

House Bill 1547

21st Century Capital Improvement
Program

Why Do We Need a Capital Program?

- The current six-year capital outlay process is broken
 - In 2002, the General Assembly, in Code, established a six-year capital outlay process to be submitted by the Governor
 - The plans are due to the General Assembly by November 1 prior to the even year session
 - We have not received the plans on time
 - Plans are typically received after the session begins
 - Project cost estimates are not based on an appropriate level of planning
 - Legislature is in a reactive not proactive role in terms of capital planning and programming

Purpose of the Capital Improvement Program (HB 1547)

- Provides the legislature with a roadmap to evaluate capital requests and needs
 - Improved project vetting
 - Dynamic process – revised annually to provide more accurate project cost estimates for acquisition, development, planning, or replacement of public facilities
 - Multi-year plan that allows legislature to tailor funding for projects in step with economic conditions
 - Provides for greater predictability to agencies and institutions
- Elevates capital review to the level of the operating budget

Key Components of HB 1547

- Represents collaborative effort with agencies and institutions
 - Roles are clarified and consistent with higher education restructuring efforts
- Establish specific roles for key players
 - SCHEV – evaluate the space and programmatic needs of higher education
 - DGS – value engineering, assessment of cost estimates and methodology in the preplanning studies
 - DPB – collect information from agencies for each project request
 - State agencies – require more deliberative planning from agencies

Key Components of HB 1547

- HB 1547 lists projects over a six-year horizon
 - Projects reflect comprehensive capital needs (i.e., higher education, mental health, natural resources, state parks, public safety)
- HB 1547 proposes \$685 million in funding for previously planned or ready-to-go projects consistent with institutional priorities
 - Emergency clause allows for the immediate execution these projects upon passage
- HB 1547 proposes funds for both years of the biennium for preplanning of projects
 - This establishes the next two group of projects that will have the highest priority for funding in future sessions
 - This will provide more accurate cost estimates prior to allocating funds in order to minimize cost overruns
 - In FY 2009, 26 projects are approved for preplanning
 - **In addition, HB 1547 provides \$550 million in VCBA bond authority for these projects**
 - In FY 2010, 28 projects are approved for preplanning

How Will the HB 1547 Process Impact Cost Overruns

- Cost overruns are impacted by many factors especially accurate cost estimates and timeliness to bid
 - HB 1547 provides for a dynamic process that will provide project preplanning before funding is authorized
 - HB 1547 does not authorize more projects than could be reasonably implemented in a fiscal year or biennium meaning projects should begin on time and avoid having to be staged over 5 to 6 years
- HB 1547 will require agencies to justify any cost overruns and demonstrate
 - Value engineering has occurred
 - Nongeneral funds have been utilized to the fullest extent
 - Options such as project scope reductions have been quantified for the legislature

Preplanning in HB 1547

- Projects included in the Capital Improvement Plan will be supported by preplanning adequate to establish project size, scope, and cost
 - Statement of program definition including functional space requirements, estimates of gross and net square footage, and functional adjacency requirements
 - Analysis of program execution options including review of new construction versus renovation alternatives, necessary phasing or sequencing of the project, and coordination with other ongoing or proposed capital projects
 - Site analysis including options considered and, for the site chosen, any specific issues related to topography, utilities, or environment
 - Presentation including site plan, conceptual floor plans and elevations, and conceptual exterior
 - Identification of any Building Code compliance or permit requirements unique to the project
 - Cost estimate for the project to include total cost of the project, construction cost for the project, total cost per square foot, construction cost per square foot, costing methodology, and identification of any factors unique to the project that may impact overall project cost

What are the Advantages of the House CIP?

- Greater information sharing prior to decision-making
 - General Assembly will receive all information simultaneously
- Better reflection of the colleges six-year enrollment and financial plans
- The CIP in HB 1547 is similar to the process followed by local governments and transportation
- Greater flexibility
 - If a college hires a new president with a different strategic vision, that president has the ability to modify the CIP
 - GO does not allow new projects to be swapped for one approved by the voters

Financing the CIP in HB 1547

- Multiple funding options are available
 - General Fund
 - VCBA/ VPBA
 - General Obligation Bonds
 - PPEA
- General Obligation Bonds
 - Requires voter approval
 - Cannot substitute projects once approved
- VCBA / VPBA
 - Legislative approval only
 - Projects can be switched more easily
 - Rate differential with GO has been negligible
 - Typically less than 10 basis points