

**TOPIC: NEW AND CONTINUING STATE-FUNDED CAPITAL PROJECTS
AND PRIORITY LIST, FISCAL YEAR 2010-11**

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I. SUMMARY

The Department reviewed a total of 47 new or continuing state funded capital construction requests for FY10-11. Out of this total, one project is the continuing annual Certificates of Participation (COP) payment for the University of Colorado Denver Anschutz Medical Center. Of the 46 non-continuation projects reviewed, 36 projects were approved and prioritized but not funded in FY09-10, seven projects were deappropriated in FY08-09 due to the current budget shortfall, and three are new projects. The total FY10-11 cost of all projects requested by institutions of higher education for funding is \$489,956,450. The total cost for all requested projects is \$1,255,818,541, including prior state appropriations (\$43,836,185), prior cash funds (\$86,628,486), out-year state costs (\$420,676,240), and out-year cash costs (\$156,706,958).

Of the 47 requests shown on the priority list recommended by staff (Attachment A), 44 projects are recommended for approval and 16 of those are assigned priority numbers. The first project is the statutorily required Anschutz COP payment; the next 15 projects were priority ranked by the Commission's Capital Development sub-committee; the next 28 projects are recommended for approval but not ranked by the sub-committee and therefore not prioritized; and the final three projects are neither recommended nor ranked.

The recommended priority list of 16 ranked capital requests totals \$202,521,243 in state funds, and an additional 28 unranked capital requests totals an additional \$280,440,907 in state funds.

Once approved by the Commission, Department staff will forward the final prioritization list to the legislature's Capital Development Committee (CDC) on November 1, 2009. Staff will also forward the list to the Governor's Office of State Planning and Budgeting (OSPB) immediately after approval to guide the prioritization of higher education projects in the state prioritization list.

II. BACKGROUND

C.R.S. 23-1-106 (5) requires the Commission to approve program plans or program plan amendments for any capital construction project requesting state funds. For those projects costing less than \$2,000,000, institutions may request that the Commission waive program planning requirements; however, these projects are prioritized alongside requests with costs exceeding \$2,000,000. C.R.S. 23-1-106 (7) (a) requires the Commission to submit a recommended priority list to the CDC by November 1st annually.

Last year, the Commission recommended to the CDC a list of 39 capital requests totaling \$427,745,999 in state funds. The legislature was unable to fund higher education capital projects in the 2009 Long Bill; however, a number of controlled maintenance projects did receive funding.

III. STAFF ANALYSIS

Staff considered several different approaches and methodologies for a priority list. Early discussions included the possibility of the sub-committee and the Commission utilizing a quantitative prioritization methodology. That methodology was not intended to replace Commission input, but rather to provide institutions more definitive criteria for the sub-committee in the determination of ranking projects.

On September 18, 2009, the Commission's Capital Development sub-committee held a public meeting to discuss a tentative methodology for the annual priority list. This meeting allowed institutions to discuss initial quantitative criteria and to offer their concerns and recommendations. Using feedback from institutions, Department staff compiled additional quantitative criteria and then distributed this second iteration for institutional comment. These comments helped the sub-committee to decide which criteria could be considered more heavily.

Additional correspondence and working meetings on September 22 and October 1, 2009 provided the opportunity to further discuss available data that could be used to create a prioritization model.

Using institution input, DHE staff analysis, project information, and professional judgment, the sub-committee developed the attached priority list (Attachment A). The resulting priority list was divided into three sections as projects that are: 1) *approved and ranked*; 2) *approved but not ranked*; and 3) *neither approved nor ranked*.

Given the current economic situation and the unlikely scenario that the state will have capital construction funds for FY10-11, the sub-committee decided to prioritize only 16 projects. These projects were selected based on factors including: nature of project, impact on student education, governing board ranking, facility condition, student FTE enrollment growth, total project cost, cash contribution vs. state obligation, and the sub-committee's determination of need, relevance, and rationality of project.

The second tier of projects are approved, but not prioritized. In the event that sufficient funds become available for additional projects to receive state funding, the sub-committee may need to meet again to further prioritize projects in accordance with the total funding dollars available. The approved but not ranked projects are listed alphabetically by institution for summary purposes only, and their order on the attached list should not be considered significant. These 28 projects, while not ranked, will be included in the submission to the CDC.

Several unfunded projects included on prior Commission priority lists included minor changes to cost estimates and budgets that staff reviewed and determined to be in line with current expenses.

DHE staff recommend that the Commission not approve three state-funded requests. The first project is the University of Northern Colorado's (UNC's) Butler Hancock project. Butler Hancock received funding through the Federal Mineral Lease (FML) COP issuance for FY09-10 as well as a state contribution of \$3,000,000. Due to the economic downturn and state deappropriation of several capital construction projects, UNC did not receive the \$3,000,000 in state funds. UNC had originally submitted this deappropriation as a current year request, but subsequently chose to withdraw the request and use institutional cash funds due to the time constraints of the ongoing project. Given this assurance, staff recommends that the project not be prioritized for state funds.

Staff recommend that the proposed Mesa State College's Events Center not be prioritized. While nothing in statute prohibits state funds from being expended on a project of this nature (a 5,000 seat event center for the campus and community), staff believe that in the current limited budget available for capital construction, any funds that may become available would best serve students by focusing on facilities more central to the core mission of the institution.

For similar reasons, staff also recommend that the proposed Western State College's Press Box Expansion and Renovation not be prioritized. While nothing in statute precludes state funds from being expended on a project of this nature (aiming to bring a stadium press box up to Americans with Disabilities and safety code compliance), staff believe that in the current limited budget available for capital construction what funds may become available would best serve students by focusing on facilities more central to the core mission of the institution.

Although these projects are not recommended for inclusion in the state-funded priority list, the project request will be forwarded to the Office of State Planning and Budgeting and the Capital Development Committee for informational purposes. Per statute, the General Assembly only appropriates funds for projects the Commission approves.

The enclosed prioritization list (Attachment A) is intended for the use of available state capital construction funds. In the event that a second issuance of FML COPs occurs or more money is anticipated from FML revenues, the sub-committee has endorsed the separate FML list that names the remaining five unfunded projects in their original order from HJR08-1042 (Attachment B).

IV. STAFF RECOMMENDATION

That the Commission approve the following one new program plan:

- **ASC – Education and Social Sciences Building**

That the Commission not approve the following three project requests:

- **UNC – Butler Hancock**

- **WSC – Press Box Expansion & Renovation**
- **MSC – Events Center Phase 1**

That the Commission approve the FY10-11 capital priority list as shown on Attachment A.

That the Commission approve the FY10-11 Federal Mineral Lease capital priority list as shown on Attachment B.

That the Commission acknowledge and forward to the Governor’s Office and the General Assembly the complete number and costs of all higher education capital projects submitted in FY10-11 for informational purposes.

STATUTORY AUTHORITY

C.R.S. 23-1-106 Duties and powers of the commission with respect to capital construction and long-range planning.

ATTACHMENT A: Final Recommendation FY10-11 Capital Priorities

ATTACHMENT B: Final Recommendation FY10-11 FML Capital Priorities