 of the Code of Virginia requires the completion of a pre-planning study for capital outlay projects.
  - A 2003 report by the Auditor of Public Accounts recommended a two-step approach to capital project approval:
    - Step 1: Approve the planning phase of the project to develop an estimate of the total cost of the project.
    - Step 2: Approve project funding and construction.
  - The Senate has attempted to move toward reliance on the Six Year Capital Improvement Plan, and to include the Auditor's two-step planning approach in development of the Commonwealth's capital budget:
    - Planning for seventeen projects is included in the 2006-2008 biennial budget.
    - The total cost of planning these projects is \$55.8 million.
    - Two of these projects were funded in the 2007 session.
    - The total cost of constructing the remaining 15 projects would be over \$1,015.0 million GF. (See attached list.)

# Conclusions

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- Over the past six years the Commonwealth has invested over \$3.3 billion GF in capital projects.
- Several important capital milestones have been achieved:
  - Addressed much of the need identified under the SCHEV space guidelines for E&G Programs,
  - Began modernization of the Commonwealth's mental health and mental retardation facilities,
  - Kept pace with the need for additional prison space,
  - Renovated and modernized key facilities at the seat of government in Richmond, and
  - Built-out selected state parks.
- Continuing capital challenges in each of these areas will need to be addressed:
  - Housing a growing inmate population,
  - Modernization of mental health and mental retardation facilities,
  - SCHEV space guidelines for higher education,
  - Deferred maintenance,
  - Completion of the 2002 Parks program, and
  - Space deficiencies at the seat of government.
- The magnitude of the capital program is large with competing priorities, which may lead the General Assembly to further strengthen the Six Year Capital Outlay Plan.

**PROJECT PLANNING FUNDED IN 2006-2008**  
**(\$ Millions GF)**

**Project Appropriated in 2007**

	<b><u>Planning 2006-2008</u></b>	
<b>Dept. of Corrections</b>		
Mt. Rogers Correctional Facility	\$ 1.5	2007 Session C-290.40
<b>Veterans' Services</b>		
Southwest Virginia Veterans' Cemetery	\$ 0.6	2007 Session C-302.20

**Projects Requested in 2008-2010**

	<b><u>Planning 2006-2008</u></b>	<b><u>Request</u></b>
<b>Dept. of General Services</b>		
8th & 9th Streets	\$ 13.0	\$199.9
Supreme Court Building	\$ 3.4	\$9.0
<b>Dept. of Education</b>		
VSDB - Staunton	\$ 6.0	\$92.6
<b>Christopher Newport University</b>		
Science Building	\$ 1.0	\$76.4
<b>College of William &amp; Mary</b>		
School of Education	\$ 13.2	\$40.9
<b>Longwood University</b>		
Addition / Renovation of Bedford Hall	\$ 2.5	\$33.6
<b>University of Mary Washington</b>		
New Graduate Research Institute	\$ 2.0	\$22.9
<b>Norfolk State University</b>		
Library Renovations / Expansion	\$ 0.8	\$40.2
<b>Old Dominion University</b>		
Performing/Fine Arts Phase II	\$ 1.6	\$54.5
<b>University of Virginia</b>		
IT Engineering Building	\$ 0.8	\$40.2
<b>Virginia State University</b>		
McDaniel Hall Renovation	\$ 0.8	\$23.8
<b>DMHMR&amp;SAS</b>		
Western State Hospital	\$ 2.5	\$122.2
Central Virginia Training Center	\$ 2.5	\$ 93.6
Southeastern Virginia Training Center	\$ 2.5	\$ 57.6
<b>Dept. of Corrections</b>		
Charlotte County Correctional Facility	\$ 1.2	\$108.5
<b>Total GF Requests for Planned Projects</b>	<b>\$ 55.8</b>	<b>\$1,015.7</b>