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ANALYSIS

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House Concurrent Resolution 12 (as reported without amendment)

Sponsor: Representative Scott Shackleton

Senate Committee: Appropriations

## **CONTENT**

The Joint Capital Outlay Subcommittee (JCOS) has approved House Concurrent Resolution 12, which would approve the conveyance of land as well as a lease agreement among the State, the State Building Authority (SBA), and Delta College for the general campus renovation project. The lease agreement establishes a contractual obligation requiring the State to make rental payments to the SBA on behalf of Delta College for use of the facility. The SBA will use the rental payments to make debt service payments on bonds that will be sold to finance the project construction.

The general campus renovation project received planning authorization in Public Act 538 of 1998 and construction authorization in Public Act 81 of 2001. The original project cost estimate was \$41.8 million, yet due to concerns over nonacademic features of the project, the project was separated into two components. Delta College assumed the entire \$23.8 million cost of the first component, which was approved by the JCOS through a Use and Finance Statement. The Legislature subsequently provided approval of the second component whereby the SBA would fund \$17.8 million (99%) of the project's \$18.0 million cost for that component.

The project has met all the planning and approval requirements of the JCOS, the Management and Budget Act, and the State Building Authority Act. The estimated annual rental amount is provided pursuant to the requirements of the SBA Act. An actual rental amount will be determined by an appraiser once the facility is complete. Legislative approval of the resolution would commit the State to make annual rental payments for the project.

## **FISCAL IMPACT**

Annual rental (debt service) payments for the current fiscal year are appropriated in the Capital Outlay budget at \$291,311,700. This project represents new bond debt obligations by the SBA of \$17.8 million. It would require the State to make annual rental payments to the SBA estimated between \$1,350,000 and \$1,730,000, as shown below.

| Project   | HCR No. | Total Authorized Cost | SBA Share    | Estimated Annual Rental Range |
|---|---------|-----------------------|--------------|-------------------------------|
| <b>Delta College - General Campus Renovations II.</b> The project entails the construction of 48,749 sq. ft. and renovating 96,111 sq. ft. of space in the L, M, and S wings. These wings house the Automotive and Technology Program, the General Education and Humanities Programs, and the Fine Arts Building. | HCR 12  | \$18,000,000          | \$17,819,800 | \$1,350,000 to \$1,730,000    |

Date Completed: 5-8-03

Fiscal Analyst: Mike Hansen