

Capital Update

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Agenda

- Capital/Construction Appropriations
- Budget Committee Oversight of Capital
- Construction Funds
- Deferred Maintenance
- Project Costs for This Biennium
- Questions



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Capital/Construction Appropriations

- The Budget Bill includes 4 types of capital appropriations
 - Preventive Maintenance (PM)
 - Recurring annual appropriation
 - Example – Painting the exterior trim will prevent water absorption and infiltration
 - Repair and Rehabilitation (R&R)
 - Although specific projects may not be recurring, basic R&R appropriations are considered to be recurring
 - Example – Water infiltration has occurred. Repairs are needed to the exterior trim and damage caused by the water infiltration
 - Line Item Projects
 - One-time projects – often the construction of a new building
 - Also used for funding larger IT projects
 - Non-recurring appropriations
 - Lease Rental Payments
 - Typically payments to IFA to cover debt service for bonded projects

Budget Committee Oversight of Capital

- R&R and Line Item Projects are generally brought to Budget Committee for review before going out for bid
- November 1994 – Budget Committee minutes stated “Projects funded from appropriations made in the capital SECTION of the Budget Act which are for \$100,000 or more must be reviewed by the State Budget Committee prior to the expenditure of funds.”
- May 2013 – Budget Committee allowed SBA to add up to 10% after review if necessary
- June 2018 – Budget Committee increases the review threshold set in 1994 to \$250,000 for construction projects and keeps the \$100,000 review threshold for design/engineering projects
- September 2021 – Budget Committee increases the amount that Budget Agency may add to previously reviewed projects to 25% (through the end of FY 2022)
 - Extended through the rest of the biennium at the June 2022 meeting

Construction Funds

- Capital projects have usually been funded from the following funds:
 - General Fund
 - State Highway Fund (only INDOT's buildings)
 - IVH Building Fund (only for IVH)
 - Tobacco Master Settlement Fund (none currently)
 - State Construction Fund (formerly Postwar Construction Fund)

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State Construction Fund

- Formed from the merger of the Postwar Construction Fund and State Police Building Fund
- Per IC 7.1-4-8-2, the fund can be used for the construction, reconstruction, rehab, repair, purchase, rental, and sale of state properties and institutions
- Receives a portion of beer, liquor, and wine excess taxes, as well as vehicle and IRP registration fees.
- Both revenues and expenses are typically in the \$23M to \$25 range
- Anticipated to end FY23 with a balance of \$12M

Deferred Maintenance

- The 2019 Budget Bill appropriated \$150M for Deferred Maintenance
 - The Governor directed \$100M of this for DNR/Parks.
 - Most of the remaining \$50M will have been released by the end of FY 2023
- At the February 2022 Budget Committee meeting, \$2.5M was released to IDOA to conduct a statewide asset inventory and facilities assessment
 - Initial feedback from the vendor suggests that \$300M of deferred maintenance remains not including DNR

Project Costs for This Biennium - Released

- For the current biennium, most project costs were originally estimated during budget development (late 2020/early 2021)
- Bids have come in significantly higher for most projects
 - AGO – Danville Armory – 73% increase (state funding)
 - AGO – Knightstown Building #2 Roof – 52% increase
 - War Memorials – Fire System Upgrades – 37% increase
 - War Memorials – Soldiers and Sailors Monument Waterproofing – 47% increase
 - INDOT – Materials and Testing Lab Phase IV – 63% increase
 - INDOT – Bluffton Subdistrict Renovation – 94% increase
 - State Fair – Fall Creek Pavilion – 27% increase
 - DOC – Heritage Trails Fire Alarms – 20% increase

Project Costs for This Biennium - Remaining

- Westville Correctional Facility
 - Appropriated \$400M in 2021 Budget Bill
 - New estimate is \$1.2B
- Deaf and Blind Schools
 - Part of the Capital Reserve Account in this biennium at \$275M
 - New estimate is \$655M
- DNR Inns at Potato Creek and Prophetstown State Parks
 - Part of the Capital Reserve Account in this biennium at \$60M
 - New estimate for Potato Creek Inn is \$125M
- State Archives Building
 - Part of the Capital Reserve Account in this biennium at \$40M
 - New estimate is \$97M
- SBA/OMB, IDOA, and the Gov's Office are reviewing the updated estimates and will make recommendations in the Governor's budget (changing the scope, looking at funding options, and changing the construction timeframe)



Questions?

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