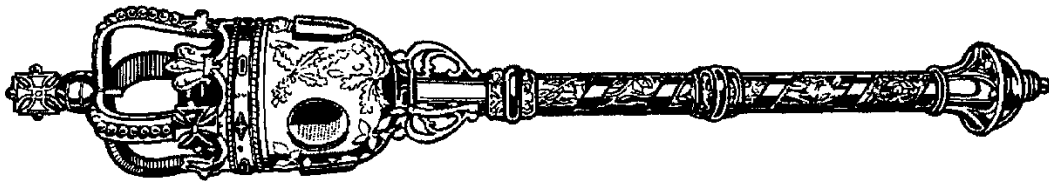


*Report of the
House Appropriations
Subcommittee*

on

Capital Outlay



*House Bill 29
&
House Bill 30*

February 22, 2004

February 22, 2004

**Respectfully Submitted by the House Appropriations
Subcommittee on Capital Outlay:**

Lacey E. Putney, Chairman

R. Steven Landes

James H. Dillard, II

J. Paul Council, Jr.

Robert Tata

Lionell Spruill, Sr.

Allen W. Dudley

Floyd H. Miles, Sr.

REPORT OF THE SUBCOMMITTEE

On

CAPITAL OUTLAY

Mr. Chairman and Members of the Committee:

On behalf of the Capital Outlay Subcommittee, I am pleased to offer budget recommendations that address the priorities of renovating and repairing our existing state facilities, especially the deferred capital maintenance backlog.

The introduced budget proposed about \$62.5 million for maintenance reserve projects. As members of the Committee are aware, the maintenance reserve program provides funding to repair and replace building systems such as new roofing, heating, cooling and electrical systems. These repairs have a useful life of at least fifteen years or more. The accumulated backlog of building repairs and system upgrades approaches \$800 million statewide. The proposal put forth by the Governor amounts to less than eight percent of the existing deferred building repairs.

In order to aggressively address this mounting backlog, the Subcommittee recommends the creation of a Building Systems Repair and Replacement Fund that will leverage \$200 million through a 10-year financing mechanism with the Treasurer. This approach will allow us to reduce our deferred backlog by about 25 percent, taking advantage of historically low interest rates and low inflation.

Continued deferral of building maintenance needs results in a greater cost as agencies constantly spend good money after bad only to band-aid the problem. The Subcommittee's approach is a sound one, which I believe will save money through lower operating costs, as well as lower project costs.

The Subcommittee recommends \$22.5 million to cover the cost of debt service for the Building Systems Fund.

The Governor's capital plan proposed \$780.0 million in tax-supported bond projects issued through the Virginia College Building Authority (VCBA) and the Virginia Public Building Authority (VPBA). This includes \$273.3 million in House Bill 93 which the Subcommittee did not report. The Subcommittee recommends a net increase of \$23.1 million in VCBA and VPBA bonds in HB 30 for high-priority projects not included in the introduced budget. This includes several projects that had been included in HB 93.

The sum total of the Subcommittee's capital project recommendations, including the creation of the Building Systems Repair and Replacement Fund, reduce by \$50.2 million the overall amount of tax-supported debt that was proposed by the Governor.

The remaining capital recommendations proposed by the Subcommittee involve the use of about \$143.9 million of nongeneral funds and 9(d) revenue bonds primarily at our public colleges and universities. Most of these projects are supported by gifts, federal funds, or auxiliary enterprises.

Finally, Mr. Chairman, the Subcommittee recommends several savings actions in the Treasury Board. First, the Subcommittee recommends \$7.0 million in savings on the refinancing of previously issued bonds by taking advantage of low interest rates. Second, the Subcommittee recommends that the colleges and universities charge a fee to out-of-state students for their portion of the debt service on the new building system repair fund and the equipment purchased through the higher education equipment trust. The fee represents less than one percent increase to out-of-state students but will save the taxpayers of Virginia about \$4.1 million over the biennium.

The details of the Subcommittee's report are contained in the attachments. Committee staff will review our report and the attached listing of our recommendations in greater detail, and we hope it will be your pleasure to adopt the report.

BUDGET AMENDMENT RECOMMENDATIONS

<u>Amendment</u>	FY 2004 Nongeneral <u>Fund</u>	2004-06 BIENNIAL TOTAL General VCBA / VPBA Nongeneral <u>Fund</u> <u>Bonds</u> <u>Fund</u>
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HB 29

Longwood University	
Housing Language	Language
Fitness Center	7,500,000
Norfolk State University	
Housing Language	Language
Hospital Property Language	Language
University Of Virginia	
Renovate Cocke Hall	1,000,000
Medical Research Building	31,800,000
Rouss Hall	Language
Virginia Commonwealth University	
Massey Cancer Center	7,700,000
Department Of Corrections, Central Activities	
Jarratt Agribusiness Lease	Language

HB 29 SUBTOTAL	48,000,000

HB 30

Treasury Board		
Capture Debt Service Savings	(4,979,570)	
Debt for Building Systems Repair Fund	#####	
NGF for Building Systems Repair Fund	(1,681,000)	1,681,000
NGF for new ETF Purchases	(2,420,000)	2,420,000
Additional Debt Service Savings	(2,000,000)	
Department Of Agriculture And Consumer Services		
Eastern Shore Marketing Office	(727,000)	Language
The College Of William And Mary In Virginia		
Parking Deck		2,821,000
Ash Lawn		3,500,000
Business School		15,000,000
Richard Bland College		
Housing		Language
Virginia Institute of Marine Science		
Replace Field Support Facility	1,720,000	280,000
George Mason University		
Krasnow Institute		Language
Institute for Conflict Resolution		Language
North Loop Infrastructure	3,325,000	
James Madison University		
Recreation Fields		8,000,000
Parking		13,600,000
Mary Washington College		
Convocation Center		10,000,000
Parking		2,000,000

BUDGET AMENDMENT RECOMMENDATIONS

<u>Amendment</u>	FY 2004	2004-06 BIENNIAL TOTAL		
	Nongeneral <u>Fund</u>	General <u>Fund</u>	VCBA / VPBA <u>Bonds</u>	Nongeneral <u>Fund</u>
Bell Tower				3,000,000
Property Blanket				2,200,000
Norfolk State University				
Maintenance Reserve		(2,938,000)		
Police and Public Safety Building			4,100,000	
Old Dominion University				
Norfolk				
43rd Street Improvements			1,020,869	
Renovate Health Building			3,518,000	12,982,000
Radford University				
Renovate Heth Hall				670,000
University Of Virginia				
Campbell Hall				3,500,000
Renovate Varsity Hall				2,200,000
Acquire Advanced Tech Research Facility				15,000,000
McLeod Hall School of Nursing			6,000,000	
University Of Virginia Medical Center				
Hospital Expansion				24,000,000
Virginia Commonwealth University				
Monroe Campus School of Business			15,300,000	
Monroe Campus Parking				14,000,000
Renovate Hunton Hall				5,000,000
School of Nursing				3,000,000
Dental Simulation Lab		(2,160,000)		(3,840,000)
Virginia Community College System				
BRCC Science Building Renovation			2,100,000	
BRCC Bookstore				400,000
CVCC Science Labs Renovation			750,000	
Virginia Military Institute				
Renovate Kilbourne Hall - Phase I			4,500,000	
Virginia State University				
Maintenance Reserve		(2,404,000)		
Jamestown-Yorktown Foundation				
Jamestown Ships			950,000	
Yorktown Mathews Gallery Lighting			585,000	
Department Of Corrections, Central Activities				
Dairy Barn Expansion			(7,900,000)	
Department Of Motor Vehicles				
DMV Truck Inspection Station				2,500,000
Central Capital Outlay				
Remove Maintenance Reserve GF		#####		
Building Systems Replacement Fund			200,000,000	
Eliminate Central Repair Fund		(7,500,000)		
(Language)			(10,000,000)	Language
HB 30 SUBTOTAL		#####	223,081,869	#####

Request for Amendment to House Bill 29 as Introduced

Capital Outlay Subcommittee

Item C-126.10 #1h

Public Safety

Department Of Corrections,
Central Activities

Language

Language:

Page 279, after line 25, insert:

"C-126.10.

1. The General Assembly hereby authorizes the Department of Corrections to contract with the Town of Jarratt, Virginia, for the financing, acquisition, renovation, equipping, maintenance and/or operation of property known as the Jarratt Egg Building, for use in the Department's Agribusiness Program.

2. The Department of Corrections is authorized to enter into a lease purchase agreement with the Town of Jarratt for the property. The lease purchase agreement shall be upon terms and conditions to be negotiated by the parties subject to the written approval of the Governor's designee for approval of real estate transactions and the following conditions. The lease shall provide for payments to begin not later than the fiscal year ending June 30, 2005. Lease payments shall be sufficient to pay debt service and administrative expenses on the bonds to be issued by the Town of Jarratt and to repay the Town for the cost of the property. The bonds shall provide amounts sufficient for the planning, renovation and equipping of the property, including issuance costs and any reserve fund and all interest on the bonds prior to the beginning of the lease payments. The terms and structure of the bonds shall be approved by the Treasury Board as provided in § 2.2-2416(7), Code of Virginia. The lease shall provide for a term of no more than 15 years and shall provide that upon expiration of its term and the payment of the bonds, the property shall convey to the Commonwealth at no additional cost.

3. It is the intent of the General Assembly to appropriate amounts sufficient to pay lease payments."

Explanation:

(This amendment is self-explanatory.)

Request for Amendment to House Bill 30 as Introduced

Capital Outlay Subcommittee

Item C-16.10 #1h

Education: Higher Education

Richard Bland College

Language

Language:

Page 395, after line 21, insert:

"C-16.10.

The General Assembly authorizes Richard Bland College, with the approval of the Governor, to enter into a written agreement with its affiliated foundation to construct one or more facilities to provide on-campus housing on College land to be leased to said foundation for such purposes. Richard Bland College is also authorized to enter into a written agreement with said foundation for the support of such student housing facilities and management of the operation and maintenance of the same."

Explanation:

(This amendment is self-explanatory.)

Capital Outlay Subcommittee

Item C-18 #1h

Education: Higher Education

George Mason University

Language

Language:

Page 395, after line 33, insert:

"1. The General Assembly authorizes George Mason University, with approval of the Governor, to explore and evaluate an alternative financing scenario to provide an addition to the existing Krasnow Institute. This project must be consistent with the Virginia Uniform Statewide Building Code 7 of October 1, 2003, and comply with Treasury Board Guidelines pursuant to § 23-19(d)(4), Code of Virginia, and subsequent amendments thereto.

2. The General Assembly authorizes George Mason University to enter into written agreement with a public or private entity to design, construct and finance an addition to the existing Krasnow Institute. The addition may be located on property owned by the Commonwealth. All project proposals and approvals shall be in accordance with the guidelines cited in paragraph 1 of this item.

3. In the event the Krasnow Institute project is financed through alternative financing and is constructed on land owned by or leased to a private University-related foundation, or owned by or leased to a private entity, such

Request for Amendment to House Bill 30 as Introduced

project shall continue to be exempt from all requirements of any county or city zoning ordinances, and such project may be administered in accordance with a nongeneral fund decentralization Memorandum of Understanding with the Secretaries of Administration and Finance pursuant to § 4-5.08 of this act."

Explanation:

(This amendment is self-explanatory.)

Capital Outlay Subcommittee

Item

C-29.10 #2h

Education: Higher Education

George Mason University

Language

Language:

Page 397, after line 3, insert:

"C-29.10.

1. The General Assembly authorizes George Mason University, with approval of the Governor, to explore and evaluate an alternative financing scenario to provide a Conference Center for the Institute for Conflict Analysis and Resolution. This project must be consistent with the Virginia Uniform Statewide Building Code 7 of October 1, 2003, and comply with Treasury Board Guidelines pursuant to § 23-19(d)(4), Code of Virginia, and subsequent amendments thereto.

2. The General Assembly authorizes George Mason University to enter into written agreement with a public or private entity to design, construct and finance a Conference Center for the Institute for Conflict Analysis and Resolution. The Conference Center may be located on property owned by the Commonwealth. All project proposals and approvals shall be in accordance with the guidelines cited in paragraph 1 of this item.

3. In the event the Conference Center for the Institute for Conflict Analysis and Resolution is financed through alternative financing and is constructed on land owned by or leased to a private University-related foundation, or owned by or leased to a private entity, such project shall continue to be exempt from all requirements of any county or city zoning ordinances, and such project may be administered in accordance with a nongeneral fund decentralization Memorandum of Understanding with the Secretaries of Administration and Finance pursuant to § 4-5.08 of this act."

Explanation:

(This amendment is self-explanatory.)

Capital Outlay Subcommittee

Item

C-52.10 #1h

Education: Higher Education

Old Dominion University

Language

Language:

Page 399, after line 26, insert:

"C-52.10.

"The General Assembly authorizes Old Dominion University to enter into a written agreement with the City of Norfolk for the development of recreational facilities, off-street parking and associated infrastructure adjacent to the University where the City plans to develop a public golf course and stadium for the joint usage for several public high schools, as well as the University. The University is authorized to convey parcels of land to the City of Norfolk and/or the Norfolk Redevelopment and Housing Authority for the purpose of constructing these recreational facilities, including necessary off-street parking, street improvements, and associated infrastructure consistent with the City's and the University's master plans. In addition, the University is further authorized to convey to the City of Norfolk and/or the Norfolk Redevelopment and Housing Authority residual parcels of land south of 43rd Street for the purpose of constructing market-rate housing. Any and all such conveyances shall be upon terms satisfactory to the University."

Explanation:

(This amendment is self-explanatory.)

Capital Outlay Subcommittee

Item

C-194.10 #1h

Central Appropriations

FY 04-05

FY 05-06

Central Capital Outlay

\$100,000,000

\$100,000,000 NGF

Language:

Page 421, after line 36, insert:

"C-194.10. Improvements: Building \$100,000,000 \$100,000,000

Systems Repair and Replacement Fund

Fund Sources: Bond Proceeds \$100,000,000". \$100,000,000".

A. A total of \$100,000,000 each year from bond proceeds is provided to state agencies and institutions for the repair and replacement of building systems and infrastructure. The Director or the Department of Planning and Budget is hereby directed to transfer to agencies and institutions the following sums:

Agency

Project

Building Fund

Code

Agency Name

Code

FY 2005

FY 2006

123 Department of Military Affairs

10893

810,000

810,000

127 Department of Emergency

Request for Amendment to House Bill 30 as Introduced

	Management	15989	100,000	100,000
140	Department of Criminal Justice	16320	100,000	100,000
146	The Science Museum of Virginia	13634	1,200,000	1,200,000
156	Department of State Police	10886	200,000	200,000
161	Department of Taxation	15994	75,000	75,000
194	Department of General Services	14260	4,000,000	4,000,000
199	Department of Conservation and Recreation	16646	400,000	400,000
203	Woodrow Wilson Rehabilitation Center	10885	1,200,000	1,200,000
204	The College of William and Mary in Virginia	12713	4,200,000	4,200,000
207	University of Virginia	12704	13,255,000	13,255,000
208	Virginia Polytechnic Institute and State University	12707	12,200,000	12,200,000
211	Virginia Military Institute	12732	2,150,000	2,150,000
212	Virginia State University	12733	2,050,000	2,050,000
213	Norfolk State University	12724	2,250,000	2,250,000
214	Longwood University	12707	12,200,000	12,200,000
211	Virginia Military Institute	12732	2,150,000	2,150,000
212	Virginia State University	12733	2,050,000	2,050,000
213	Norfolk State University	12724	2,250,000	2,250,000
214	Longwood University	12722	2,200,000	2,200,000
215	Mary Washington College	12723	500,000	500,000
216	James Madison University	12718	4,500,000	4,500,000
217	Radford University	12731	1,700,000	1,700,000
221	Old Dominion University	12710	1,900,000	1,900,000
236	Virginia Commonwealth University	12708	7,200,000	7,200,000
238	Virginia Museum of Fine Arts	13633	1,200,000	1,200,000
239	Frontier Culture Museum of Virginia	15045	150,000	150,000
241	Richard Bland College	12716	45,000	45,000
242	Christopher Newport University	12719	400,000	400,000
246	University of Virginia's College at Wise	12706	400,000	400,000
247	George Mason University	12712	4,300,000	4,300,000
260	Virginia Community College System	12611	9,900,000	9,900,000
268	Virginia Institute of Marine Science	12331	600,000	600,000
301	Department of Agriculture and Consumer Services	12253	250,000	250,000
402	Marine Resources Commission	16498	100,000	100,000
409	Department of Mines, Minerals and			

Request for Amendment to House Bill 30 as Introduced

	Energy	13096	100,000	100,000
411	Department of Forestry	13986	240,000	240,000
417	Gunston Hall	12382	75,000	75,000
425	Jamestown-Yorktown Foundation	13605	500,000	500,000
702	Department for the Blind and Vision Impaired	13942	350,000	350,000
720	Department of Mental Health, Mental Retardation and Substance Abuse Services	10880	10,000,000	10,000,000
777	Department of Juvenile Justice	15081	3,000,000	3,000,000
799	Department of Corrections	10887	6,000,000	6,000,000
942	Virginia Museum of Natural History	14439	100,000	100,000
948	Southwest Virginia Higher Education Center	16499	100,000	100,000
	Total		100,000,000	100,000,000

B. Agencies and institutions of higher education may use these funds in the first year to plan subprojects to be funded from allocations in the second year. Agencies and institutions of higher education may expend up to \$3,000,000 for a single repair or project through the building system repair and replacement fund without a separate appropriation.

C. State agencies and institutions of higher education may use these funds to repair or replace damaged or inoperable equipment, components of plant, and utility systems; correct deficiencies in property and plant required to conform with building and safety codes or those associated with hazardous condition corrections, including asbestos abatement; correct deficiencies in fire protection, energy conservation and handicapped access; and address such other physical plant deficiencies as the Director, Department of Planning and Budget, may approve. State agencies and institutions of higher education may also use these funds to make other necessary improvements or address minor deficiencies that do not meet the criteria for this program with the prior approval of the Director of the Department of Planning and Budget."

Explanation:

(This amendment provides \$100 million each year from bond proceeds to address the repair and replacement of major building systems and infrastructure. The average useful life of the projects addressed under this program exceeds 15 years. The bonds have an average maturity of 10 years. This program will allow the Commonwealth to eliminate the accumulated backlog of projects of this type in four to six years. A companion amendment found under Item 296 provides the debt service for this program.)