

# State Notes

## TOPICS OF LEGISLATIVE INTEREST

Summer 2013



**FY 2012-13 Capital Outlay Supplemental Appropriations: Public Act 102 of 2013**  
**By Bill Bowerman, Associate Director**

**Introduction**

Public Act (PA) 102 of 2013 contained supplemental appropriations for fiscal year (FY) 2012-13, including the first new capital outlay planning authorizations for community colleges and universities since PA 329 of 2010. [Table 1](#) provides a summary of new planning and construction authorizations contained in PA 102 of 2013.

**Table 1**

<b>Planning and Construction Authorizations Public Act 102 of 2013</b>				
<b>Project</b>	<b>Total Cost</b>	<b>State Share</b>	<b>Institution Share</b>	<b>Federal Share</b>
<b>Planning Authorizations</b>				
Saginaw Valley State University - Wickes Hall Renovations	\$8,000,000	\$6,000,000	\$2,000,000	\$0
Kalamazoo Valley Community College - Culinary Institute at Arcadia Commons Campus	29,500,000	6,000,000	23,500,000	0
Macomb Community College - South Campus C Building Renovation	8,500,000	4,250,000	4,250,000	0
Muskegon Community College - Science Laboratory Center	9,293,670	4,646,835	4,646,835	0
Southwestern Michigan College - Science & Allied Health Labs, Classrooms, and Related Renovations	7,500,000	3,750,000	3,750,000	0
Marshall State Police Post	N/A	0	0	0
<b>Planning Authorizations Total</b>	<b>\$62,793,670</b>	<b>\$24,646,835</b>	<b>\$38,146,835</b>	<b>\$0</b>
<b>Construction Authorizations</b>				
Lake Superior State University School of Business Building	\$12,000,000	\$9,000,000	\$3,000,000	\$0
State Emergency Operations Center	19,024,500	17,024,500	0	2,000,000
<b>Construction Authorizations Total:</b>	<b>\$31,024,500</b>	<b>\$26,024,500</b>	<b>\$3,000,000</b>	<b>\$2,000,000</b>

Other capital outlay items contained in PA 102 of 2013 include a cost/scope increase for the Michigan State University Bio-engineering Facility and financing authorizations for previously authorized construction projects that are necessary due to 2012 capital outlay reform legislation.

An overview of PA 102 capital outlay appropriations follows. Information on community colleges and university projects was obtained from five-year capital outlay plans and the institutions.

**Background**

Section 242 of the Management and Budget Act (PA 431 of 1984) governs the capital outlay process for State-supported projects. The legislative process includes two steps, a planning authorization and a construction authorization. Both of these authorizations are implemented in the form of line item appropriations in an appropriation bill. The amount of the appropriation is \$100 and does not represent the cost of the project because the State's share of the cost will be funded by State Building Authority (SBA) bonding.<sup>1</sup> Narrative in the planning authorization line item lists the estimated total authorized cost

<sup>1</sup> These \$100 line item planning authorizations in appropriation bills are sometimes mistakenly referred to as "placeholders" when in fact they begin the capital outlay process for a State Building Authority-financed project.



of the project. The planning authorization initiates the development of program statements and schematic planning documents. The cost of planning for university and community college projects is funded entirely by the university or college. If a project is approved for construction, the State will eventually share in the planning costs. It is important to note that pursuant to the Management and Budget Act, a planning authorization is not considered a commitment on the part of the Legislature to appropriate funds for the project.

Completed program statements and schematic planning documents for a project are submitted to and reviewed by the Department of Technology, Management, and Budget (DTMB). If the DTMB approves the project, planning documents are submitted to the Joint Capital Outlay Subcommittee (JCOS). Upon review and approval by the JCOS, the Legislature may authorize the project for final design and construction, again with a \$100 line item appropriation in an appropriation bill. The construction authorization line item includes narrative stating the total authorized project cost, including the SBA share and the university or college share. The State/university share of a project cost is based on a 75/25 match. Two previous capital outlay appropriation bills have limited the State share of a university project's cost (\$40 million in PA 278 of 2008 and \$30 million in PA 329 of 2010). Community college projects are funded based on 50/50 State/college match. Any change to the authorized cost of a project must be provided for by specific reference in an appropriation act. The cost and scope change for the Michigan State University Bio-engineering Facility project contained in Section 301 of PA 102 of 2013 is an example of a cost/scope adjustment. Cost increases are historically funded entirely by the educational institution.

### **Construction Authorizations**

The following describes the construction authorizations contained in Public Act 102 of 2013.

#### Lake Superior State University (LSSU) - School of Business Building

DTMB Letter Date: 2/7/13

Total Authorized Cost: \$12,000,000

State Share: \$9,000,000

University Share: \$3,000,000

The planning authorization for this project was contained in PA 329 of 2010. The renovations and additions to South Hall for the LSSU School of Business will consist of smart classrooms and seminar rooms, project labs for business, industry and community collaborations; student study, breakout, and collaboration spaces; community presentation space; a café and commons; and faculty offices. The project includes the renovation of 32,526 square feet in South Hall, and the addition of 12,600 square feet that connects the original two building wings to support the learning environment for business education programs. Pursuant to recent changes to the Management and Budget Act, PA 102 of 2013 includes a \$900,000 appropriation for SBA rent payments (appropriated in the DTMB section of the Act) to reflect annual debt service costs. The construction authorization for this project was approved by the JCOS on March 20, 2013.

#### State Emergency Operations Center (SEOC)

DTMB Letter Date: 2/7/13

Total Authorized Cost: \$19,024,500

Federal Share: \$2,000,000

State Share: \$17,024,500

The State Emergency Operations Center received \$80,000 GF/GP for planning in PA 89 of 2012. The SEOC is currently located in leased space on Collins Road in the City of Lansing. The proposed project would house the SEOC and related support functions in a new facility at the Secondary Complex in Dimondale. Other Michigan State Police functions that would move to the new facility include the



Emergency Management and Homeland Security Division, the Business Emergency Operations Center, the Michigan Cyber Command Center, and the Michigan Intelligence Operations Center. The DTMB Michigan Public Safety Communications System also would be located at the Secondary Complex. The new facility will connect to the General Office Building. The project includes a 27,200-square-foot new facility and renovations to 51,800 square feet of the General Office Building. Security measures and perimeter fencing around the structure are included in the total estimated cost.

The Department of Technology, Management, and Budget recommended a construction authorization for this project in the DTMB section of the FY 2013-14 General Government appropriation bill, total authorized cost \$20,200,000, Federal \$3,000,000, SBA \$17,119,900, and General Fund \$80,100. The project was included in the FY 2012-13 supplemental appropriation instead of the FY 2013-14 budget due to timing issues for Federal funds. The total authorized cost was reduced to \$19,024,500 to reflect current estimates and availability of Federal funds.

### **Planning Authorizations**

The following describes planning authorizations contained in Public Act 102 of 2013.

#### Marshall State Police Post - \$100,000 GF/GP Planning Grant (appropriated in DTMB section of Act)

DTMB Letter: 2/7/13

Total Estimated Authorized Cost: Not Determined

In 2010, the State began discussions with the City of Marshall regarding a new joint law enforcement facility. The Marshall Regional Law Enforcement Center would include a State Police Post and the Marshall Police Department, with the State entering into a long-term lease for its portion of the assigned and common space. Negotiations regarding the lease are currently in progress with the City of Marshall. The Calhoun County Sheriff's Department was initially involved in plans for the joint facility, but is not part of the current proposal. In FY 2011-12, the City of Marshall received a \$674,254 grant from the Competitive Grant Assistance Program to fund the design, planning, and construction of the Marshall Regional Law Enforcement Center. In 2012, the Michigan State Police (MSP) closed the Battle Creek Post by consolidating it with the Coldwater Post. If the Marshall Regional Law Enforcement Center is constructed, the MSP will relocate from the Coldwater Post. The DTMB recommended \$100,000 in the FY 2012-13 supplemental for the planning of a new State-owned post as a secondary option if the preferred lease for the Marshall Regional Law Enforcement Center project does not progress as anticipated. There is no current estimated cost for the project.

#### Macomb Community College South Campus C-Building Renovations

DTMB Letter: None

Estimated Total Authorized Cost: \$8,500,000

State Share: \$4,250,000

College Share: \$4,250,000

Macomb Community College received a planning authorization for Phase II of a new Health Science and Technology Building with a total cost of \$14.5 million (State share \$7.25 million). After the legislative planning authorization was approved, Macomb Community College decided to change its request and not proceed with the Health Science and Technology Building. Instead, the college requested funding for renovations to its South Campus. The original buildings on that campus were constructed between 1964 and 1969. The planning authorization for Macomb Community College will fund the renovation of South Campus C-Building. Improvements include plumbing, electrical, and mechanical system replacements; site improvements; ADA compliance; energy improvements; and a redesign to improve learning spaces. The renovation involves 52,661 square feet. A limited addition at the west entrance will bring the total square footage of the building to 55,800 square feet.



Muskegon Community College - Science Laboratory Center

DTMB Letter: None

Estimated Total Authorized Cost: \$9,293,670

State Share: \$4,646,835

College Share: \$4,646,835

The Science Laboratory Center project includes renovating and updating the life and physical sciences facilities (a 20,400-square-foot wing of the Main Campus Building) and the construction of a 25,000-square-foot addition. The building addition will include two biology labs, two chemistry labs, two science labs, six classrooms, and preparation rooms for the labs. The renovated and new space will provide classrooms and labs for the disciplines of astronomy, biology, chemistry, physics, physical science, and geology.

Southwestern Michigan College - Science & Allied Health Labs, Classrooms, & Related Renovations

DTMB Letter: None

Estimated Total Authorized Cost: \$7,500,000

State Share: \$3,750,000

College Share: \$3,750,000

The project includes renovation/conversion of the William P.D. O'Leary Academic Building to a new science and allied health building (18,500 square feet); and the renovation of a current science building into a general purpose classroom building (18,500 square feet). Renovations to both buildings will include replacement of electrical service, plumbing, HVAC, upgrades in technology, and ADA compliance.

Kalamazoo Valley Community College (KVCC) - Healthy Living Campus

DTMB Letter: None

Estimated Total Authorized Cost: \$29,500,000

State Share: \$8,000,000 (\$6.0 million capital outlay and \$2.0 million Michigan Strategic Fund)

College Share: \$21,500,000

The project consists of the construction of a 75,000-square-foot Culinary and Allied Health Building/Culinary Center for Health Promotion with an estimated cost of \$25.3 million, and a 21,500-square-foot Food Production and Distribution Building/Center for Food Sustainability and Innovation with an estimated cost of \$4.2 million. The college is expected to locate the new project in downtown Kalamazoo; however, a site has not been formally announced by KVCC. The college received a \$2.0 million appropriation in the FY 2013-14 Department of Treasury budget (Michigan Strategic Fund) for this project. The college plans to work with Bronson Healthcare Group and Kalamazoo Community Mental Health and Substance Abuse Services on this new initiative. The college also will move its Allied Health programs to the new campus.

Saginaw Valley State University - Wickes Hall Renovations

DTMB Letter: None

Estimated Total Authorized Cost: \$8,000,000

State Share: \$6,000,000

University Share: \$2,000,000

The project consists of the renovation of Wickes Hall, the university's main student service and administration facility. Although the building was constructed in 1968 and renovated in 1987 to accommodate a substantial change in use, much of the mechanical system and most of the electrical and plumbing systems date back to the year of construction. Asbestos was used to fireproof the building's steel structure. The project will replace inefficient and heavily worn portions of the building.



## **Capital Outlay Boilerplate**

The following describes capital outlay boilerplate language contained in Public Act 102 of 2013.

### Cost/Scope Increase for Michigan State University (MSU) - Bio-engineering Facility (Section 301) DTMB Letter Date: 10/25/12

As provided for in the construction authorization (PA 192 of 2012), the MSU Bio-engineering Facility project consisted of a new 67,505-square-foot facility focused on multidisciplinary research in bio-engineering and engineering health sciences with a total authorized cost of \$40,340,200 (State share \$30.0 million/university share \$10,340,200). The completion date was projected to be January 2015 and annual operating costs were estimated at \$409,000. Michigan State University has requested that the scope of the project be increased by 61,045 gross square feet and \$17,359,800, with the increase funded entirely by MSU. The revised total authorized cost would be \$57.7 million (State share \$30.0 million/university share \$27.7 million). The revised project would consist of 128,550 square feet and include four floors instead of the three floors included in the planning documents. The university is requesting the change due to the "favorable construction climate" and projected future space needs for research and instructional activities. The top two floors will be unfinished space available for future build-out. The projected completion date is revised to January 2016 and annual operating costs are estimated at \$779,201 (when the facility is fully built-out). The DTMB supported MSU's request. The cost/scope change was approved by the Joint Capital Outlay Subcommittee on March 20, 2013.

### Capital Outlay Reform Legislation - SBA Financing Approval (Section 302 and Section 303)

There are SBA projects that have been authorized for construction, but have not received legislative approval for SBA financing. Recently enacted capital outlay reforms consolidated the SBA lease approval with the construction authorization. In order to authorize SBA financing for construction projects "caught between" the capital outlay reforms and the former process, language was included in Public Act 102 of 2013 to authorize SBA financing.

## **Conclusion**

Public Act 102 of 2013 includes two construction authorizations, six planning authorizations, a cost/scope adjustment for the MSU Bio-engineering Facility project, and two technical boilerplate sections related to the 2012 capital outlay reform legislation. Construction authorizations for the State Emergency Operations Center and the Lake Superior State University School of Business result in SBA costs of \$25.9 million (\$16.9 million and \$9.0 million, respectively). Annual rental payments to the SBA to fund the debt service cost will range from \$1.8 million to \$2.3 million until the bonds are retired (after approximately 15 to 17 years).

Public Act 102 of 2013 also includes the first new planning authorizations for State-financed capital outlay projects since PA 329 of 2010. There are no immediate costs to the State because the costs of community college and university planning documents are initially funded by the college or university. However, if all of the projects eventually receive construction authorization, State costs will total \$24.6 million.<sup>2</sup> The State cost will be funded through SBA bonding. Annual rental payments to the SBA to fund the debt service cost will range from \$1.7 million to \$2.2 million until the bonds are retired (after approximately 15 to 17 years).

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<sup>2</sup> This estimate does not include the proposed Marshall State Police Post.