

March 19, 2014

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: USHE - Capital Facilities Update for 2014-15

The 2014 legislative session was a successful one in that it addressed several of the USHE's most pressing capital facilities needs, as the legislature appropriated \$95,900,000 for USHE capital development projects. The legislature also provided \$100,243,600 in statewide Capital Improvement Funding and authorized five USHE non-state funded projects totaling \$132,038,000. These project approvals are broken down into the following categories:

1. **Capital Development Project Funding** – Following is a list of the USHE's capital projects that were funded from appropriated funds (The legislature chose to not issue any General Obligation bonds for capital development this session):

• WSU - New Science Building	\$57,400,000	Construction
• USU - Eastern – Central Instructional Building	19,000,000	Construction
• USU - Brigham City Academic Building	7,500,000	Construction
• UU - Huntsman Cancer Institute	8,000,000	Construction
• DSU - East Elementary Property Purchase	1,000,000	Purchase
• Snow - Sevier School District Lease Buyout	3,000,000	Purchase
Total	\$95,900,000	

The U of U Huntsman Cancer Institute (HCI) and Snow College Sevier School District Lease Buyout funding requests were presented directly to the Building Board and did not go through the Regents' CDP process. The HCI amount is partial funding for construction of a Primary Children & Families Cancer Center that is Phase IV of the Huntsman cancer research and treatment complex. The Ground Lease for this project was approved by the Regents in December of 2013. The Huntsman Cancer Foundation will provide \$80,000,000 plus of additional capital development funding for the HCI project.

The funding provided Snow College will buy out the long-term prepaid lease that the Sevier School District has on the education wing of the Sevier Valley Center on the Richfield campus. Under the terms of the lease, this classroom space has been used by Richfield High School for the past several years. The district has broken ground for a new high school and will no longer need the Snow College space.

During the legislative evaluation and prioritization process, there was discussion regarding the advisability of “phase funding” projects, with planning and design money provided one year and construction funding consideration determined in subsequent years. The legislature adopted language in SB172 that prohibits “phased funding” of buildings or facilities without an affirmative vote of two-thirds of all the members of the House of Representatives and the Senate going forward. As a result, the only phasing action taken was the adoption of legislative intent language to enable the University of Utah to use its own donated funds for planning and design of the Crocker Science Center.

Please refer to **Attachment A** for a listing of all capital development projects funded by the Legislature during the 2014 Session.

2. **Capital Improvement Funding (CI)** – The total amount appropriated statewide for the coming fiscal year is \$100,243,600; an increase of \$12,504,500 over the current year. This figure represents *1.1% of the replacement cost of existing state buildings*, a statutorily-mandated base-line that has not been achieved for several years, and compares favorably to the 1.02% that was funded for the current year.

Three noteworthy decisions made in the (CI) arena by the Legislature this year:

- a. \$5,038,200 was added to the existing CI base budget of \$41,739.00 to establish a new *on-going* base budget of \$46,777,300. This is a step towards the need expressed in the IGG Subcommittee of establishing the entire CI funding pool as an on-going appropriation. One-time funds also were increased by \$7,466,300.
- b. Statutory language for calculation of the CI funding pool was amended to add “*infrastructure*” to the replacement cost base. Heretofore, the “replacement cost of existing state facilities” base did not statutorily include non-building infrastructure. This statutory change is a positive step in dealing with the future utility infrastructure needs identified in the recent USHE Utilities Infrastructure Study, presentation of which, during the legislative session, contributed to an awareness of the need and the resultant change in statute.

Preliminary estimates indicate that this statutory change will result in a significant increase to the formulary base with substantial gains in the annual CI funding pool for future years. As such, the change inclusion has important and positive ramifications for the USHE in meeting future utilities infrastructure funding needs.

- c. The legislature adopted intent language to use CI allocations and revenue bonding to complete the funding package needed to complete the University of Utah Utility Infrastructure project. The intent language has two components:
 - i. Education & General Portion – Legislative intent language was adopted for completion of the remaining portion of the project that qualifies for state appropriated CI funding (\$27.1 million) phased in over multiple years.
 - ii. Auxiliary Enterprises Portion – Intent language was adopted to have this portion funded with utility surcharges assessed to the auxiliaries. To enable that to

happen, the Legislature authorized issuance of a revenue bond to be defeased using the aforementioned utility surcharges. While up to \$32 million of bonding was authorized, and up to \$1.5 million per year of CI allocations for 10 years was approved to help defease the bonds, the final details of this transaction are yet to be determined.

3. **Non-state Funded Projects** - Authorization was provided to plan, build, and where applicable, bond for the following non-state funded projects previously approved by the Regents:

Institution	Project	Amount	Building Authorization	Bonding Authorization	O&M Funding	
					Requested	Approved
UU	Lassonde Living Learning Center	\$45,238,000	Yes	Yes	n/a	n/a
UU	Alumni House Expansion & Renovation	10,000,000	Yes	n/a	n/a	n/a
UU	Utility Distribution Infrastructure (Auxiliary)	32,000,000	Yes	Yes	n/a	n/a
USU	Tooele Campus Science & Technology Bldg. *	9,800,000	Yes	n/a	\$291,330	**
SUU	Center for the Arts ***	35,000,000	Yes	n/a	n/a	n/a
TOTAL - OTHER FUNDS PROJECTS		\$132,038,000			\$291,330	\$0
* The scope of this project that was approved last year was increased from \$8.0 million to \$9.8 million (sq. ft. from 26,000 to 33,000). ** The Legislature authorized the use state funds for O&M *** The scope of this project that was approved last year was increased from \$30 million to \$35 million (sq. ft. from 80,490 to 110,000).						

The only project in this group that was eligible under Regents' policy to request state-appropriated O&M support is the USU Tooele Campus Science & Technology Building. Rather than authorize a future request for this funding, the Legislature authorized USU to use existing state funding for that purpose.

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
FISCAL YEAR 2015**

Capital Projects

SWATC Allied Health and Technology Building	\$19,300,000	Construction
WSU New Science Building	57,400,000	Construction
UU Huntsman Cancer Institute	8,000,000	Construction
USU Eastern – Central Instructional Building	19,000,000	Construction
USU Brigham City – Academic Building	7,500,000	Construction
DHS Developmental Center Housing	6,500,000	Construction
UDC Gunnison Inmate Housing	36,000,000	Construction
Weber Valley Multiuse Youth Center	2,300,000	Construction
UNG Armories (Camp Williams)	3,900,000	Construction
USDB Salt Lake Facility	<u>1,500,000</u>	Construction
TOTAL Capital Projects	\$161,400,000	

Property Acquisition

DSU East Elementary Property Purchase	\$1,000,000
Snow College – Sevier School District Lease Buyout	<u>3,000,000</u>
TOTAL Property Acquisition	\$4,000,000