



LEGISLATIVE BUDGET BOARD

Facility Related Capital Needs and Deferred Maintenance

PRESENTED TO HOUSE APPROPRIATIONS COMMITTEE

LEGISLATIVE BUDGET BOARD STAFF

FEBRUARY 2017



Historical Deferred Maintenance Funding

- In the **82nd Session**, General Obligation (GO) Bond proceeds from Proposition 4 for deferred maintenance projects totaled \$110.0 million (excluding debt service).
- In the **83rd Session**, GO Bond proceeds from Proposition 4 for deferred maintenance totaled \$142.0 million (excluding debt service). Additionally, appropriations of General Revenue, matching Federal Funds, and State Highway Fund 6 brought total appropriations to \$186.8 million.
- In the **84th Session**, agencies requested \$1.5 billion in All Funds for deferred maintenance needs. \$445.1 million was included in the 2016-17 General Appropriations Act, mainly through GR-D Account No. 5166 Deferred Maintenance funds (\$387.7 million) and General Revenue (\$57.4 million).
 - SB 2004, 84th Legislature, Regular Session, 2015, was passed relating to deferred maintenance funding for state owned facilities. The bill has two purposes:
 - 1) the creation of a Joint Oversight Committee on Government Facilities; and
 - 2) the creation of a Deferred Maintenance Fund (GR-D Account 5166), which also included the transfer of \$387.7 million in GR and GR-D funds to the newly created account.

Joint Oversight Committee on Government Facilities

- The Joint Oversight Committee (JOC) is required to:
 - Biannually provide a report to the legislature that includes an update of expenditures and obligations from the deferred maintenance fund as well as the status of ongoing and completed projects; and
 - Provide a budget recommendation including deferred maintenance recommendations for the next biennium.
- In the most recent Biannual Legislative Report, issued October 2016, the JOC issued the following budget recommendations for the 85th Legislature:
 - Fund each agency's deferred maintenance baseline and exceptional budget requests as appropriated funds are deemed available.
 - Continue the quarterly reporting process for all agencies receiving funding for deferred maintenance.
 - Approve unexpended balance authority for current deferred maintenance projects funded in the 2016-17 biennium.

2016-17 New Construction Funding

- **84th Legislature.** Agencies were appropriated \$803.7 million for new construction projects. This appropriation is mainly reflected in the \$767.7 million Revenue Bond Proceed appropriation to Texas Facilities Commission (TFC) for new construction projects at the Capitol Complex and the North Austin Complex.
 - Capitol Complex project funding included appropriations for two new phase one office buildings (\$509.9 million) and utility infrastructure (\$71.3 million).
 - North Austin Complex project funding included appropriations for phase one of a new building and parking garage (\$186.4 million).

2018-19 Capital Needs Recommendations

- Generally, funding for new capital needs requests, both new construction and deferred maintenance, is not included in the bill as introduced. Exceptions to this include:
 - **Agencies with long-standing base funding for capital needs.** New capital needs funding in the 2016-17 biennium was generally considered one-time. However, some agencies' budgets contain amounts allocated for ongoing maintenance needs, and that funding has been part of their budgets for at least several biennia.
 - **Agencies with specialized or dedicated methods of finance to support capital needs appropriation.** For example, recommendations include funding from the Alamo Complex Account, funded by revenue generated at the site, to support the Alamo's operations and maintenance.
- **2016-17 baseline amounts removed in 2018-19.** 2016-17 appropriations for new construction and deferred maintenance included in agencies' base requests are not funded in the 2018-19 introduced bill.
- **UB carry-forward riders added for unobligated 2016-17 appropriations.** For agencies with anticipated unobligated 2016-17 funding, riders were added authorizing those funds to be carried-forward into the 2018-19 biennium.

2018-19 Summary of Capital Needs in HB1

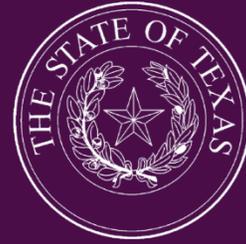
2018-19 Capital Needs – Selected Items Included in HB1 as Introduced (in millions)		
Agency	2018-19 Introduced Bill	Explanation of Funding Items
Facilities Commission	\$10.0	A portion of long-standing base funding, identified for emergency repairs
Health and Human Services Commission	\$4.5	Capital repairs and renovations at state supported living centers
Department of State Health Services	\$1.0	Long-standing base funding for maintenance
Teachers Retirement System	\$4.0	TRS Trust funded new construction
Military Department	\$4.2	Long-standing base funding for maintenance
Department of Public Safety	\$34.8	\$19.9m re-appropriation of unobligated GO bond proceeds; \$14.9m in long-standing base funding
Department of Criminal Justice	\$40.0	Deferred maintenance
General Land Office	\$85.6	Revenue-supported Alamo Complex Account for operations and maintenance
Parks and Wildlife Department	\$29.0	\$18.7m re-appropriation of unobligated deferred maintenance funding; \$10.3m in for long-standing base funding for deferred maintenance
Department of Transportation	\$6.0	Fund 6 funded new construction of radio towers for FCC compliance
Texas Workforce Commission	\$6.2	Long-standing base funding for maintenance
TOTAL	\$225.3	

2018-19 Capital Needs New Construction

- **85th Legislature.** Exceptional item requests for all agencies total approximately \$973.3 million in the 2018-19 biennium for new construction projects. This total is driven mainly by requests at TFC and Texas Department of Transportation (TxDOT).
 - TFC is requesting \$541.0 million in Revenue Bond Proceeds for phase two construction at the Capitol Complex (\$357.0 million) and the North Austin Complex (\$184.0 million).
 - TxDOT is requesting \$382.8 million in State Highway funds to replace maintenance buildings across the state as well as constructing a new Austin headquarters.
- The introduced bill includes \$75.4 million in funding for new construction projects in the 2018-19 biennium.
- Health and Human Services Commission (HHSC) did not include funding for repair and construction of state hospitals in their revised list of exceptional items.

2018-19 Capital Needs Deferred Maintenance

- **85th Legislature.** The current exceptional item requests for all agencies includes approximately \$803.3 million in funding for facility repair projects in the 2018-19 biennium. Of this total, \$624.8 million represents deferred maintenance and \$12.1 million represents Health and Safety needs. This total is driven mainly by requests at TFC and Texas Department of Transportation (TxDOT).
 - TFC is requesting \$357.0 million for deferred maintenance projects among their state owned building portfolio.
 - TxDOT is requesting \$115.3 million in State Highway funds to renovate and upgrade maintenance and storage buildings across the state.
- The introduced bill includes \$111.7 million in funding for deferred maintenance (including Health and Safety) projects in the 2018-19 biennium.



LEGISLATIVE BUDGET BOARD

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