

TOPIC: CAPITAL ASSETS ANNUAL REPORT FY 2006-07

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I. SUMMARY

Each year the Department of Higher Education (the Department) presents an annual report to the Colorado Commission on Higher Education (the Commission) summarizing the work of the Capital Assets section, the overall environment of higher education capital funding, and the annual capital budgeting process. This year, the Annual Report is intended to function as an informational resource, similar to the Office of the State Architect's Annual Report, and to present an extensive and consistent set of data that can be updated on an annual basis. The report is divided into six sections and eleven appendices included in the binder accompanying this agenda item.

While institutions of higher education did very well in the FY07-08 capital budget, receiving almost twice the state funding received in FY06-07, their overall capital needs remain significant compared to revenue forecasts. In total, 18 higher education capital projects and numerous Controlled Maintenance projects at a total cost of about \$142.3 million in state funds were funded in the FY07-08 budget. Due to five years of little to no capital funding, the amount of funding this year does not address the backlog of capital needs and deferred maintenance. Currently, institutions list over \$1.3 billion in state funded capital needs for the next five years (FY07-08 through FY11-12). Institutions also plan to spend almost \$1.3 billion of their own cash sources to meet the capital needs on their campuses. In actuality these numbers probably underestimate institutions' true capital needs. It is likely that \$2.5 to \$3 billion more accurately reflects the amount of state funding needed to improve and repair existing facilities and construct new facilities for modern educational delivery.

To address this complex issue, the Commission reconvened the Task Force on Alternative Funding for Capital Construction and Controlled Maintenance, which began meeting on March 14, 2007, and plans to meet throughout the summer to craft a legislative proposal by October 2007.

In addition to summaries of the FY07-08 capital budget and the significant revisions made to the Department's capital policies and guidelines, this report presents new data gained in FY06-07 and the FY07-08 capital budget process including capital funding history, estimated capital needs, funding projections, an overview of funded projects and a summary of Commission actions. Sections of the report are outlined as follows:

- Section 1: FY07-08 Funding Summary and Accomplishments
- Section 2: Five-Year Plans, Capital Construction and Controlled Maintenance
- Section 3: Capital Funding Ten-Year History
- Section 4: State of Colorado Capital Revenue Forecasts

- Section 5: Summary of Commission Actions and Reports
- Section 6: Enrollment and Facility Planning Data

IV. STAFF RECOMMENDATION

No Commission action is necessary; this item is for informational purposes only.