

# Fiscal Year 2020 Capital Outlay

## Presentation to the Joint Capital Outlay Subcommittee

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# Overview

- Capital Outlay Process
  - Capital Outlay Submissions
  - Capital Outlay Key Steps
- Capital Outlay Funding Trends
- Fiscal Year 2020 Executive Recommendation
  - Scoring Criteria
  - Scoring Process



# Capital Outlay Process

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*PLAYERS*



# Key Players in Process

- Governor
- Michigan Legislature - Joint Capital Outlay Subcommittee
- Universities and Community Colleges
- Executive Branch Departments
- State Budget Office
- Department of Technology, Management and Budget
- State Building Authority

- Sets the priorities for the Executive Budget process.
- May include major project recommendations in the Executive Budget or elect not to. In the past, Governors have chosen both approaches.
- The Governor also enacts bills that are the outcome of the legislative process.

# Legislature - Joint Capital Outlay Subcommittee

- Reviews Major Project requests for planning consideration.
- JCOS provides approvals for university, community college and state agency planning authorizations.
- JCOS provides approvals for university, community college and state agency construction authorizations and any necessary cost or scope changes.
- Oversight responsibilities for JCOS are prescribed in the Management and Budget Act (Public Act 431 of 1984, as amended).

# Universities and Community Colleges

- Develop Five-Year Plan.
- Develop Capital Outlay Major Project Request.
- Develop program/schematic design plans for projects authorized for planning.
- Implement and manage construction for projects authorized for construction.
- Responsible for oversight of compliance with all state requirements.

# Executive Branch Departments

- Applicable to those departments with state-owned facilities (DTMB, MDARD, DOC, DHHS, DMVA, DNR, MSP and MDOT).
- Develop Five-Year Plan.
- Develop Major Project Requests.
- Develop Special Maintenance Requests.
- Work with DTMB on implementation of approved projects.



# State Budget Office



- Transmits annual Capital Outlay Budget Instruction Letter.
- Review Five-Year Plans.
- Review and lead scoring process for Major Project requests.
- Develop Executive Budget Recommendation.
- Review & recommend program statements and schematics design plans to JCOS for approved planning projects.
- Review & recommend project scope and/or cost changes to JCOS.
- Implement Project Management Agreements with institutions.

# DTMB – Design and Construction

- DTMB - Design and Construction implements and administers all capital outlay projects involving the State of Michigan (higher ed institutions & state agencies).
  - Provides professional management services, construction oversight, direction of contractors and consultants.
  - Design and Construction employees are architects & engineers by trade and education.
- DTMB is providing the day-to-day oversight of projects to ensure the state's financial interests are protected.

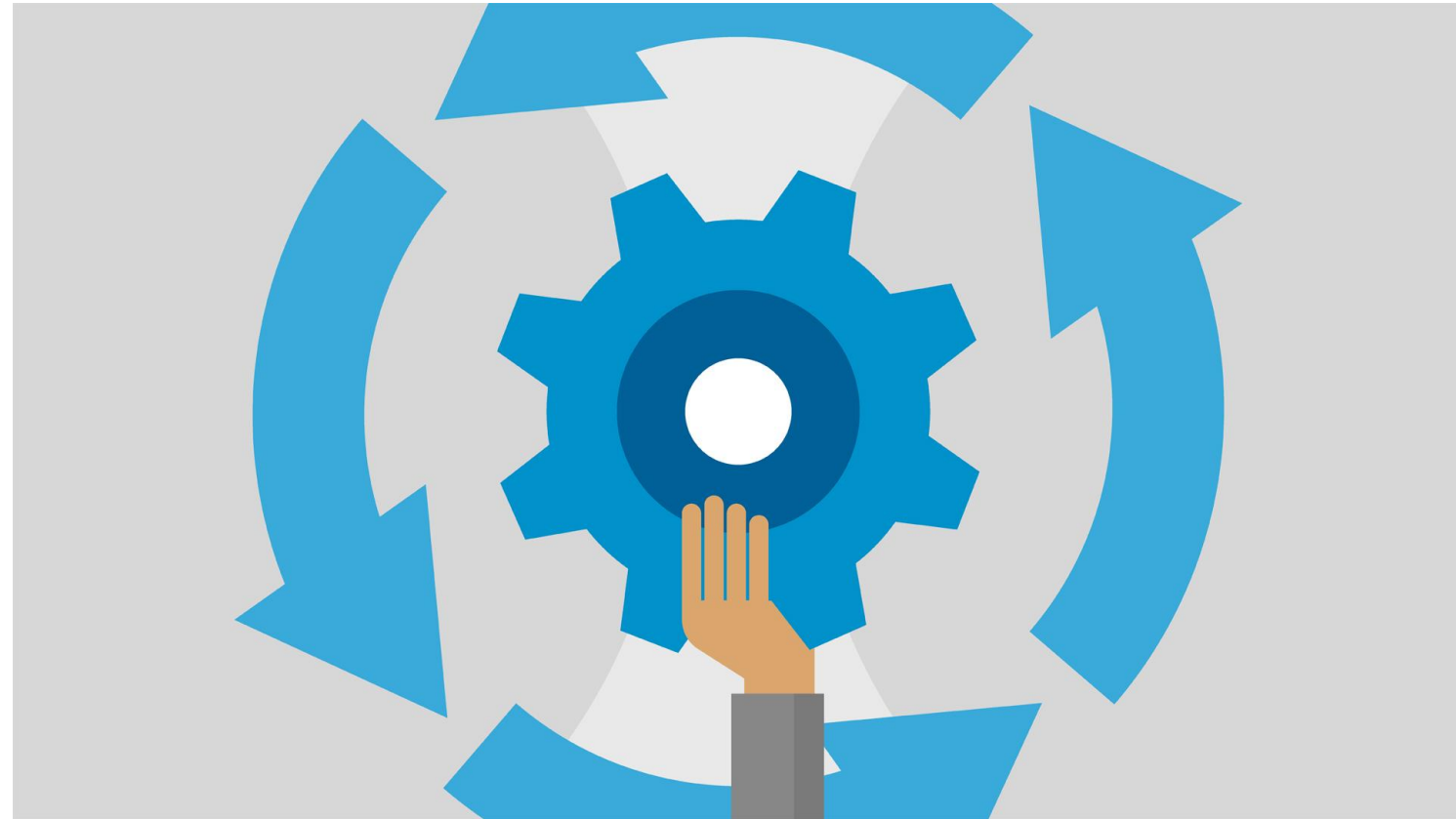
# State Building Authority

- State Building Authority provides financing for the state share of projects from bond proceeds.
- Current bond cap \$2.7 billion.
- Estimated capacity assuming all current planning authorizations advance to construction is \$344.5 million in FY 2021.
  - University projects = State share traditionally 75% (policy cap of \$30M since FY 2016 due to large projects)
  - Community College projects = State share maximum of 50%
  - State Agency projects = State share of 100%

# Capital Outlay Process

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*COMPONENTS*



# Five-Year Plans

- Required per DMB Act (MCL 18.1242).
- Approval required by governing board.
- Reflect current priorities, anticipated facility needs, and existing capital base.
- Include all projects (those with state cost participation & self-funded projects).
- Hyperlink to plans submitted to SBO via SIGMA.
  - SBO submits reports to JCOS and fiscal agencies.
- Public documents subject to the Freedom of Information Act (FOIA).



# Major Project Requests

- Priority #1 in the Five-Year Plan.
- Institutions may only submit one project.
- Projects must address specific academic or research needs.
- Preference given to those projects that:
  - Renovate existing facilities to extend useful life of those facilities.
  - Re-adapt, re-use, or re-purpose existing facilities.
  - New construction.
- Avoid projects to renovate and/or construct multiple, independent facilities.

# Submissions: Five-Year Plan & Major Project Request

- State Budget Office transmits annual Capital Outlay Budget Instruction Letter to University and Community College Presidents (late August).
- Due date for submissions (Five-Year Plan [hyperlink](#) & Major Project Request) is statutorily defined (November 1).
- Submission is done through the state's SIGMA Budget System.
- SBO provides JCOS members with Five-Year Plan links and a report of Major Project Requests (late November).
- Final Fiscal Year scoring posted publicly in concert with the Executive Budget Recommendation (February)

# Capital Outlay Process

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*IMPLEMENTATION*





# Navigating the Capital Outlay Process

The state Capital Outlay process has two key steps -- each requiring enactment of an appropriations bill before construction can begin:

Step 1: Planning Authorization

Step 2: Construction Authorization

# Planning Authorization

- JCOS/Legislature includes \$100 placeholder in appropriation bill.
- Authorized for up to 24 months after end of fiscal year.
- Planning authorization allows institution to expend its own funds for the development of program / schematic design plans.
- Requires competitive selection of design professional.
- Designs must conform to minimum state requirements contained in DTMB's Major Project Design Manual.  
([http://www.michigan.gov/documents/dmb/DMB494\\_July\\_2013\\_427895\\_7.pdf](http://www.michigan.gov/documents/dmb/DMB494_July_2013_427895_7.pdf))
- Planning authorization does not guarantee construction authorization.

# Construction Authorization

- SBO and DTMB review program statement and schematic design plans submitted for conformity to planning authorization and Major Project Design Manual.
- SBO recommends project to JCOS for inclusion in an appropriations act.
- \$100 placeholder in appropriation bill.
- Construction authorization sets in law the total project cost and establishes the financing shares.
- Authorized for up to 36 months after end of fiscal year.

**Step 2**

# Legislative Authorizations - Example



## Schoolcraft College’s Applied Science Renovation and Expansion Project

### *Planning Authorization – Public Act 107 of 2017*

Schoolcraft College - Applied Science renovation and expansion - for program and planning to be paid for from college resources (estimated total authorized cost \$20,000,000; state share \$10,000,000; college share \$10,000,000) .....	100
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### *Construction Authorization – Public Act 618 of 2018*

Schoolcraft College - Applied Science renovation and expansion (total authorized cost \$21,479,400; state building authority share \$9,999,800; college share \$11,479,400; state general fund/general purpose share \$200) .....	<u>100</u>
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# Basic Capital Outlay Principles

- Project must support core academic mission.
- Project must not be self-liquidating.
- Project must be “bondable.”
- University or Community College must own the land or the building.
- Land must be clear, environmentally clean and ready to build on.
- University or Community College must have the matching funds required.
- All design, construction manager and construction contracts have to be competitively selected.
- Project must meet minimum requirements of DTMB’s Major Project Design Manual.

# State Share Financing

- State share of project costs are financed by long-term notes issued by the State Building Authority (SBA).
- SBA financing requires a lease be established between the SBA and the College for the use of the facility (the state pays the SBA “rent” on behalf of the College as the means of retiring the long-term notes).
- College’s land and facility conveyed to the SBA while the notes are outstanding.
- Property is conveyed back to the College once the SBA notes are paid in full (usually in 15-20 years).

# Capital Outlay

## *Funding Trends*



# Last Eight Years (2011 -2018)

- 72 University, Community College, and State Agency projects approved
  - \$2.4 billion total / \$1.3 billion state share
    - 30 University Projects
      - \$1.5 billion total / \$726.7 million state share
    - 34 Community College Projects
      - \$410 million total / \$175.3 million state share
    - 8 State Agency Projects
      - \$454.1 million total / \$362.1 million state share



# Last Three Years Alone (2016-2018)

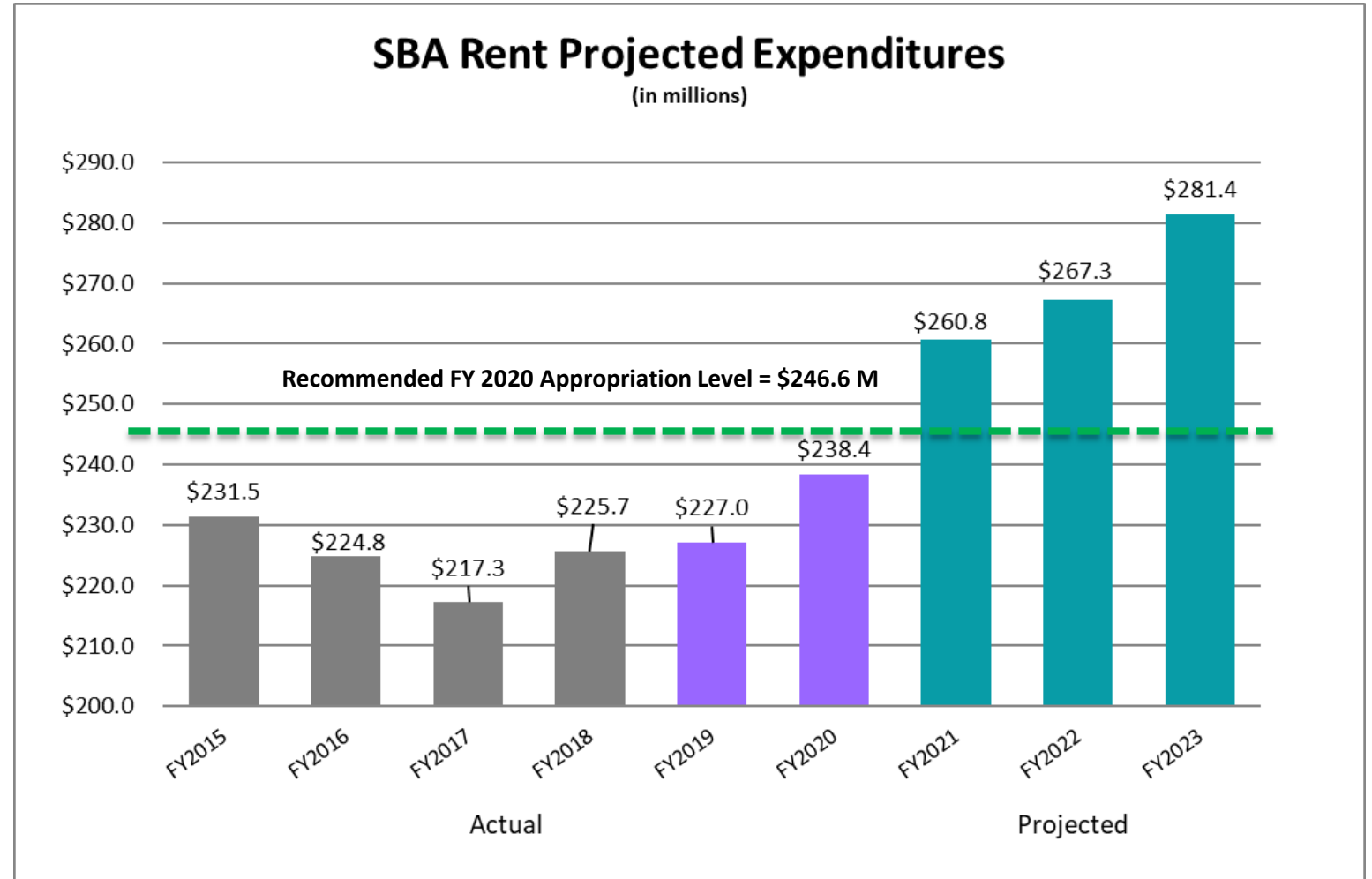
- Over 60% of this spending occurred in the last three years
- 44 University, Community College, and State Agency projects approved
  - 18 total university projects
  - 20 total community college projects
  - 6 total state agency projects
- \$1.5 billion total approved costs / \$830.2 million state share
- Includes 10 new projects authorized for planning at the end of last year.

# SBA Rent Payment Forecast

## The Bill is Coming Due

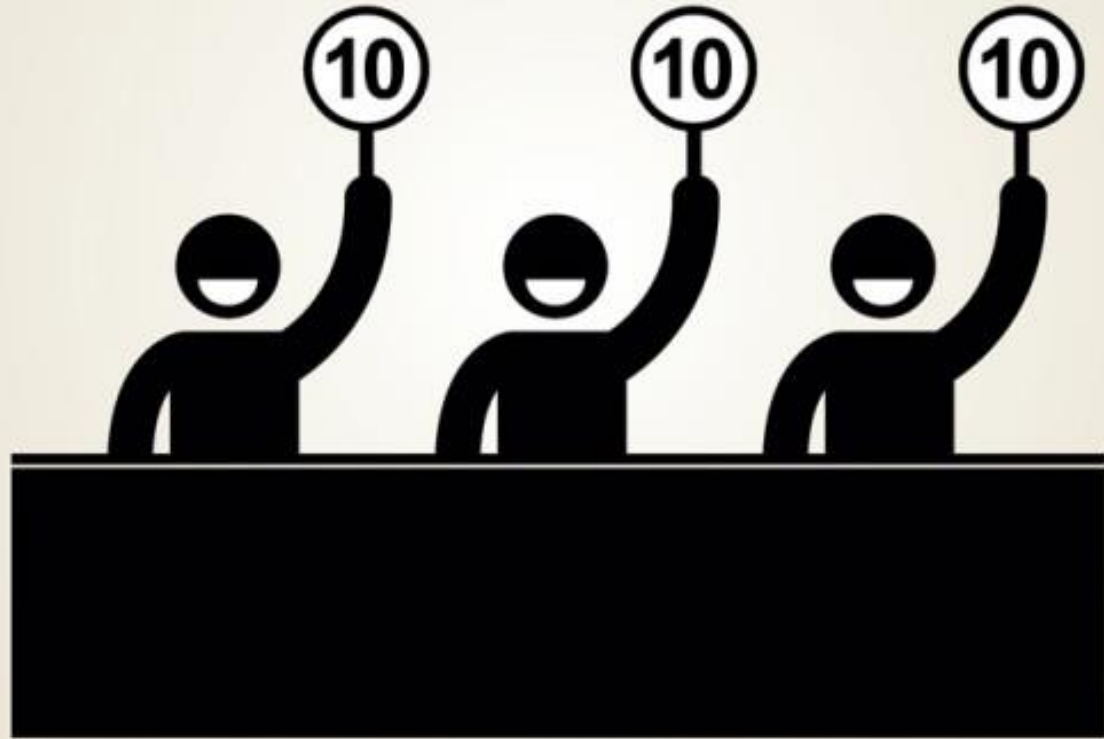
The estimated capacity remaining under the SBA's statutory bond cap of \$2.7 billion decreases to \$344.5 million in FY 2021 and beyond.

As recent projects come to completion and are bonded by the SBA, the budgetary impact of estimated annual rent payments to the SBA for debt service on the bonds will increase from \$227M in FY 2019 to \$281.4M in FY2023; a \$54.4M increase



# FY 2020 Executive Budget

*Scoring Process*



# 2012 Capital Outlay Reforms

- In 2012, the Governor and Legislature enacted significant reforms to the capital outlay process.
- The principal reform requires the Administration and the JCOS to “review and evaluate by March 1 of each year capital outlay project requests received from universities, community colleges and state agencies.” (MCL 18.1242)
- Fiscal Year 2020 marks the sixth year of implementation of this provision.

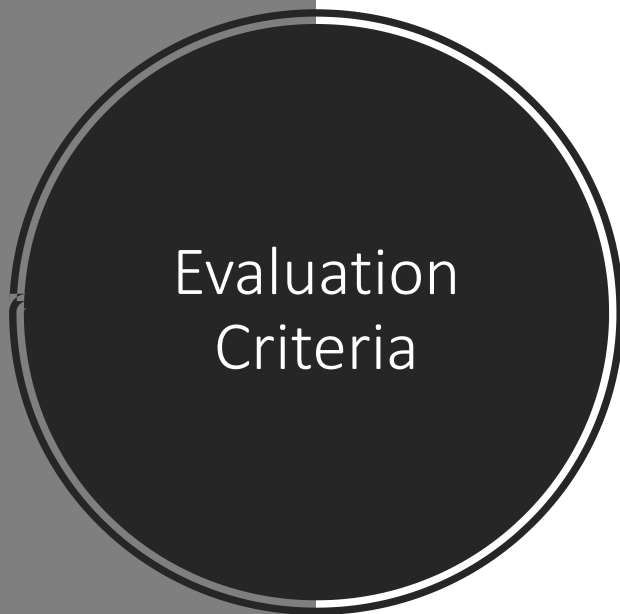
# Evaluation and Criteria & Scoring

- State Budget Office uses a blend of statutorily-required criteria, as well as, additional criteria we consider important to the evaluation process.
- Total 14 criteria (10 statutory / 4 State Budget Office).
- Additional State Budget Office criteria:
  - Clarity of project purpose and scope (new for FY 2020)
  - Project impact on core mission of the institution.
  - Project focused on a single, stand-alone facility.
  - History of compliance with JCOS and DTMB requirements.
- Weighting of the criteria is not prescribed in law, with those criteria considered most important (impact on job creation, impact on core mission of the institution, and estimated cost) providing higher maximum point values.

**STATE BUDGET OFFICE  
CAPITAL PROJECT REQUEST EVALUATION CRITERIA**

**PREREQUISITE:** Based on the information provided in the request, does the project appear eligible for State Building Authority financing? If YES, proceed to scoring. If NO, project will not be scored.

Explanation: \_\_\_\_\_



No	Source	Evaluation Criteria	Evaluation Factors	Scoring	Max Points
1	SBO	Clarity of project purpose and scope	Does the request clearly describe the purpose, scope, and program focus of the project?	Low - High	10
2	Statutory	Impact on job creation in this state	To what extent does the project support Michigan's talent enhancement, job creation and economic growth initiatives on a local, regional and/or statewide basis?	Low - High	40
3	SBO	Impact on the core mission <b>and development of critical skill degrees</b> of the institution	To what extent does the project enhance the core (academic, research, or programmatic) mission of the institution <b>and the development of critical skill degrees</b> ?	Low - High	40
4	Statutory	Investment in existing facilities and infrastructure	To what extent does the project support investment in or adaptive re-purposing of existing facilities and infrastructure?	Low - High	10
5	Statutory	Life and safety deficiencies	Does the requested project address facility or infrastructure deficiencies that pose a serious threat of injury or death?	Yes or No	N/A

# Evaluation Criteria

6	Statutory	Occupancy and utilization of existing facilities	To what extent has the institution demonstrated occupancy and effective utilization of existing facilities to merit the capital investment?	Low - High	10
7	Statutory	Integration of sustainable design principles to enhance the efficiency and operations of the facility	To what extent does the project incorporate sustainable design features to enhance the operational efficiency of the facility?	Low - High	10
8	Statutory	Estimated cost	To what extent does the project require state cost participation?  (Based on estimated state cost share.)	<u>Universities:</u> 0 = \$40M or more 5 = less than \$40M 10 = less than \$30M 15 = less than \$20M 20 = less than \$10M  <u>Community Colleges:</u> 0 = \$20M or more 5 = less than \$20M 10 = less than \$15M 15 = less than \$10M 20 = less than \$5M  <u>State Agencies:</u> 0 = \$40M or more 5 = less than \$40M 10 = less than \$30M 15 = less than \$20M 20 = less than \$10M	20
9	Statutory	Institutional support*	To what extent is the institution proposing to support the project with its own resources beyond what is typically required?	<b>0 = no over match</b> <b>1 = 2.5% over match</b> <b>2 = 5% over match</b> <b>3 = 7.5% over match</b> <b>4 = 10% over match</b> <b>5 = 12.5% over match</b> <b>6 = 15% over match</b> <b>7 = 17.5% over match</b> <b>8 = 20% over match</b> <b>9 = 22.5% over match</b> <b>10 = 25% over match</b>	10

## Evaluation Criteria

10	Statutory	Estimated operating costs	To what extent has the institution identified operating costs and existing resources to support them?	Low - High	10
11	Statutory	Impact on tuition, if any*	To what extent will students be held harmless from the financial costs of the project?	Low - High	10
12	Statutory	History of prior appropriations received by the institution through the capital outlay process*	To what extent have state capital outlay investments in the institution been less relative other peer institutions?	Low - High	10
13	SBO	Is the project focused on a single, stand-alone facility?	Is the project consistent with SBO instructions that only requests for single, stand-alone facilities may be submitted for consideration?	Low - High	10
14	SBO	History of compliance with JCOS and DTMB project requirements	Has the institution been in compliance with statutory and DTMB requirements in all material respects on previously constructed state projects?	Low - High	10

\* Not applicable to state agency projects.

**Maximum Points (U/CC) 200**  
**Maximum Points (State Agency) 170**



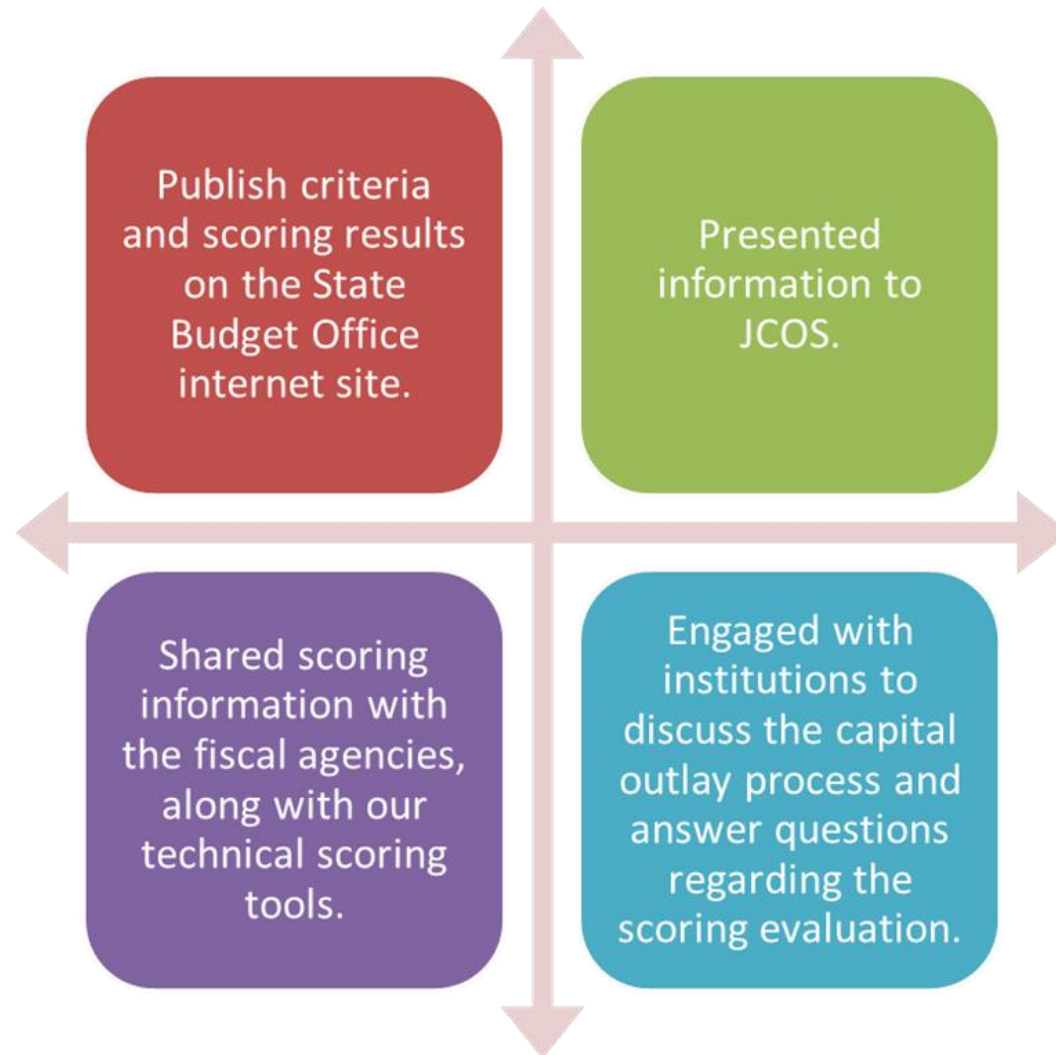
# Evaluation Team

Our evaluation team consisted of five state agency representatives with experience with higher education and/or the state's capital outlay process:

- Deborah Roberts, Executive Director, State Building Authority
- Robert Hall, Director, DTMB Design & Construction
- Brent Turner, Higher Education Analyst, State Budget Office
- Ryan Fink, Capital Outlay Coordinator, State Budget Office
- Lisa Shoemaker, Director, Office of Econ Dev, State Budget Office



# Transparent Evaluation Process



# FY 2020 Executive Budget

*Scoring Results*



# Summary of 2020 Requests

- Universities and community colleges submitted capital project requests totaling over \$773.5 million.
- Average university project request is \$40.4 million.
- Average community college project request is \$10.3 million.
- State agencies submitted requests totaling \$56.9 million.

# Major Project Scoring

- Scored a total of 23 projects.
  - 8 of 14 university projects (6 universities were approved for planning in 2018 PA 618)
  - 16 of 21 community college projects (4 colleges were approved for planning in 2018 PA 618)
  - 2 state agency projects
- Pre-requisite to scoring: Based on the information presented in the request, does the project appear eligible for State Building Authority financing?
- Projects with existing Planning Authorization not scored; SBO policy that projects in the pipeline remain institutions #1 priority until Construction Authorization is approved.

# FY 2020 CAPITAL OUTLAY REQUEST SCORING EVALUATION

University	FY 2020 Capital Outlay Request	Evaluation Criteria																	
		Total Estimated	Total Estimated	Purpose	Jobs	Core	Infra	Life/Safety	Utilization	Sustainable	Cost	Match	Operating	Tuition	History	One Bldg	Compliance	TOTAL	Ranking
		Cost	State Share																
UM - Flint	University Tower Renovation	\$30,000.0	\$19,800.0	10.0	31.0	28.8	9.5	Y	7.0	4.0	15.0	4.0	10.0	10.0	10.0	10.0	10.0	159.3	1
UM - Dearborn	Innovation, Design, Entrepreneurship, and Artistry Laboratory at the Mardigian Library	\$45,000.0	\$30,000.0	9.5	31.5	29.3	10.0	Y	8.5	6.0	10.0	4.0	6.0	10.0	6.0	10.0	10.0	150.8	2
Eastern	Engineering & Technology Complex - Phase 2	\$40,000.0	\$30,000.0	8.5	34.5	29.8	8.3	Y	6.0	6.0	10.0	0.0	6.5	10.0	8.0	10.0	10.0	147.5	3
Saginaw Valley	Brown Hall Renovation	\$19,750.0	\$12,000.0	8.0	25.0	26.8	10.0	Y	9.0	4.0	15.0	6.0	5.5	10.0	6.0	10.0	10.0	145.3	4
Michigan State	Greenhouses: Renovation and Addition - Research Expansion and Learning	\$20,000.0	\$15,000.0	6.3	25.0	33.5	8.0	Y	5.3	6.0	15.0	0.0	6.5	10.0	2.0	10.0	10.0	137.5	5
Central	Brooks Hall Renovation	\$28,500.0	\$21,375.0	7.0	28.8	22.8	10.0	Y	2.8	4.0	10.0	0.0	6.3	10.0	4.0	10.0	10.0	125.5	6
Lake Superior	Center for Outdoor Recreation and Education	\$5,000.0	\$3,750.0	2.8	14.5	5.0	0.0	N	3.0	1.3	20.0	0.0	2.8	10.0	10.0	10.0	10.0	89.3	7
Grand Valley	Computer Information System Classroom Building	\$50,000.0	\$30,000.0	1.0	3.5	3.3	0.8	N	1.0	0.0	10.0	6.0	4.5	10.0	4.0	10.0	10.0	64.0	8
Ferris	Center for Virtual Learning	\$29,500.0	\$22,125.0																
Michigan Tech	H-STEM Engineering and Health Technologies Complex - Phase I	\$44,700.0	\$29,700.0																
Northern	Career Tech and Engineering Technology Facility	\$28,564.0	\$19,995.0																
UM - Ann Arbor	Computer Science and Engineering and School of Information Addition	\$145,000.0	\$30,000.0																
Oakland	South Foundation Hall Renovation and Expansion	\$40,000.0	\$30,000.0																
Western	IF-1 Dunbar Hall Renovation	\$40,000.0	\$30,000.0																
Wayne State	No Project Request for FY 2020																		
<b>TOTAL</b>		<b>\$566,014.0</b>	<b>\$323,745.0</b>																

Community College	FY 2020 Capital Outlay Request	Evaluation Criteria																	
		Total Estimated	Total Estimated	Purpose	Jobs	Core	Infra	Life/Safety	Utilization	Sustainable	Cost	Match	Operating	Tuition	History	One Bldg	Compliance	TOTAL	Ranking
		Cost	State Share																
Bay de Noc	Renovation of Catherine Bonifas Building: Escanaba Campus	\$1,880.0	\$940.0	8.8	26.8	21.8	10.0	Y	5.0	6.0	20.0	0.0	3.5	10.0	8.0	10.0	10.0	139.8	1
St. Clair	Skilled Trades - ATC Renovation	\$16,900.0	\$8,450.0	7.5	23.8	27.3	10.0	Y	4.5	3.0	15.0	0.0	5.8	10.0	10.0	10.0	10.0	136.8	2
Monroe	Renovation and Addition to Welch Health Education Building	\$7,262.0	\$3,631.0	9.0	26.0	21.3	6.0	N	5.0	2.0	20.0	0.0	9.0	10.0	6.0	10.0	10.0	134.3	3
Lansing	Cybersecurity Education and Veterans Resource Center	\$7,000.0	\$3,250.0	7.3	25.8	28.0	10.0	Y	5.3	6.0	10.0	2.0	6.0	10.0	4.0	10.0	10.0	134.3	3
Northwestern	Student Learning Support Services Renovation Project	\$3,000.0	\$1,500.0	8.5	24.8	24.0	10.0	Y	5.8	3.0	20.0	0.0	3.3	8.8	4.0	10.0	10.0	132.0	5
Oakland	Auburn Hills Campus - Earl M. Anderson - A Building Renovation and Expansion	\$30,000.0	\$10,000.0	6.0	15.0	23.8	7.0	Y	7.8	3.0	15.0	7.0	6.5	10.0	10.0	10.0	10.0	131.0	6
Wayne County	Digital Communications Studio	\$6,784.0	\$3,392.0	10.0	25.0	19.0	2.5	N	2.5	8.0	20.0	0.0	5.0	10.0	6.0	10.0	10.0	128.0	7
Montcalm	Smith Health and Natural Sciences Renovation	\$3,830.1	\$1,915.0	8.3	15.8	18.5	10.0	Y	5.8	3.0	20.0	0.0	3.8	8.8	8.0	10.0	10.0	121.8	8
Alpena	Charles R. Donnelly Natural Resources and STEM Innovation Center	\$6,500.0	\$3,250.0	7.0	14.3	16.0	10.0	Y	1.8	1.8	20.0	0.0	5.0	10.0	8.0	10.0	10.0	113.8	9
Mid-Michigan	Tech and Skilled Trades Expansion: Morey Tech Education Center	\$9,200.0	\$4,600.0	2.0	20.0	20.0	1.0	N	3.5	2.0	20.0	0.0	3.8	10.0	6.0	10.0	10.0	108.3	10
Washtenaw	Center for Success	\$19,600.0	\$8,550.0	4.8	12.0	16.3	7.0	N	3.3	4.3	15.0	3.0	3.0	10.0	4.0	10.0	10.0	102.5	11
Gogebic	Health Occupations Center and Exterior Renovations	\$2,700.0	\$1,350.0	5.5	5.8	8.5	10.0	N	6.3	2.3	20.0	0.0	2.8	10.0	10.0	10.0	10.0	101.0	12
Mott	Lenore Croudy Family Life Center	\$10,300.0	\$5,150.0	4.5	8.0	10.3	7.0	Y	3.8	6.0	15.0	0.0	4.0	10.0	4.0	10.0	10.0	92.5	13
Kellogg	Physical Plant Project	\$4,000.0	\$2,000.0	8.0	3.3	5.0	5.0	Y	0.0	2.0	20.0	0.0	2.0	10.0	8.0	10.0	10.0	83.3	14
West Shore	Recreation Center Renovation	\$4,696.5	\$2,348.2	2.0	4.3	2.8	10.0	N	0.8	1.0	20.0	0.0	1.3	10.0	10.0	10.0	10.0	82.0	15
Kalamazoo	TTC (East) Redevelopment and Automotive Technology Program	\$9,000.0	\$4,500.0	5.0	5.0	4.3	0.0	N	2.0	6.0	20.0	0.0	2.0	10.0	2.0	2.0	10.0	68.3	16
Delta	Electronic Media Broadcasting - A Wing Renovation	\$2,810.0	\$1,405.0																
Glen Oaks	Campus Renovation	\$6,950.0	\$3,475.0																
Henry Ford	Entrepreneur and Innovation Institute/Technology Building Renovation and Addition	\$14,900.0	\$6,705.0																
Macomb	Skilled Trades and Advanced Technology Center Renovation	\$40,127.3	\$14,847.1																
Schoolcraft	Applied Science Renovation and Expansion	\$21,479.4	\$10,000.0																
Grand Rapids	No Project Request for FY 2020																		
Jackson	No Project Request for FY 2020																		
Kirtland	No Project Request for FY 2020																		
Lake Michigan	No Project Request for FY 2020																		
Muskegon	No Project Request for FY 2020																		
North Central	No Project Request for FY 2020																		
Southwestern	No Project Request for FY 2020																		
<b>TOTAL</b>		<b>\$207,439.9</b>	<b>\$91,258.4</b>																

State Agency	FY 2020 Capital Outlay Request	Evaluation Criteria																	
		Total Estimated	Total Estimated	Purpose	Jobs	Core	Infra	Life/Safety	Utilization	Sustainable	Cost	Match	Operating	Tuition	History	One Bldg	Compliance	TOTAL	Ranking
		Cost	State Share																
DTMB	Secondary Complex - Secretary of State Building Renovation and Addition	\$49,900.0	\$49,900.0	9.0	23.8	30.8	6.0	Y	8.3	4.0	0.0	N/A	8.5	N/A	N/A	10.0	10.0	110.3	1
MSP	West Branch - New Post	\$7,000.0	\$7,000.0	3.3	10.0	28.8	0.0	Y	1.0	2.0	20.0	N/A	3.0	N/A	N/A	10.0	10.0	88.0	2
<b>TOTAL</b>		<b>\$56,900.0</b>	<b>\$56,900.0</b>																

# FY 2020 Project Recommendations

No State Building Authority financed major capital outlay projects recommended.

# Scoring Available Online



Information is posted on the State Budget Office internet site:

[https://www.michigan.gov/documents/budget/FY20\\_Capital\\_Outlay\\_648085\\_7\\_648291\\_7.pdf](https://www.michigan.gov/documents/budget/FY20_Capital_Outlay_648085_7_648291_7.pdf)

## Contact Information

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# Questions

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