

## Department of Planning and Budget 2008 Fiscal Impact Statement

**1. Bill Number:** HB1547

House of Origin    \_\_\_ Introduced     X  Substitute    \_\_\_ Engrossed  
Second House       \_\_\_ In Committee    \_\_\_ Substitute    \_\_\_ Enrolled

**2. Patron:** Putney

**3. Committee:** Appropriations

**4. Title:** 21st Century Capital Improvement Program; created, report.

**5. Summary:** This bill creates the 21st Century Capital Improvement Program for the orderly and systematic programming and financing of capital projects throughout the Commonwealth that will be revised annually for the acquisition, development, enhancement, planning, or replacement of public facilities over a multiyear period. In addition, the bill provides an initial list of the program's projects; a list of projects to be constructed by bonds issued by the Virginia College Building Authority and the Virginia Public Building Authority, and a list of projects whose planning costs will be appropriated in the budget bill.

**6. Fiscal Impact Estimates:** Indeterminate. See Item 8.

**7. Budget Amendment Necessary:** Yes. Item 81, HB 30; Part 2, HB 30.

**8. Fiscal Implications:** This bill establishes a Capital Improvement Program, or CIP, with 226 projects. Out of this CIP, 25 projects are authorized for planning in FY 2009 and 30 projects are authorized for planning in FY 2010. Five projects are funded using Virginia Public Building Authority (VPBA) for a value of \$152.4 million and 26 projects are funded using Virginia College Building Authority (VCBA) for a value of \$533.4 million.

In FY 2009 the bill authorizes \$685.9 million of projects; an additional \$550 million of projects for planning on June 30, 2009 (the dollar amount for planning was unspecified); and an unspecified amount for planning on June 30, 2010.

The Commonwealth will experience a fiscal impact annually, for 20 years, for the debt service. The exact fiscal impact from debt service and the timeframe of that impact may vary depending on when the bonds are issued. However, once all bonds are issued, the debt service will be \$12.0 million per year for VPBA and \$42.0 million per year for VCBA.

This legislation changes the capital submissions from HB 30, deleting 44 capital projects, valued at \$482.5 million. It also adds 131 capital projects that were not included in HB 30. The introduced budget included \$50 million general fund for maintenance reserve, \$4 million general fund for other capital projects, \$493.4 million in Virginia Public Building Authority, \$214.4 million in Virginia College Building Authority, in addition to a General Obligation Bond package for \$1.5 billion.

The bill requires DGS to ensure that Value Engineering (VE) is employed for any project included in the CIP valued at \$5 million or more. This will require the division to review pre-planning and project feasibility studies and is significantly more work than the agency currently does to prepare the annual VE report. The combination of managing the process, evaluating design submittals, making architectural and engineering recommendations, and following up with agency and institution staff and construction project professionals to assure conformance to VE study recommendations will be provided by DGS'S Bureau of Capital Outlay Management (BCOM) staff. The technical work required by this bill will have to be performed by a professional (architect/engineer) reviewer level individual that is familiar with the building code, Commonwealth's capital outlay processes and general construction design and engineering.

In addition to the needed professionals, cost review positions are necessary in order to have in-house expertise to support the BCOM review professionals on an ongoing basis. Cost reviewers will be responsible to verify construction costs and validate VE construction cost data. Cost analysis will require BCOM reviewers to stay current on costs associated with construction means, methods and materials. Cost reviewers who are familiar with and keep up with cost trends in the construction market are essential.

VE Study work requires BCOM professional reviewers to understand how the numerous recommendations for cost savings (often 50 or more) can be integrated into the design of typically very large and complex buildings. In addition, VE study evaluation requires that the estimated cost savings for numerous alternate systems (HVAC, structure etc.) must be compared to the original system proposed by the A/E. Lastly, the process must be managed internally and externally from submittal receipt to follow up to assure compliance with the recommendations.

DGS estimates that the increased workload will require three additional FTE in FY 2009 and another increase of two FTE in FY 2010 and beyond. Overall, the legislation increases the workload of the division, requiring additional personnel. The agency estimates the cost of this will be approximately \$300,000 in FY 2009 and \$500,000 thereafter. The agency also estimates some costs will be incurred for overhead.

This bill also impacts the State Council of Higher Education for Virginia (SCHEV). However, State Council of Higher Education for Virginia has reviewed all the capital projects of HB1547 for higher education as part of their ongoing space assessments and feasibility studies, and provided and their recommendations to the Department of Planning and Budget, the House and Senate Capital Outlay staff(s), and all the colleges and universities. This legislation should not impact State Council of Higher Education for Virginia significantly as most of the analysis has been completed, as part of their responsibility, as listed in the Introduced Bill, Item 149.I. The future impact on SCHEV should be minimal since they have already completed analysis on most of the included projects.

It is important to note that agencies may experience some cost savings in capital projects because of the value engineering due to the legislation. A value for these savings is indeterminate.

**9. Specific Agency or Political Subdivisions Affected:** All agencies with capital projects, the Department of General Services, State Council of Higher Education for Virginia

**10. Technical Amendment Necessary:** No

**11. Other Comments:** None

**Date:** 2/21/2008 dpb

**Document:** G:\AFG\2008 Session\FIS\HB1547H1.Doc AFG