

**Summary: Floor Summary  
Capital Outlay FY 2003-04  
House Bill No. 4386 (H-1)**



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**Budget Overview**

The Michigan Capital Outlay process is the *budgetary and administrative functions devoted to the 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 (2002 PA 518), 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. This is accomplished through the issuance of revenue bonds. The debt service on these bonds is provided annually in the Capital Outlay budget bill's SBA rent line items. Rent is often referred to as "true" rent because it is based on the facility's economic or market value. The SBA has a statutory bonded indebtedness ceiling, currently set at \$2.7 billion.

In July the SBA completed a refinancing of 5 prior SBA bond issues totaling over \$659 million. This is the result of favorable interest rates and allows for a significant General Fund savings for rent paid to the SBA. Rather than an increase of \$17.1 million as proposed in the original Executive recommendation, a *reduction* of \$7.9 million is possible. This \$25 million in 'savings' was recognized in the target setting process.

The Gross appropriation for the FY 2003-04 overall Capital Outlay budget is more than 10% below FY 2002-03. This merely reflects the elimination of numerous one-time projects funded with state restricted dollars in FY 2002-03.

**Summary of Major Budget Issues**

- Reduction of State Building Authority Rent of \$7.9 million GF/GP, or 2.7%
- Authorizes \$9 million SBA financed construction projects at Kinross and Riverside prisons
- Provides \$27.8 million of Federal money for new military construction projects
- Provides nearly \$217 million to support airport safety and improvement projects
- Authorizes new MDOT offices in Detroit and Gaylord totaling \$5.1 million

**FY 2003-04 Recommendations**

	<b>FY 2002-03 YTD (as of 09/01/03)</b>	<b>Executive</b>	<b>As Reported From HAC</b>	<b>Difference: HAC to 2002-03 YTD Amount %</b>	
<b>IDG/IDT</b>	\$4,000,000	\$2,000,000	\$2,000,000	(\$2,000,000)	(50.0)
<b>Federal</b>	192,092,000	202,652,000	202,652,000	10,560,000	5.5
<b>Local</b>	43,532,000	42,789,600	42,789,600	(742,400)	(1.7)
<b>Private</b>	0	0	0	0	0.0
<b>Restricted</b>	109,478,800	41,340,000	42,320,000	(67,158,800)	(61.3)
<b>GF/GP</b>	289,166,900	306,302,100	281,302,300	(7,864,600)	(2.7)
<b>Gross</b>	<b>\$638,269,700</b>	<b>\$595,083,700</b>	<b>\$571,063,900</b>	<b>(\$67,205,800)</b>	<b>(10.5)</b>

<b><u>Major Budget Issues:</u></b>		<b><u>YTD</u></b>	<b><u>HAC</u></b>
		<b><u>FY 2002-03</u></b>	<b><u>Change</u></b>
<b><i>DEPARTMENT OF MANAGEMENT &amp; BUDGET</i></b>			
<b><i>1. Major Special Maintenance for State Agencies -</i></b>	<b>Gross</b>	<b>\$244,100</b>	<b>\$0</b>
<b><i>Department of Management and Budget</i></b>	<b>GF/GP</b>	<b>\$244,100</b>	<b>\$0</b>
<p>The Governor is recommending that GF/GP appropriations for special maintenance for the departments of Corrections, Community Health, State Police, Military and Veterans' Affairs, and the FIA be transferred to a single line item for the Department of Management and Budget. It would then be policy to only expend funds for emergency repairs that involve health and safety issues. This will be the second year that this policy is in effect.</p> <p><b>HAC Recommendation:</b> Do not concur with the Executive recommendation and retain current year, no change.</p>			
<b><i>2. Major Special Maintenance for State Agencies -</i></b>	<b>Gross</b>	<b>\$711,700</b>	<b>\$0</b>
<b><i>Department of Corrections</i></b>	<b>GF/GP</b>	<b>\$711,700</b>	<b>\$0</b>
<p>See item number 1.</p> <p><b>HAC Recommendation:</b> Do not concur with the Executive recommendation and retain current year, no change.</p>			
<b><i>3. Major Special Maintenance for State Agencies -</i></b>	<b>Gross</b>	<b>\$171,300</b>	<b>\$0</b>
<b><i>Department of Community Health</i></b>	<b>GF/GP</b>	<b>\$171,300</b>	<b>\$0</b>
<p>See item number 1.</p> <p><b>HAC Recommendation:</b> Do not concur with the Executive recommendation and retain current year, no change.</p>			
<b><i>4. Major Special Maintenance for State Agencies -</i></b>	<b>Gross</b>	<b>\$188,400</b>	<b>\$0</b>
<b><i>Family Independence Agency</i></b>	<b>GF/GP</b>	<b>\$188,400</b>	<b>\$0</b>
<p>See item number 1.</p> <p><b>HAC Recommendation:</b> Do not concur with the Executive recommendation and retain current year, no change.</p>			
<b><i>5. Major Special Maintenance for State Agencies - State</i></b>	<b>Gross</b>	<b>\$87,800</b>	<b>\$0</b>
<b><i>Police</i></b>	<b>GF/GP</b>	<b>\$87,800</b>	<b>\$0</b>
<p>See item number 1.</p> <p><b>HAC Recommendation:</b> Do not concur with the Executive recommendation and retain current year, no change.</p>			

<b><u>Major Budget Issues:</u></b>		<b><u>YTD</u></b>	<b><u>HAC</u></b>
		<b><u>FY 2002-03</u></b>	<b><u>Change</u></b>
<b><i>DEPARTMENT OF MILITARY &amp; VETERANS' AFFAIRS</i></b>			
<b><i>1. Special Maintenance, Remodeling, and Additions</i></b>	<b>Gross</b>	<b>\$6,188,700</b>	<b>\$0</b>
See item number 1 under Management and Budget.	Federal	5,592,000	0
Continuation funding of nearly \$5.6 million of federal money for projects that do not require a state match is recommended.	GF/GP	\$596,700	\$0
<b>HAC Recommendation:</b> Do not concur with the Executive recommendation and retain current year, no change.			
<b><i>2. Army Aviation Support Facility</i></b>	<b>Gross</b>	<b>\$0</b>	<b>\$20,800,000</b>
The budget authorizes construction of a new 110,500 sq. ft. helicopter support/maintenance/storage facility at Grand Ledge. More than 98% of the cost will be funded by federal monies. The Department anticipates receiving up to 22 additional Blackhawk helicopters requiring a new support facility.	Federal	0	20,460,000
	Restricted	0	340,000
	GF/GP	\$0	\$0
<b>HAC Recommendation:</b> Concur with the Executive recommendation.			
<b><i>3. United States Property and Fiscal Office Facility</i></b>	<b>Gross</b>	<b>\$0</b>	<b>\$6,700,000</b>
The budget authorizes construction of a new 28,500 sq. ft. building to house the fiscal and logistical support for the entire Michigan National Guard. Federal funds provide more than 92% of the project's total cost. This replaces a 50-year old facility.	Federal	0	6,200,000
	Restricted	0	500,000
	GF/GP	\$0	\$0
<b>HAC Recommendation:</b> Concur with the Executive recommendation.			
<b><i>4. Replacement Armory, Shiawassee County</i></b>	<b>Gross</b>	<b>\$0</b>	<b>\$5,000,000</b>
This provides authorization to construct a new Owosso Armory in Shiawassee County. It will be financed on a 75/25, federal/state basis. The current 85-year old, 28,100 sq. ft. facility is located in downtown Owosso on less than one-half acre of land. Electrical and mechanical systems are in-adequate and the building is not ADA compliant. A new facility will be at least 3,000 square feet larger and provide adequate space for vehicle parking and storage. This armory houses a military police company.	Federal	0	3,750,000
	Restricted	0	1,250,000
	GF/GP	\$0	\$0
<b>HAC Recommendation:</b> Concur with the Executive recommendation.			

<b><u>Major Budget Issues:</u></b>		<b><u>YTD</u></b>	<b><u>HAC</u></b>
		<b><u>FY 2002-03</u></b>	<b><u>Change</u></b>
<b><i>DEPARTMENT OF NATURAL RESOURCES</i></b>			
<b><i>1. State Parks Maintenance and Infrastructure</i></b>	<b>Gross</b>	<b>\$7,700,000</b>	<b>(\$6,700,000)</b>
The Executive budget recommendation reduces funding for state park capital improvements by 87% in order to supplant a like amount of General Fund dollars for state parks operations. As a result, only \$1 million will be available to support capital improvement projects at the state's 95 state parks.	Restricted	7,700,000	(6,700,000)
	GF/GP	\$0	\$0
<b>HAC Recommendation:</b> Concur with the Executive recommendation.			
<b><i>2. State Boating Access Sites – New Sites</i></b>	<b>Gross</b>	<b>\$0</b>	<b>\$860,000</b>
The budget authorizes construction of 2 new state-owned boating access sites. These are; Crystal Lake (Benzie County), \$550,000 and Trout Lake (Livingston County), \$310,000.	Restricted	0	860,000
	GF/GP	\$0	\$0
<b>HAC Recommendation:</b> Concur with the Executive recommendation.			
<b><i>3. Harbors and Docks, Local Facilities</i></b>	<b>Gross</b>	<b>\$0</b>	<b>\$1,225,000</b>
The budget provides equal matching funds for specific locally owned marina improvement projects. These are; South Haven (Van Buren County), \$625,000 and Harrisville (Alcona County), \$600,000. The South Haven project entails replacing the marina dock system while the Harrisville project is for restroom/shower building improvements.	Restricted	0	1,225,000
	GF/GP	\$0	\$0
<b>JCOS Recommendation:</b> Concur with the Executive recommendation.			
<b><i>4. Boating Access Sites, Local Facilities</i></b>	<b>Gross</b>	<b>\$0</b>	<b>\$135,000</b>
The Executive budget provides matching funds to Traverse City (Grand Traverse County) for an upgrade project on a Grand Traverse Bay boating access site. The state will finance 75% of the project's cost that entails replacing the launch ramp, paving the parking lot, and ADA related modifications.	Restricted	0	135,000
	GF/GP	\$0	\$0
<b>HAC Recommendation:</b> Concur with the Executive recommendation.			

<b><u>Major Budget Issues:</u></b>		<b><u>YTD</u></b>	<b><u>HAC</u></b>
		<b><u>FY 2002-03</u></b>	<b><u>Change</u></b>
<b>5. Boating Program, Local Harbors &amp; Docks – Detroit St. Aubin Marina Renovations</b>	<b>Gross</b>	<b>\$0</b>	<b>\$1,000,000</b>
	Restricted	0	1,000,000
	GF/GP	\$0	\$0

A \$3 million appropriation was provided in FY 1999-2000 to complete engineering work and begin a comprehensive renovation of this marina. When the project is completed, this will become a state-managed marina on the Detroit River. Final engineering work indicates that the project will cost \$4 million. The Governor's recommendation is to add the \$1 million through boilerplate (Sec. 1203).

**HAC Recommendation:** Project cost increase will be done through a line item appropriation.

**STATE BUILDING AUTHORITY FINANCED  
CONSTRUCTION PROJECTS**

<b>1. Project Cost/Construction Authorizations – Corrections, Kinross Facility – New Power Plant</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
	GF/GP	\$0	\$100

This project, estimated to cost \$6 million, entails the conversion of the Kinross power plant from coal to natural gas. The current coal fired boilers are nearly 50 years old and are a major source of pollution in the eastern U.P. Conversion will also lower the departments operating costs.

**Executive Recommendation:** Not included.

**HAC Recommendation:** Include.

  

<b>2. Project Cost/Construction Authorizations – Corrections, Riverside Facility – Power Plant Automation</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
	GF/GP	\$0	\$100

This \$3 million project entails the conversion of the Riverside power plant from coal to natural gas. The current coal fired boilers are over 40 years old and are a significant source of pollution in the Ionia area. Conversion will also lower the departments operating costs.

**Executive Recommendation:** Not included.

**HAC Recommendation:** Include.

<b><u>Major Budget Issues:</u></b>	<b><u>YTD</u></b>	<b><u>HAC</u></b>
	<b><u>FY 2002-03</u></b>	<b><u>Change</u></b>

### ***STATE BUILDING AUTHORITY RENT***

#### ***1. SBA Rent – State Agencies, Corrections, Universities, and Community Colleges***

The state pays rent to the SBA so it can pay off bonds that are used to finance building construction projects for state agencies, universities, and community colleges. The Governor is recommending an over-all 5.8% Gross increase to fully fund projects that will come on-line this year and to partially fund projects coming on-line next year. Also, restricted fund shifts are recommended to reflect anticipated receipt of funds.

**HAC Recommendation:** As noted in the Overview, a reduction from current year of \$7.9 million GF/GP is a result of refinancing more than \$600 million of SBA debt.

<b>Gross</b>	<b>\$291,311,700</b>	<b>(\$8,309,600)</b>
Restricted	4,145,000	(445,000)
GF/GP	\$287,166,700	(\$7,864,600)

### ***DEPARTMENT OF TRANSPORTATION – AERONAUTICS FUND***

#### ***1. Airport Improvement Programs***

The Executive budget recommendation combines this line item with the Airport Safety and Protection Plan line item. Under this mostly federally funded program, local airports can apply for and receive funds to do such things as purchasing snow removal equipment, expanding runways and aprons, and constructing/renovating hangars and terminals.

**HAC Recommendation:** Concur with the Executive recommendation; combine 1 and 2 as line items.

<b>Gross</b>	<b>\$207,732,000</b>	<b>(\$207,732,000)</b>
Federal	150,200,000	(150,200,000)
Local	40,532,000	(40,532,000)
Restricted	17,000,000	(17,000,000)
GF/GP	\$0	\$0

#### ***2. Airport Safety and Protection Plan (ASAP)***

The Executive budget recommendation combines this line item with the Airport Improvement Programs line item and reflects a slight reduction in anticipated local revenues. Features of the ASAP plan includes the purchase of bomb detection equipment, airport access control, and passenger, baggage and employee screening. Plans are being developed at the federal level on how to make the nation's major airports more secure and safer.

**HAC Recommendation:** Concur with the Executive recommendation; combine 1 and 2 as line items, but list out airports.

<b>Gross</b>	<b>\$17,000,000</b>	<b>\$199,789,600</b>
Federal	12,000,000	148,000,000
Local	3,000,000	39,789,600
Restricted	2,000,000	12,000,000
GF/GP	\$0	\$0

<b><u>Major Budget Issues:</u></b>		<b><u>YTD</u></b>	<b><u>HAC</u></b>
<b><u>FY 2002-03</u></b>			<b><u>Change</u></b>
<b><i>DEPARTMENT OF TRANSPORTATION – STATE TRUNKLINE FUND</i></b>			
<b><i>1. Detroit Transportation Service Center (TSC)</i></b>	<b>Gross</b>	<b>\$0</b>	<b>\$3,300,000</b>
The Executive budget authorizes a new Detroit TSC office building to house about 60 MDOT employees. It is estimated to cost \$3.3 million. This will replace a leased facility. The previously authorized Brighton TSC project is cancelled with that appropriation of \$800,000 being shifted to this project (see item 1a below).	Restricted	0	3,300,000
<b>HAC Recommendation:</b> Concur with the Executive recommendation, but line item will reflect total cost for the project.	GF/GP	\$0	\$0
<b><i>1a. Brighton Transportation Service Center (TSC)</i></b>	<b>Gross</b>	<b>\$0</b>	<b>(\$800,000)</b>
The previously authorized Brighton TSC project is cancelled with that appropriation of \$800,000 being shifted to the Detroit project.	Restricted	0	(800,000)
<b>HAC Recommendation:</b> Concur with the Executive recommendation, but terminate the project by line item.	GF/GP	\$0	\$0
<b><i>2. Gaylord Regional Office</i></b>	<b>Gross</b>	<b>\$1,000,000</b>	<b>\$800,000</b>
The Executive budget authorizes a \$1.8 million project cost increase for the Gaylord (Otsego County) Regional Office Building. This facility will house about 80 MDOT employees. Of the increase, \$800,000 is provided by direct appropriation with the remaining \$1 million coming from the termination of the previously authorized Grayling TSC project (see item 3 below).	Restricted	1,000,000	800,000
<b>HAC Recommendation:</b> Concur with the Executive recommendation, but line item will reflect total cost for the project.	GF/GP	\$0	\$0
<b><i>3. Grayling Transportation Service Center (TSC)</i></b>	<b>Gross</b>	<b>\$1,000,000</b>	<b>(\$1,000,000)</b>
This Executive recommendation terminates this TSC project and the appropriation is shifted to the Gaylord project.	Restricted	1,000,000	(1,000,000)
<b>HAC Recommendation:</b> Concur with the Executive recommendation, but terminate the project by line item.	GF/GP	\$0	\$0
<b><i>4. Salt Storage Buildings – MDOT Facilities</i></b>	<b>Gross</b>	<b>\$0</b>	<b>\$1,100,000</b>
The Executive budget restores funding to continue constructing salt storage buildings and brine run-off control systems at state-owned maintenance garage locations across the state.	Restricted	0	1,100,000
<b>JCOS Recommendation:</b> Concur with the Executive recommendation.	GF/GP	\$0	\$0

<b><u>Major Budget Issues:</u></b>		<b><u>YTD</u></b>	<b><u>HAC</u></b>
		<b><u>FY 2002-03</u></b>	<b><u>Change</u></b>
<b>5. New Buffalo Welcome Center, Water/Sewer Upgrades</b>	<b>Gross</b>	<b>\$0</b>	<b>\$500,000</b>
Provides funds to repair and upgrade the water and sewer system at this Berrien County facility.	Restricted	0	500,000
<b>JCOS Recommendation:</b> Concur with the Executive recommendation.	GF/GP	\$0	\$0
<b>6. Equipment Storage Buildings Various Statewide Locations</b>	<b>Gross</b>	<b>\$0</b>	<b>\$815,000</b>
Funding is provided in this lump-sum account to construct a new crew support building to house equipment, supplies, and materials at the L'Anse Maintenance Garage location. Expansion of this facility is due to the re-location of the Crystal Falls crew, equipment, supplies, and materials.	Restricted	0	815,000
<b>JCOS Recommendation:</b> Put in a separate line item entitled "L'Anse Maintenance Garage Addition and Demolition" with total cost of \$815,000 (this includes \$80,000 from the Miscellaneous line item).	GF/GP	\$0	\$0
<b>7. Re-roof, Re-pave, Fence in MDOT Properties</b>	<b>Gross</b>	<b>\$450,000</b>	<b>(\$185,000)</b>
Executive recommendation provides an 81% increase to fund these types of projects at various statewide locations. Of the recommended funds, \$550,000 is for the first phase of expanding the Atlanta Maintenance Garage due to the re-location of the Alpena and Hillman crews, equipment, supplies, and materials. The total project is anticipated to cost \$2 million.	Restricted	450,000	(185,000)
<b>HAC Recommendation:</b> Separate the Atlanta project as a line item that results in a 41% reduction for this line item.	GF/GP	\$0	\$0
<b>8. Atlanta Maintenance Garage</b>	<b>Gross</b>	<b>\$0</b>	<b>\$550,000</b>
See item 7 above.	Restricted	0	550,000
<b>JCOS Recommendation:</b> Separate the Atlanta project as a line item.	GF/GP	\$0	\$0
<b>10. Mackinac Island, British Landing Dock Repairs</b>	<b>Gross</b>	<b>\$0</b>	<b>\$130,000</b>
Funds are being provided from the Comprehensive Transportation Fund as a grant to the Mackinac Island State Park Commission upgrade the British landing dock on the island's west side.	Restricted	0	130,000
<b>Executive Recommendation:</b> Not included.	GF/GP	\$0	\$0
<b>HAC Recommendation:</b> Include.			



## **Major Boilerplate Changes from FY 2002-03:**

### ***GENERAL SECTIONS***

#### ***Sec. 203. Michigan Goods and Services – DELETED***

Prohibits purchase of non-Michigan goods and services if comparably priced Michigan goods and services are available.

The **Executive** deletes this language.

**HAC Recommendation: Restore current year language.**

### ***DEPARTMENT OF CORRECTIONS***

#### ***Sec. 301. Watchtowers at Maximum Correctional Facilities – DELETED***

New maximum security prisons are to have manned and operational watchtowers.

The **Executive** deletes this language.

**HAC Recommendation: Restore current year language.**

### ***COLLEGES AND UNIVERSITIES***

#### ***Sec. 805. University of Michigan – Ann Arbor, Project Cost Increase – NEW***

For the university's Campus Renovations Phase II project, the cost is increased from \$86 million to \$88 million with the university financing the entire increase.

**Executive Recommendation: Not included here, but recommended in a supplemental.**

**HAC Recommendation: Include.**

#### ***Sec. 806. Glen Oaks Community College, Planning Authorization – NEW***

The planning authorization for the college's Applied Science/Technology Center project is extended for 2 additional years.

**Executive Recommendation: Not included.**

**HAC Recommendation: Include.**

#### ***Sec. 807. Lake Superior State University, Arts Classroom Building Project Financing Shift - NEW***

This returns this project to the standard financing split of 75%-state and 25%-university. The university's financing share is reduced by \$3,475,000 and the State Building Authority share is increased by a like amount.

**Executive Recommendation: Not included.**

**HAC Recommendation: Include.**

#### ***Sec. 808. Washtenaw Community College, Plumbers and Pipefitters Training Building, Project Cost Increase – NEW***

This project's total cost is \$741,000 higher than the \$4 million originally authorized. The college will finance the entire cost increase.

**Executive Recommendation: Include.**

**HAC Recommendation: Include.**

### ***REPEALERS***

#### ***Sec. 1404. Repealed Appropriation and Boilerplate from PA 173 of 2003 – NEW***

Sections 152, 1301, 1302, 1303, and 1304 from this Act are repealed. This was a partial year appropriation for SBA Rent in FY 2003-04.

**Executive Recommendation: Not included.**

**HAC Recommendation: Include.**