

State Notes

TOPICS OF LEGISLATIVE INTEREST

Summer 2011



Public Act 329 of 2010: FY 2010-11 Capital Outlay Appropriation Update **By Bill Bowerman, Associate Director**

Introduction

Public Act 329 of 2010, approved by Governor Granholm on December 21, 2010, included authorization for new State Building Authority (SBA) projects totaling \$968.1 million, with a State share of \$383.7 million. Prior to Public Act 329, the last appropriation bill that included new planning authorizations for projects financed by the SBA was Public Act 278 of 2008. While a planning authorization is not a final commitment on the part of the State to fund a project, historically, institutions that proceeded with a project and complied with requirements of the Management and Budget Act (Public Act 431 of 1984) received construction authorization.

An April 1, 2011, letter from the State Budget Director to presidents of community colleges and universities that received planning authorizations in Public Act 329 stated that Governor Snyder's administration would be carefully reviewing and evaluating Public Act 329 projects, and that State participation would be assessed relative to other budgetary needs. While the State Budget Director stated in the letter that institutions could proceed with planning, the State Budget Office would review planning documents only in concert with the fiscal year 2012-13 Executive Budget Recommendation. This basically delays the process for institutions that would be ready to proceed before FY 2012-13. It also forces institutions that are not financially capable of funding a project without assurance of eventual State participation to postpone or abandon their project.

This article provides an overview of the capital outlay process, projects included in Public Act 329, and the cost impact on the State budget.

Capital Outlay Process

The process for authorizing State Building Authority-funded construction projects is specified in Section 242 of the Management and Budget Act.

- **Requests.** State agencies, community colleges, and universities develop five-year capital outlay requests. These requests are submitted annually to the Department of Technology, Management, and Budget (DTMB) and the Joint Capital Outlay Subcommittee (JCOS). The DTMB and the JCOS review capital outlay requests.
- **Planning Authorizations.** The request for program development and schematic planning must be approved by the JCOS and the Legislature through line-item authorizations in appropriation bills. Planning authorizations cannot be considered a commitment on the part of the Legislature to appropriate funds for the completion of plans or construction of any project.
- **Construction Authorizations.** Program statements and schematic planning documents are reviewed by the DTMB and, when the review is completed, are submitted to the JCOS as either approved or not approved. Upon review and approval by the JCOS, the Legislature may authorize the project for final design and construction with a line-item appropriation in an appropriation bill.



- **Oversight of Projects.** The Department of Technology, Management, and Budget provides for review and oversight of capital outlay projects financed either in total or in part by the SBA.

The SBA is the mechanism the State uses to fund its share of costs for State agency, university, and community college capital outlay projects. Bonds are issued by the SBA. The property is conveyed to the SBA and leased back to the State. Pursuant to the SBA Act (Public Act 183 of 1964) the conveyance and lease are subject to prior approval by the State Administrative Board, the Attorney General, the governing body of the institution of higher education, and a concurrent resolution of the Legislature. While the SBA holds title to the property, the State, through annual appropriations to the DTMB, pays rent to the SBA to fund annual debt service costs of SBA bonds. After the bonds are paid off, the property is transferred back to the State or institution.

Public Act 329 of 2010

Public Act 329 of 2010 included authorization for new SBA projects totaling \$968.1 million, with a State share of \$383.7 million. The Act also included a cost increase authorization (Sec. 605) for the Oakland University Human Health Building project, and construction authorizations for the Henry Ford Community College Science Building Improvements project and the Monroe County Community College Technology Center project (planning authorizations included in Public Act 278 of 2008). Table 1 provides an overview of new SBA projects included in Public Act 329.

State Costs

Public Act 329 would result in additional State costs funded through new SBA bond debt obligations of \$383.7 million if all of the projects were completed. Annual General Fund rental payments to the SBA are estimated at \$26.9 million to \$34.5 million annually until the bonds are retired (approximately 15 to 17 years). Annual rental (debt service) payments to the SBA appropriated in the FY 2011-12 General Government appropriation bill total \$256.9 million. Pursuant to Section 8(15) of the SBA Act, the SBA may not have obligations outstanding at any one time in a principal amount totaling more than \$2.7 billion. Interest and costs of borrowing are not included in this limit. Based on the \$2.7 billion bond cap, including projects in Public Act 329, the SBA estimates that the remaining available bond capacity is \$339.3 million. The State generates additional bond capacity each year through rental payments to the SBA.

The State share of project costs for universities traditionally is based on a 75/25 State/institution match. Over recent years, however, this match has been limited to a maximum State share of \$40.0 million for projects contained in Public Act 278 of 2008, and \$30.0 million for projects contained in Public Act 329 of 2010. Community college projects are based on a 50/50 State/institution match. Cost increases, after the initial project authorization, are traditionally funded by the institutions.

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Table 1

Public Act 329 of 2010 FY 2010-11 New State Building Authority Projects			
Project	Total Cost	State Share	Institution Share
Universities:			
Central Michigan University - Bio-Sciences Building. The new 126,000-gross-square-foot facility would provide state-of-the-art research and learning spaces to house laboratories, instrumentation, and teaching facilities. The University states that the new facility would have the required infrastructure and technology to promote joint projects involving the basic and medical sciences. The estimated annual operating cost of the new facility is \$1.0 million. This project is separate from the \$24.0 million (university reserves and private donations) addition to the Health Professions Building that will house the new School of Medicine.	\$75,000,000	\$30,000,000	\$45,000,000
Ferris State University (FSU) - College of Pharmacy. This project would provide for the purchase and build-out of the 7 th floor of the 25 Michigan Building in Grand Rapids for the FSU College of Pharmacy. Third-year students are involved in experiential learning at pharmacy practice sites. The fourth year includes clinical practice experience. The instructional needs of third-year students are currently met by delivery of curriculum at two locations (Grand Rapids and Kalamazoo). The proposal would consolidate the two sites into one location.	8,800,000	6,600,000	2,200,000
Grand Valley State University - Classroom/Office Additions. The project includes construction of a new 100,000-square-foot laboratory and faculty office building on the Allendale campus. The building would provide space for labs, office, and support. The project would include renovation of vacated spaces.	55,000,000	30,000,000	25,000,000
Lake Superior State University - School of Business Building. The new building would consist of approximately 50,000 square feet including general-use smart classrooms, a career and placement center, consultation rooms, faculty offices, and space easily modified to accommodate future needs as they may arise, along with several specialized classrooms. The facility also would house case study rooms and ancillary space for testing and placement services.	20,000,000	15,000,000	5,000,000
Michigan State University - Plant Science Facilities - Bioeconomy - Additions and Renovations. The MSU request consists of several separate projects including Plant Biology addition of 90,000 gross square feet at a cost of \$40.0 million; Greenhouses addition of 30,000 gross square feet at a cost of \$4.1 million; Plant Biology Teaching and Research Facilities renovation at a cost of \$89.6 million; EIW Range Greenhouses renovation at a cost of \$4.0 million; and Engineering addition of 90,500 gross square feet at a cost of \$55.9 million.	193,600,000	30,000,000	163,600,000

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<p>Northern Michigan University - Jamrich Hall Modernization. The renovation of Jamrich Hall would provide a modern, high-quality classroom facility to support active learning and provide academic department office space within the facility close to classrooms and other departments. The project ties into the University's master plan which includes the demolition of Gries Hall. New offices would be designed following the University's current space design guidelines and Gries Hall laboratories would be relocated to existing, repurposed laboratory space in the Seaborg Science complex. This would improve space utilization, reduce total campus square footage by over 21,700 square feet, reduce energy costs, and eliminate over \$900,000 in deferred maintenance.</p>	33,900,000	25,425,000	8,475,000
<p>Oakland University - Engineering Center. The project would add approximately 42,225 square feet of assignable space to the School of Engineering and Computer Science, and 34,201 square feet of assignable general purpose classroom space. The proposed facility would provide instructional and research facilities for programs that support automotive, defense, and other industries.</p>	74,551,739	30,000,000	44,551,739
<p>University of Michigan-Ann Arbor - G. G. Brown (GGB) Memorial Laboratories Renovation. The project includes renovation of 45,000 gross square feet of the Department of Mechanical Engineering's space in GGB to substantially reconfigure and upgrade instructional facilities, offices, and support service facilities. The project also includes replacing and upgrading building infrastructure, including HVAC, laboratory and mechanical systems, electrical services, plumbing, fire alarm and suppressions systems, exterior wall repairs, and window repairs, encompassing approximately 120,000 gross square feet.</p>	64,000,000	30,000,000	34,000,000
<p>University of Michigan-Dearborn - Science and Computer Information Science Building Renovations. The project includes renovation of the Science building and the Computer Information Science building. These two buildings share mechanical and electrical infrastructure and therefore are submitted as one project. Improvements include a network system that would allow faculty and students to conduct research on viruses and other security issues in a safe environment, isolated from other networks and servers on campus. The addition of a digital forensics lab and an expanded agile software engineering lab would give undergraduate students hands-on experience with various software engineering techniques.</p>	51,000,000	30,000,000	21,000,000

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University of Michigan-Flint - Murchie Science Laboratory Building (MSB) Renovation. The project includes reconfiguration of space to add several instructional labs for chemistry and biology plus attendant equipment storage space. The Biology Department, which recently added a Master of Science program, requires an additional 24-student lab to accommodate student demand at the undergraduate and graduate levels. Existing labs require extensive renovation, such as replacement of fume hoods and hood controls, and the addition of internet connectivity. Deferred maintenance items that require attention include replacing the roof, disabling operable windows, renovating for disability accessibility, and upgrading the MSB elevators.	22,170,000	16,627,500	5,542,500
Wayne State University - Multidisciplinary Biomedical Research Building. The facility would encompass approximately 360,000 square feet, consisting of six floors, five above ground, and a penthouse on the top level. The building would provide basic science research infrastructure, including small animal facilities, an appropriate environment for sensitive major scientific instruments, and advanced imaging technology, as well as "one stop shopping" for clinician scientists and research participants, including a clinical trials office.	200,000,000	30,000,000	170,000,000
Subtotal - Universities:			
	\$798,021,739	\$273,652,500	\$524,369,239
Community Colleges			
Alpena Community College - Electrical Power Technology Education and Training Center. The project would include the renovation of 8,800 square feet and new construction of 9,700 square feet. The facility would include four classrooms, three equipment labs, faculty offices, and bays for four bucket trucks or other pieces of heavy equipment. Programs that would be provided in the new facility include technician training for occupations in wind turbine, solar power, biomass fuel, hydroelectric, geothermal, fiber optic, clean coal combustion, and power plant industries.	\$4,997,500	\$2,498,750	\$2,498,750
Bay de Noc College - Nursing Lab/Lecture Hall Remodeling. The project encompasses 3,950 square feet. A lecture hall would be remodeled and space would be created for simulation labs. New equipment is also included in the cost. The renovation would enhance teaching and learning opportunities for nursing and the allied health program.	1,500,000	750,000	750,000

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<p>Delta College - Health and Wellness Program - F Wing Renovation. The renovation would address the College's facility needs to support Allied Health and Nursing programs. The project consists of 91,484 square feet of renovated space and an approximate 950-square-foot addition for a hospital-size elevator to service the building and programs. The project also addresses several facility inadequacies that cross programs. Other facility upgrades are also included (accessibility, signage, site lighting, and upgrades to the emergency/essential power and lighting systems).</p>	19,984,000	9,992,000	9,992,000
<p>Gogebic - Building Renovation. The renovation would add a second floor (8,000 square feet) to create four new multipurpose classrooms to handle increased student needs across disciplines. The addition of the classrooms would help alleviate space constraints that the College has been facing for a number of years and provide a large lecture room for increased class sizes, which the College currently does not possess.</p>	1,500,000	750,000	750,000
<p>Grand Rapids Community College - Cook Academic Hall Renovation. The 83,000-square-foot renovation project would house the Nursing and Allied Health programs and consist of the complete transformation of floors two through five.</p>	10,000,000	5,000,000	5,000,000
<p>Jackson Community College - Student Services and Instructional Classrooms. The proposal includes renovations and expansion for two College buildings. Bert Walker Hall would be renovated and expanded to house a growing Foundation Studies program, as well as serve as the College's new Center for Student Support Services which will provide a one-stop location for admissions, student services, developmental education, counseling, disabilities support, and advising. Improvements would include energy conservation measures, heating and cooling system replacements, new roofing systems, an additional elevator, additional classroom and office space, and adjustments to permit smart classrooms and wireless access elements for instructional use. The JCC@LISD TECH facility, constructed in 2001, would be renovated to provide additional space in all academic areas, especially computers, business, English, and math, as well as industrial training spaces, larger lecture spaces, faculty offices, student learning spaces, and computer labs.</p>	19,500,000	9,750,000	9,750,000
<p>Lansing Community College - Arts and Sciences Building Renovation. The project would provide for the renovation of 151,000 square feet of the Arts and Sciences Building to increase the number of science classrooms, laboratories, and general classrooms to meet increasing enrollment in science and general education programs in the Liberal Studies Division of the College.</p>	19,950,000	9,975,000	9,975,000

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Macomb Community College - Health Science and Technology Building, Phase II. The first phase of the Health Science and Technology Classroom Building was included in Public Act 10 of 2005 and completed in June 2008. The project was split into two phases due to the availability of State funding. Phase II would be a 30,000-square-foot state-of-the-art facility, which would provide specialized laboratories for the emerging health information technology field, classrooms to support health and information technology occupations, and additional laboratories for basic science.	14,500,000	7,250,000	7,250,000
Mid Michigan Community College - Mt. Pleasant Campus Unification. The project consists of the construction of a 76,760-square-foot Liberal Arts and Business facility, adjacent to the Phase I student services building currently under development. The Phase II building would finalize the unification of the southern Mt. Pleasant campus. The construction would facilitate the relocation of arts and sciences instruction, student and academic support services, library and media services, and specific occupational instruction.	17,704,500	8,852,250	8,852,250
North Central College - Health Education and Science Center Project. The proposal includes a new 23,260-square-foot Science Center at a cost of \$8,046,800 and renovations to the existing Science and Chemistry Building at a cost of \$2,381,600. The new facility would house laboratories and related support spaces to replace inadequate and unsafe existing facilities; science classrooms; offices and storage for the Institute for Business and Industry Training and the Information Technology Department; server farm for the entire College, consolidating the current servers into one central, climate-controlled environment, computer lab; and reception/lobby/student commons/connector space.	10,428,400	5,214,200	5,214,200
Subtotal - Community Colleges:	\$120,064,400	\$60,032,200	\$60,032,200
State Agencies			
Michigan State Police - Detroit Crime Lab. The proposal included the purchase and renovation of one floor of the former MGM Grand Casino Building in Detroit to serve as a new regional forensic laboratory for the Michigan State Police.	\$15,000,000	\$15,000,000	N/A
Department of Technology, Management, and Budget - State Facility Preservation Projects. The funding will support infrastructure needs for State-owned buildings.	35,000,000	35,000,000	N/A
Subtotal - State Agencies:	\$50,000,000	\$50,000,000	N/A
TOTAL SBA PROJECTS:	\$968,086,139	\$383,684,700	\$584,401,439



Conclusion

While the statutory limits regarding the bond cap would allow for State funding of Public Act 329 projects, and potential new projects for FY 2011-12 and future years, the real issue for the State is debt costs related to the bond issue and its impact on future fiscal years. The State Budget Director's position on Public Act 329 puts institutions that received planning authorizations in a precarious position. If they proceed with planning and do not receive construction authorization for the project, they will incur costs that will not be shared by the State.