

**Summary: Executive Budget Recommendation
CAPITAL OUTLAY
FY 2006-07 HB 5721**



Analyst: Al Valenzio

	FY 2005-06 Year-To-Date	FY 2006-07 Executive	FY 2006-07 House Com.	Difference: Exec/House from FY 2005-06 YTD	
				Amount	%
IDG/IDT	\$2,000,000	\$2,000,000	\$2,000,000	\$0	0.0
Federal	156,852,600	147,974,300	147,974,300	(8,878,300)	(5.7)
Local	20,784,200	12,648,300	12,648,300	(8,135,900)	(39.1)
Private	0	0	0	0	0.0
Restricted	93,593,900	53,350,300	53,350,300	(40,243,600)	(43.0)
GF/GP	4,702,200	2,200	2,200	(4,700,000)	(99.9)
Gross	\$277,932,900	\$215,975,100	\$215,975,100	(\$61,957,800)	(22.3)

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through May 31, 2006.

Overview

The Michigan Capital Outlay process encompasses the budgetary and administrative functions devoted to financing and planning for the acquisition, construction/renovation, and maintenance of facilities used by a state agency, public university, or community college. General operational practices and procedures are contained in the Management and Budget Act (1984 PA 431), the State Building Authority Act (1964 PA 183), the annual Capital Outlay Appropriations Act, and the formal policies of the Legislative Joint Capital Outlay Subcommittee. Act 431 contains numerous oversight and approval action steps that define the respective roles of the Executive and Legislative Branches.

The State Building Authority (SBA) finances most major state-owned facility renovations and new construction projects through issuance of revenue bonds. Debt service on these bonds is annually appropriated as "rent" because it is based on the respective individual facility's economic or market value. The SBA has a statutory bonded indebtedness ceiling, currently set at \$2.7 billion.

Major Budget Issues

- Authorizes 3 State Building Authority construction and 19 planning projects committing about \$364.3 million of SBA bond proceeds. This includes \$100 million for a new Regional Economic Development Initiative
- Provides \$13.2 million from Transportation funds for a new Detroit transportation campus facility
- Provides \$14.9 million (Waterways Fund) for harbor, marina and boating access projects
- Eliminates \$4 million General Fund grant to the Detroit Zoological Society
- Provides an additional \$12.2 million federal for airport safety and improvement projects

Major Budget Changes from FY 2005-06 YTD Appropriations

		FY 2005-06 YTD	Exec Change
1. Department of Agriculture, Farmland and Open Space Development Acquisition	Gross	\$7,500,000	(\$3,750,000)
	Federal	2,500,000	(1,250,000)
Recommended reductions reflect anticipated spending in FY 2007.	Restricted	5,000,000	(2,500,000)
2. Department of Management & Budget, Grants	Gross	\$4,400,000	(\$4,400,000)
The recommendation eliminates funding for the Detroit Zoological Society (\$4,000,000), the Chaldean Community Cultural Center (\$300,000), and the Holocaust Memorial Museum (\$100,000)	GF/GP	\$4,400,000	(\$4,400,000)
3. State Building Authority Financed Construction Projects (see Table 1):			

Major Budget Changes from FY 2005-06 YTD Appropriations		FY 2005-06 YTD	Exec Change
a.	State Agency Facility Preservation Projects, Phase III	Gross	\$0
		GF/GP	\$0
	Authorizes an additional \$50 million of SBA monies to support numerous special maintenance type projects on state owned buildings. Phase I was authorized at \$70 million under PA 11 of 2005 and included the Capitol Building and State Police Radio System upgrades. Phase II was authorized under PA 297 of 2005 also at \$70 million.		\$100
b.	State Park Improvement Projects	Gross	\$0
	Authorizes \$20 million for facility improvements at state parks and recreation areas. This will supplement previous bond projects funded under the Clean Michigan Initiative and annual appropriations from the State Park Improvement Fund	GF/GP	\$0
			\$100
c.	Kirtland Community College, Campus Wide Water Well System	Gross	\$0
	Provides a total cost authorization of \$1,005,000 with financing to be split evenly between the college and state. This project will entail the drilling of at least 2 new wells; construction of a well house, a 100,000 gallon elevated storage tank, and the installation of a back-up power source.	GF/GP	\$0
			\$100
d.	Eliminate One-Time Construction Authorizations	Gross	\$2,200
	Twenty two projects received cost and construction authorizations under the FY 2006 appropriations act.	GF/GP	\$2,200
			(\$2,200)
4.	State Building Authority, Project Planning Authorization, Regional Economic Development Initiative	Gross	\$0
	The Governor seeks to commit \$100 million for state and local partnerships on economic development projects. Local governments and economic development organizations will be asked to submit potential projects. Key selection criteria include job creation and potential statewide economic impact.	GF/GP	\$0
			\$100
5.	State Building Authority, University and Community College Project Planning Authorizations (see Table 1):		
a.	Eastern Michigan University, Pray-Harrold Addition and Modernization	Gross	\$0
	This project is estimated to cost \$52.7 million with state support capped at \$39,521,300. This is to completely renovate this 234,500 sq. ft. classroom building that is nearly 40 years old.	GF/GP	\$0
			\$100
b.	Lake Superior State University, South Hall Reconstruction	Gross	\$0
	This project is estimated to cost \$10 million with state support capped at \$7,500,000. This will replace the existing classroom building with a new 45,000 sq. ft. facility.	GF/GP	\$0
			\$100
c.	Northern Michigan University, Cohodas Building Adaptive Renovations	Gross	\$0
	This project is estimated to cost \$15.6 million with state support capped at \$11,688,000. This 30 year old facility will be renovated for classroom space.	GF/GP	\$0
			\$100

Major Budget Changes from FY 2005-06 YTD Appropriations**FY 2005-06 YTD****Exec Change****d. Oakland University, Engineering Center**

This project is estimated to cost \$64.4 million with state support capped at \$40,000,000. This project will add classroom space to support the School of Engineering and Computer Science and renovate vacated space to support other academic programs.

Gross	\$0	\$100
GF/GP	\$0	\$100

e. University of Michigan-Dearborn, Teacher Preparation Facility/Child Development Center

This project is estimated to cost \$6 million with state support capped at \$4,500,000. Construction of a new facility will allow for the expansion of the early childhood education program.

Gross	\$0	\$100
GF/GP	\$0	\$100

f. Delta College, Health and Wellness Programs – F Wing

This project is estimated to cost \$11.3 million with state support capped at \$5,649,500. This involves the renovation of 83,000 sq. ft. of instructional space to support Allied Health and Nursing programs.

Gross	\$0	\$100
GF/GP	\$0	\$100

g. Grand Rapids Community College, Lifelong Learning Center

This project is estimated to cost \$21.9 million with state support capped at \$10,950,000. Construction of a new 122,000+ sq. ft. facility will support various academic programs including early childhood education.

Gross	\$0	\$100
GF/GP	\$0	\$100

h. Henry Ford Community College, Science Building Renovations

This project is estimated to cost \$12.2 million with state support capped at \$6,080,000. This project involves the complete renovation of the 52,500 sq. ft. Science Building.

Gross	\$0	\$100
GF/GP	\$0	\$100

i. Kalamazoo Valley Community College, Texas Township Campus Expansion

This project is estimated to cost \$7.1 million with state support capped at \$3,532,500. Additional space will support classrooms, labs and faculty offices.

Gross	\$0	\$100
GF/GP	\$0	\$100

j. Kellogg Community College, Classroom C Building Renovations

This project is estimated to cost \$4 million with state support capped at \$2,000,000. This involves renovating this 40 year old, 31,600 sq. ft. classroom building.

Gross	\$0	\$100
GF/GP	\$0	\$100

k. Lake Michigan College, Emerging Technologies Initiative

This project is estimated to cost \$7 million with state support capped at \$3,500,000. This involves renovating nearly 27,000 sq. ft. of instructional space and adding about 2,000 sq. ft. of space to support science and technology programs.

Gross	\$0	\$100
GF/GP	\$0	\$100

l. Monroe County Community College, Classroom Technology and Environmental Renovations

This project is estimated to cost \$2.2 million with state support capped at \$1,100,000. This involves upgrading nearly every campus classroom.

Gross	\$0	\$100
GF/GP	\$0	\$100

m. Mott Community College, Library Renovations

This project is estimated to cost \$8.2 million with state support capped at \$4,100,000. This will upgrade and modernize this 80,000+ sq. ft. facility.

Gross	\$0	\$100
GF/GP	\$0	\$100

Major Budget Changes from FY 2005-06 YTD Appropriations**FY 2005-06 YTD****Exec Change**

n. Muskegon Community College, Museum/Art Project	Gross	\$0	\$100
	GF/GP	\$0	\$100
This project is estimated to cost \$10 million with state support capped at \$5,000,000. This allows for the construction of a 60,000 sq. ft. addition to the downtown Muskegon Museum of Art to support the college's art instruction programs.			
o. North Central Michigan College, University and Science Center Building	Gross	\$0	\$100
	GF/GP	\$0	\$100
This project is estimated to cost \$16.3 million with state support capped at \$8,161,800. This entails the construction of a new instructional of nearly 49,000 sq. ft. and renovating the old Science Building for general classrooms and nursing education.			
p. Oakland Community College, Building A Addition and Renovations	Gross	\$0	\$100
	GF/GP	\$0	\$100
This project is estimated to cost \$32.1 million with state support capped at \$16,032,500. This entails renovating and expanding this Auburn Hills Campus instructional facility.			
q. St. Clair County Community College, Health and Human Services Center	Gross	\$0	\$100
	GF/GP	\$0	\$100
This project is estimated to cost \$7 million with state support capped at \$3,500,000. This entails the renovation of 70,000 sq. ft. of space to support the college's health education programs.			
r. Wayne County Community College, Northwest Campus Replacement	Gross	\$0	\$100
	GF/GP	\$0	\$100
This project is estimated to cost \$42 million with state support capped at \$21,000,000. This entails the construction of a new 180,000 sq. ft. instructional facility, retrofitting several other buildings, and the demolition of obsolete buildings.			
6. Michigan Department of Transportation (MDOT), Airport Safety, Protection and Improvement Program	Gross	\$157,734,400	\$5,168,200
	Federal	125,000,000	12,254,300
	Local	20,000,000	(7,351,700)
	Restricted	12,734,400	265,600
These funds will be used to support security/general improvement projects at more than 100 local and state airports.			
7. MDOT, Detroit Integrated Transportation Campus	Gross	\$0	\$13,187,000
	Restricted	0	13,187,000
This \$17.5 million facility will house a transportation service center, the Michigan Intelligent Transportation System (MITS) command center, State Police dispatch operations, and lease space for SMART and Greyhound.			
8. MDOT, Oakland County Transportation Service Center	Gross	\$0	\$2,500,000
	Restricted	0	2,500,000
Construction authorization for new 15,000 sq. ft. TSC. This includes funds to purchase land as the current TSC is in leased space.			
9. MDOT, Bay City Transportation Service Center Addition	Gross	\$0	\$550,000
	Restricted	0	550,000
Construction authorization.			
10. MDOT, Gladstone Bituminous Testing Laboratory	Gross	\$0	\$400,000
	Restricted	0	400,000
Construction authorization for new 60' x 40' facility and renovation of vacated space for equipment storage.			

Major Budget Changes from FY 2005-06 YTD Appropriations		FY 2005-06 YTD	Exec Change
11. MDOT, Washbay Additions, Various Maintenance Garages	Gross	\$250,000	\$313,300
Authorization to construct vehicle washbays at the Sawyer (\$283,300) and Brighton (\$280,000) maintenance facilities.	Restricted	250,000	313,300
12. MDOT, Completed Project Financing	Gross	\$3,398,200	(\$3,398,200)
Reductions reflect completed projects or projects that do not need additional financing.	Local	784,200	(784,200)
	Restricted	2,614,000	(2,614,000)
13. Department of Natural Resources (DNR), Waterways, State Infrastructure Improvements	Gross	\$3,970,000	\$750,000
Lump-sum contingency account for emergency repairs, preventive and routine maintenance, small projects, and utility upgrades at state harbors and docks. Funds will also support engineering work.	Federal	1,470,000	0
	Restricted	2,500,000	750,000
14. DNR, Waterways, Local Infrastructure Improvements	Gross	\$1,500,000	\$750,000
Lump-sum contingency account for emergency repairs, preventive and routine maintenance, small projects, and utility upgrades at locally owned harbors and docks. Funds will also support engineering work.	Restricted	1,500,000	750,000
15. DNR, Waterways, Land Acquisitions	Gross	\$1,000,000	\$170,000
Provides a lump-sum contingency account to purchase lands as they become available to provide greater boating opportunities.	Restricted	1,000,000	170,000
16. DNR, Wildlife, Statewide Wetlands Acquisitions	Gross	\$0	\$2,000,000
Provides a lump-sum contingency account to purchase lands as they become available. The department's priority is to acquire private in-holdings to consolidate existing state ownership.	Restricted	0	2,000,000
17. DNR, Waterways, DeTour Harbor Facility Improvements and Floating Dock Replacement	Gross	\$0	\$4,000,000
Federal monies will finance 75% of the cost to upgrade this state-owned facility.	Federal	0	3,000,000
	Restricted	0	1,000,000
18. DNR, Waterways, Mitchell State Park Seawall and Walkway Improvements	Gross	\$0	\$463,000
These funds will be used to replace the seawall connecting lakes Cadillac and Mitchell and construct an adjacent walkway.	Restricted	0	463,000
19. DNR, Waterways, Mackinaw City, New Marina	Gross	\$5,735,000	(\$5,470,000)
The remaining FY 2007 appropriation of \$265,000 is estimated to be the final phase funding to complete this \$10.6 million project.	Restricted	5,735,000	(5,470,000)
20. DNR, Waterways, Walloon Lake, New Boating Access Site	Gross	\$0	\$510,000
These funds will be used towards the engineering and construction of a new state-owned launch site in Charlevoix County.	Restricted	0	510,000
21. DNR, Waterways, Leland Marina Rehabilitation Grant-in-Aid	Gross	\$1,750,000	(\$875,000)
The FY 2007 appropriation will be used to increase the state's share of the project cost from 50% to 75%.	Restricted	1,750,000	(875,000)
22. DNR, Boating Access Sites, Grants-in-Aid	Gross	\$0	\$617,000
Provides various levels of matching funds to Tuscarora Township (\$332,500), Ludington (\$171,000), and Frankfort (\$113,500) for boating access site projects.	Restricted	0	617,000

Major Budget Changes from FY 2005-06 YTD Appropriations		FY 2005-06 YTD	Exec Change
23. DNR, Forest Roads, Bridges & Facility Maintenance	Gross	\$900,000	\$500,000
	Restricted	900,000	500,000
Increased and on-going funding from mostly the Forest Development Fund to address outstanding maintenance issues.			
24. DNR, Waterways, Completed Project Financing	Gross	\$14,085,200	(\$14,085,200)
	Federal	4,382,600	(4,382,600)
	Restricted	9,702,600	(9,702,600)
Reductions reflect completed projects or projects that do not need additional financing.			
25. Department of Military & Veterans Affairs (DMVA), Camp Grayling	Gross	\$18,500,000	(\$18,500,000)
	Federal	18,500,000	(18,500,000)
Sufficient funds have been appropriated to complete the construction of a new multiple company headquarters building.			
26. DMVA, Land Acquisitions & Appraisals	Gross	\$200,000	(\$200,000)
	Restricted	200,000	(200,000)
Eliminate one-time FY 2006 appropriation.			
27. DNR, Natural Resources Trust Fund Projects	Gross	\$39,357,900	(\$39,357,900)
	Restricted	39,357,900	(39,357,900)
Reflects elimination of one-time authorizations for development and acquisition projects in FY 2006.			

Major Boilerplate Changes from FY 2005-06

Department of Corrections

1. Sec. 401. Watchtowers at Maximum Correctional Facilities – DELETED

New maximum security prisons are to have manned and operational watchtowers. The **Executive** deletes this language.

2. Sec. 402. Prison Facility Locations – DELETED

Requires Joint Capital Outlay Subcommittee approval of the actual site of a correctional facility if not specified in an appropriations act. The **Executive** deletes this language.

Use and Finance Statements

3. Sec. 501. Use and Finance Statements Submitted by Colleges and Universities – MODIFIED

Subsection 3 stipulates that an institution found in violation of the Use and Finance filing and approval requirements could not receive any state capital outlay funds for 2 years and further that they could not even do a self-funded project for 1 year unless there are health and safety concerns. The **Executive** removes these penalties.

Lump Sums and Special Maintenance

4. Sec. 603. Operating Funds for Capital Outlay Purposes – MODIFIED

A state agency may expend up \$600,000 from operating appropriations for special maintenance, remodeling, additions, or other capital outlay purposes. The **Executive** increases the amount to \$1,000,000.

5. Sec. 604. Re-Appropriation of Special Maintenance Funds – NEW

This would re-appropriate any remaining FY 2002 GF/GP appropriations of \$1,288,300 for Major Special Maintenance from the departments of Community Health, Human Services, Management and Budget, Military and Veterans Affairs, and State Police to the Department of Corrections. The **Executive** recommends this language.

Department of Natural Resources

6. Sec. 903. Transfer of Funds From Harbor Development Fund to the Waterways Fund – NEW

This transfers all the remaining unreserved balance from the Harbor Development Fund (HDF) to the Waterways Fund (WF). The **Executive** recommends this language.

Major Boilerplate Changes from FY 2005-06

7. Sec. 1104. Prohibits the Construction of a Boating Access Site – DELETED

This prohibits the expenditure of funds to construct a new public boating access site on Walloon Lake in Charlevoix County and directs the department to work with local officials and the public to improve at least 1 existing boating access site.

The **Executive** deletes this language.

Department of Transportation

8. Sec. 1204. Willow Run Airport Expansion, Prohibit – DELETED

Appropriations for the Airport Program can not be expended to extend runways, taxiways, or aprons at the Willow Run Airport.

The **Executive** deletes this language.

Miscellaneous

9. Sec. 1303. Prohibit Triangle Property Lease – DELETED

This prohibits expenditure of funds on the development or lease of the so-called Triangle Property in the City of Lansing without subsequent JCOS approval of a new lease agreement.

The **Executive** deletes this language.

Table 1 - STATE BUILDING AUTHORITY PROJECTS, EXECUTIVE RECOMMENDATIONS FY 2006-07

<u>Department/Institution</u>	<u>Project</u>	<u>Total Cost</u>	<u>State Share</u>	<u>School Share</u>
<u>Construction Authorizations:</u>				
Kirtland Community College	Campus Wide Water Well System	\$1,005,000	\$502,500	\$502,500
Management and Budget	State Facility Preservation, Phase III	50,000,000	50,000,000	0
Natural Resources	State Parks Improvement Projects	<u>20,000,000</u>	<u>20,000,000</u>	<u>0</u>
	Total Construction Authorizations	\$71,005,000	\$70,502,500	\$502,500
<u>Project Planning Authorizations:</u>				
<u>State Agencies</u>				
Management and Budget	Regional Economic Development Initiative	<u>\$100,000,000</u>	<u>\$100,000,000</u>	
	Subtotal State Agencies	\$100,000,000	\$100,000,000	
<u>Universities</u>				
Eastern Michigan University	Pray - Harrold Building Renovations	\$52,695,000	\$39,521,300	\$13,173,700
Lake Superior State University	South Hall Reconstruction	10,000,000	7,500,000	2,500,000
Northern Michigan University	Cohodas Building Adaptive Renovations	15,584,000	11,688,000	3,896,000
Oakland University	Engineering Center	64,357,700	40,000,000	24,357,700
University of Michigan - Dearborn	Teacher Preparation/Child Development Center	<u>6,000,000</u>	<u>4,500,000</u>	<u>1,500,000</u>
	Subtotal Universities	\$148,636,700	\$103,209,300	\$45,427,400
<u>Community Colleges</u>				
Delta College	Health & Wellness Programs - F Wing	\$11,299,000	\$5,649,500	\$5,649,500
Grand Rapids Community College	Lifelong Learning Center	21,900,000	10,950,000	10,950,000
Henry Ford Community College	Science Building Renovations	12,160,000	6,080,000	6,080,000
Kalamazoo Valley Community College	Texas Township Campus Expansion	7,065,000	3,532,500	3,532,500
Kellogg Community College	C Classroom Building Renovations	4,000,000	2,000,000	2,000,000
Lake Michigan College	Emerging Technologies Initiative	7,000,000	3,500,000	3,500,000
Monroe County Community College	Classroom Technology & Environmental Upgrades	2,200,000	1,100,000	1,100,000
Mott Community College	Library Renovations	8,200,000	4,100,000	4,100,000
Muskegon Community College	Museum/Art Project	10,000,000	5,000,000	5,000,000
North Central Michigan College	University and Science Center	16,323,700	8,161,800	8,161,900
Oakland Community College	Building A Addition/Renovations	32,065,000	16,032,500	16,032,500
St. Clair County Community College	Health & Human Services Center	7,000,000	3,500,000	3,500,000
Wayne County Community College	Northwest Campus Replacement	<u>42,000,000</u>	<u>21,000,000</u>	<u>21,000,000</u>
	Subtotal Community Colleges	\$181,212,700	\$90,606,300	\$90,606,400
	Total Planning Authorizations	\$429,849,400	\$293,815,600	\$136,033,800
	Grand Total All Projects	\$500,854,400	\$364,318,100	\$136,536,300