

Virginia's Capital Outlay Process

House Appropriations Committee

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Significant revisions in the capital outlay process were enacted by the 2008 General Assembly – Special Session 1

Chapter 1, 2008 Acts of Assembly, Special Session 1, provided for:

- A collaborative effort by members of the House, Senate, and the Governor to craft a business-like approach for funding capital outlay
- Greater accountability for projects through a sequential process that involves preplanning, detail planning, and final project approval
- A formal Six-Year Capital Outlay Plan
- The use of a “pooled funding” procedure for most projects with allowance for full funding of select individual projects, as needed
- The establishment of a *Six-Year Capital Outlay Plan Advisory Committee* (6 PAC) to oversee the process

Results from the revised process lead to better cost control . . .

- Better cost estimates from the preplanning and detail planning should lead to fewer cost overruns
- More detailed information is available prior to appropriating significant funds for individual projects, which results in better use/allocation of financial resources
- Added flexibility of “pooled funding” approach allows projects to be built faster because there is a shorter time between final project approval and the availability of funding

The Six-Year Capital Outlay Plan Process is intended to standardize the process and establish common priorities . . .

- A Six-Year Capital Improvement Plan Advisory Committee convenes regularly and provides consistency across biennia
- Its purpose is to identify projects for consideration by the Governor and General Assembly for inclusion in the six-year plan
- The Committee is comprised of executive and legislative branch staff
- The six-year capital outlay plan is developed as a stand alone bill

How the process is intended to work . . .

- The Advisory Committee meets to provide advice on projects for inclusion in six year plan
- Governor submits a bill to develop and/or recommend revisions to the six-year Capital Improvement Plan
- The Capital Improvement Plan is the basis for the capital appropriations approved the General Assembly
- The Governor and General Assembly designate projects from the Plan to be either preplanned or planned up to preliminary drawings. Construction funding is considered in subsequent fiscal years
- Planning and preplanning is funded from a pool of dollars that will be replenished upon project approval and funding

The project preplanning and planning process . . .

Preplanning

- Limited to the lesser of 1% of project cost or \$250,000
- Spells out project scope, general cost estimate and methodology, and programmatic need
- Agencies are allowed to use NGF to advance preplanning and be eligible for reimbursement if the project is funded
- The intent is to gain better, more accurate information to determine if the project should be authorized for full funding

The project preplanning and planning process . . .

Planning

- Limited to 4% to 5% of project cost to take planning up to preliminary drawings
- Allows for value engineering to take place
- Obtain a more accurate cost estimate
- For projects that receive planning funds, the intent would be to fund the project, however, legislative approval is required to proceed

The process adds flexibility to award construction contracts and standardizes the approach for dealing with cost overruns . . .

- Flexibility is provided to award contracts from the “pool” up to 105 percent of the assumed general fund/bond support for a project
- Prior to requesting supplemental general fund support for projects (above the 105 percent threshold) agencies and institutions are:
 - Required to value engineer
 - Required to look to other fund sources
 - Required to adjust project scope and size

Item C-85, Chapter 890, 2011 Acts of Assembly, advances the 2008 project list . . .

- The Appropriation Act includes \$1.1 billion in VCBA/VPBA bond authorization in FY 2012 for 31 education-related capital projects
- Budget language required the Secretary of Finance to submit a plan to the Governor and Chairmen of the money committees delineating the schedule for issuance of debt associated with these projects given the constraints of the Commonwealth's debt capacity
- The submitted plan confirmed that funding for each project could be released after final costs were recommended by DGS and reviewed by the Six-Year Capital Outlay Plan Advisory Committee

Progress has been good to date . . .

To date, of the 31 capital projects:

- 22 have been provided recommended project amounts by DGS, reviewed by the Advisory Committee, and authorized for release of construction funding upon receipt of final bids by the Secretary of Finance
- three are in the schematic phase of planning; and,
- six are in the preplanning phase

Progress has been good to date . . .

- Of the 22 projects authorized for construction funding:
 - four have a construction contract awarded
 - one has been put out for bid, and
 - the balance are in various stages of developing the necessary plans and documents to go to bid.
- The estimated value of these 22 projects is over \$696 million.

The 2012-14 budget development process is underway . . .

- All state agencies have submitted six-year capital budget requests to the Department of Planning and Budget (DPB).
- DPB staff are reviewing these projects for programmatic appropriateness, while Department of General Services staff are reviewing these projects for costs.
- Results of these evaluations will be presented to the Capital Advisory Committee for review and possible recommendation to the Governor and General Assembly.