
Capital Budget Committee

HB 1789

Brief Description: Concerning capital budget project savings.

Sponsors: Representatives Blake, Priest and Dunshee.

Brief Summary of Bill

- The bill revises provisions pertaining to capital budget project savings, generally allowing agencies to use half of the savings for infrastructure improvements while the remaining savings goes toward funding for common school construction.

Hearing Date: 2/19/03

Staff: Marziah Kiehn-Sanford (786-7349).

Background:

Under the Budgeting and Accounting Act, the Office of Financial Management has oversight responsibility for agency expenditures of both capital and operating budget appropriations. Current authority through the capital budget authorizes the director of the Office of Financial Management to transfer savings from one project to another within an agency provided certain conditions are met. Conditions on the transfer include an assurance of adequacy of funds to complete the donating project, the same fund source and a restriction on not expanding the scope of the receiving project.

Transfers in excess of \$250,000 require notification of legislative fiscal committees and a 30 day waiting period before the transfer can be finalized. Emergency transfers are exempt from the waiting period.

In 1996, the legislature instituted infrastructure savings appropriations of \$1 for several agencies; these appropriations have served as receiving projects for transfer of project savings. Generally the agencies with these appropriations have been those with large projects which, through good project management, might realize savings.

An infrastructure savings appropriation (also known as a "dollar account") can be requested by any agency during budget development. The primary purpose of the fund transfer to the

dollar account is to correct infrastructure deficiencies and avoid untimely capital or operating fund expenditures. The use of funds from infrastructure savings appropriations have traditionally been restricted to (1) road repair; (2) roof repair; (3) electrical system repair; (4) steam and utility distribution system repair; (5) plumbing system repair; (6) heating, ventilating, and air conditioning repairs; and (7) emergency repairs due to natural disasters or accidents.

There have been several large (over \$1 million) requests from agencies in the 2001-03 biennium to transfer project savings. The Office of Financial Management does not have authority or criteria to condition or restrict transfers. OFM must report on cost overruns or underruns at the end of each fiscal year.

Summary of Bill:

Criteria for use of savings on a capital project is modified. No changes are made for transfer from one nearly completed project to a project in need of funds to be finished or for an emergency. For projects with no scope reduction or project budget overestimation, the project savings are divided equally between the agency and the Education Construction Account for use for common school construction.

That portion of a project which has bid savings, savings as a result of scope reduction or which was overestimated is transferred to the Education Construction Account for use for common school construction. Project savings are then divided equally between the agency for infrastructure projects and the Education Construction Account for use for common school construction.

An annual report of significant cost overruns or underruns to legislative fiscal committees must be made by OFM to legislative fiscal committees by the end of each calendar year. Significant cost overruns are defined as amounts larger than \$250,000. Agencies are directed to incorporate the information OFM will need for this report into their project management practices.

Appropriation: None.

Fiscal Note: Not Requested.

Effective Date: The bill takes effect ninety days after adjournment of session in which bill is passed.