

**TOPIC: FIVE-YEAR STATE FUNDED AND TWO-YEAR CASH FUNDED  
CAPITAL PROGRAM LISTS**

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**I. SUMMARY**

This agenda item requests Commission approval of the attached unified five-year and unified two-year reports of capital construction projects submitted by institutions of higher education.

Statute requires the Commission to annually request from the governing board of each institution of higher education two distinct lists of capital construction projects. The first is a prioritized five-year projection of projects requesting state funding. The second is an unprioritized two-year projection of projects that will be constructed using 100% cash funds. The Commission then prepares a unified five-year and a unified two-year report of projects from all institutions. The Department transmits these reports to the Office of State Planning and Budgeting (OSPB) and the General Assembly.

At the October 2009 meeting, the Commission adopted a prioritization list for FY2010-11 state funded projects. While related, these lists serve distinct purposes. The prioritization list requested funds for specific projects. The five-year list is meant to provide information for long range planning and is non-binding. The two-year list provides information for planning and one part of the approval process for cash funded projects.

The Five-Year State Funded Capital Program list covering FY2010-11 through FY2014-15 contains 111 capital construction projects from the governing boards (the Colorado Historical Society now submits directly to OSPB and the General Assembly and is no longer included). Attachment A includes the final Five-Year State Funded Capital Program list. The five-year plans are approved and prioritized by each governing board before submission. The projected five-year total cost of projects is over \$2.3 billion (excluding funds already appropriated for projects).

The Two-Year Cash Funded Capital Program list covering FY2010-11 through FY2011-12 contains 60 capital construction projects from the governing boards (the Colorado Historical Society now submits directly to OSPB and the General Assembly and is not included). Attachment B includes the final Two-Year Cash Funded Capital Program list. The two-year plans are approved but not prioritized by each governing board before submission. The total cash cost of the two-year list shows that over \$890 million will be provided by institutions through institutional sources or federal sources.

**II. BACKGROUND**

Prior to the current FY2010-11 budget cycle, governing boards were required to submit a single unified five-year plan for capital construction projects. This five-year plan included state funded requests and cash funded proposals. With the passage of SB09-290, institutions of higher education

were granted considerable flexibility in the area of capital construction. This legislation also revised the submission criteria for the five-year list, by dividing it into two distinct lists.

It is important to note that state funded requests may contain cash contributions, where institutions provide either cash or federal funds as an incentive for the state to provide the requested funds. A project that includes any state funds, regardless of the percentage of total funds, is considered a state funded project.

By contrast, cash funded projects contain only institutional cash funds or federal funds. No state money is requested for the planning, construction, or outfitting of the facility, though appropriated Controlled Maintenance funding may be available in the future for certain subsets of cash projects. A project that does not include any state funds for planning, construction, or outfitting, is considered a cash funded project.

SB09-290, significantly amended C.R.S. 23-1-106 (6) to require governing boards to submit a five-year capital projection for state funded requests, and a two-year capital projection for entirely cash funded projects. C.R.S. 23-1-106 (7) was also amended to require the Commission to prepare a unified five-year capital improvements report for state funded projects, and a unified two-year capital improvements report for cash funded projects.

The General Assembly's Capital Development Committee (CDC) then holds hearings on the two-year list to either approve the projections or return them to the institution for modifications. The CDC held hearings on the five-year and two-year capital projections on December 2<sup>nd</sup> and 3<sup>rd</sup>, 2009.

Governing boards are permitted to amend their two-year lists at any point during the fiscal year, and such amendments are submitted to the Commission and the CDC for re-approval.

Department and CDC staff have come to mutual agreement on the implementation of SB09-290 that no Cash Funded project may commence until that project has received: approval from the Commission and the CDC on the Two-Year list (for non-Intercept projects); or Commission and CDC approval on the Two-Year Cash Funded Program list and Commission review and approval of a program plan (for Intercept projects).

### **III. STAFF ANALYSIS**

Table 1 displays the total higher education state funding needs by funding type as reported on the five-year list including totals for Capital Construction Funds (CCF or state funds), Cash Funds (CF), Reappropriated Funds (RF), and Federal Funds (FF). The combined five-year plans show total needs of over \$2.3 billion in Total Funds and state funding needs of over \$1.9 billion. Total FY2010-11 state funded requests are over \$470 million with total fund requests at over \$530 million.

**Table 1:  
Five-Year State Funded Capital Program  
FY2010-2015**

	<b>Five-Year Cost</b>	<b>Current Year Cost</b>
<b>CCF</b>	\$1,921,561,263	\$478,339,830
<b>CF</b>	\$412,893,225	\$54,198,540
<b>RF</b>	\$19,500,000	\$0
<b>FF</b>	\$0	\$0
<b>Total Funds</b>	<b>\$2,353,954,488</b>	<b>\$532,538,370</b>

This Table indicates that public institutions of higher education in Colorado will need over \$500 million this year to meet current capital requests. The five-year capital needs projection seeks almost \$2 billion in state funds, while actual revenue forecasts for the state project little to no money to be appropriated for capital over that same time frame. As the current economic downturn continues to delay capital construction, expectations are high that a significant backlog of capital projects will develop. The anticipated result is that a majority of the burden will continue to be placed on the institutions to continue to fund these projects through cash sources such as student fees, cash reserves, private donations, and increasingly, through bonds funded by tuition revenue.

Table 2 displays the projections for cash funded projects as reported on the two-year list by funding type including totals for Cash Funds (CF) and Federal Funds (FF). The combined two-year plans show that institutions are willing and aiming to bring forward over \$880 million in total funds for their own capital needs.

**Table 2:  
Two-Year Cash Funded Capital Program  
FY2010-2012**

<b>CF</b>	\$777,386,406
<b>FF</b>	\$113,164,437
<b>Total Funds</b>	<b>\$890,550,843</b>

Institutions have reluctantly pursued student capital construction fees as an alternative capital funding source. Institutions have sought and received student support on these capital fees. Presently, students at the Colorado School of Mines, University of Colorado at Boulder, Colorado State University, Colorado State University – Pueblo, Adams State College, and the Metropolitan State College of Denver have voted to implement stand alone capital fees for current and future campus needs. Given the projected scarcity of state funds for higher education capital construction, institutions increasingly strain operating revenues and place a greater financial burden on students in order to build and maintain the facilities crucial to the future and functionality of the institutions.

The numbers and projects included in Attachments A and B include the most current five-year and two-year plans as submitted by governing boards. Dollar amounts shown are likely to change as schools request additional cash funded projects, governing boards reprioritize and the General Assembly requests further phasing of certain projects.

Table 3 shows the number of projects requested by each governing board by their status as either state funded or cash funded projects. Projects that include a combination of state and cash funds are included as 'state funded' since these projects will require state capital appropriations.

**Table 3:  
Number of Project Requests by Institution and Governing Board**

	<b>State Projects</b>	<b>Cash Projects</b>	<b>Total Projects</b>
AHEC	5	0	5
ASC	4	4	8
CCCS	35	5	40
ACC	0	1	1
CNCC	0	2	2
CCA	0	0	0
FRCC	4	0	4
LCC	6	0	6
Lowry	0	0	0
MCC	3	0	3
NJC	4	1	5
OJC	3	0	3
PCC	3	1	4
PPCC	5	0	5
RRCC	2	0	2
TSJC	5	0	5
CSM	8	7	15
CSU System	19	22	41
Fort Collins	14	19	33
Pueblo	5	3	8
CU System	21	16	37
Boulder	15	7	22
Colorado Springs	3	4	7
Denver	3	5	8
FLC	6	0	6
MSC	4	3	7
MSCD	0	1	1
UNC	6	1	7
WSC	3	1	4
<b>Total</b>	<b>111</b>	<b>60</b>	<b>171</b>

The Five-Year and Two-Year lists are difficult to compare because they cover different time periods. However the fund splits among the different categories can be significant. When considering the total capital projections/requests from the two lists and examining the fund splits as percentages, it becomes clear that institutions of higher education are bringing substantial sums of money for their

capital construction needs. Overall this means that when looking at total state funds, cash funds, and federal funds, the fund split is: 59.6% CCF, 36.9% CF, and 3.5% FF. CSU is the leader among institutions with multiple projects, 38% of project costs are being requested from state funds while 61% come from cash funds.

To compare the Five-Year and Two-Year lists more directly, it is worth noting that in FY2010-11 and FY2011-12 institutions are requesting almost \$883 million in state funds, but offering almost \$929 million in cash funds and seeking over \$113 million in federal funds. This translates into a two year fund split of: 45.9% CCF, 48.3% CF, and 5.9% FF.

Institutions of higher education listed 60 cash funded projects on the Two-Year list for FY2010-11 and FY2011-12. For these projects Table 4 displays the breakdown between the academic and auxiliary nature of the project and whether or not the project will be financed under the Higher Education Revenue Bond Intercept Program (C.R.S. 23-5-139). The Intercept program permits schools to issue bonds for capital construction and use either the state's credit rating (opt in), or use their own credit rating (opt out). Academic facilities are those that are considered core to the role and mission of the institution (e.g. classrooms, student services, libraries), while auxiliary facilities are those that are not considered core to the role and mission and exist for some other purpose (e.g. residence halls, recreation centers, parking facilities).

**Table 4:**  
**Cash Funded Project Types**

	<b>Academic</b>	<b>Auxiliary</b>	<b>Total</b>
<b>Intercept</b>	7	11	<b>18</b>
<b>Non-Intercept</b>	30	12	<b>42</b>
<b>Total</b>	<b>37</b>	<b>23</b>	<b>60</b>

In accordance with the statutory amendments of SB09-290, academic facilities constructed under the new capital procedures will be eligible for state Controlled Maintenance Funds. Also due to new statutory provisions, any Non-Intercept projects will only have their cost projections reviewed in the Two-Year list, while Intercept projects require approval in the Two-Year list as well as program review. In accordance with the two step approval process for cash funded projects, the Department (acting with the power delegated by the Commission (CCHE Policy III.J)) will review all budget documents submitted for Intercept Act cash projects and submit all forms to the General Assembly's Capital Development Committee as they are approved.

### **III. STAFF RECOMMENDATION**

**That the Commission approve the Five-Year State Funded Capital Program and the Two-Year Cash Funded Capital Program and forward it to the Governor, the Office of State Planning and Budgeting, the Capital Development Committee and the Joint Budget Committee.**

**IV. STATUTORY AUTHORITY**

C.R.S. 23-1-106

**ATTACHMENT A:** Five-Year State Funded Capital Program FY2010-2015

**ATTACHMENT B:** Two-Year Cash Funded Capital Program FY2010-2012