Capital Update
12/7/2022

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Agenda

• Capital/Construction Appropriations
• Budget Committee Oversight of Capital
• Construction Funds
• Deferred Maintenance
• Project Costs for This Biennium
• Questions
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 need 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)
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 be 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?