TOPIC: **FIVE-YEAR STATE FUNDED CAPITAL PROGRAM LISTS**

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I. SUMMARY

Statute requires the Commission to annually request from the Governing Board of each institution of higher education a unified and prioritized five-year projection of projects requesting state funding. Statute further requires the Commission to prepare a unified five-year report of projects. This capital report is to be coordinated with education plans and then transmitted to the Office of State Planning and Budgeting (OSPB) and the General Assembly.

At the October 2010 meeting, the Commission adopted a prioritization list for FY2011-12 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 Five-Year State Funded Capital Program lists covering FY2011-12 through FY2015-16 contain 105 capital construction projects from the Governing Boards (the Colorado Historical Society 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. This list is aggregated from annual institutional five-year capital construction plans. 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).

II. BACKGROUND

Prior to the 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) is then tasked with holding 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 1st, 2010 and will be voting on list approval in January. Governing Boards are permitted to amend their two-year lists at any point during the fiscal year, and such amendments are to be submitted to the Commission and the CDC for re-approval.

DHE and CDC staff have come to a mutual understanding and agreement on the implementation of SB09-290 that no Cash Funded project may commence until it 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 as reported on the Five-Year List by funding type 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 (TF) and state funding needs of over $1.9 billion. Total FY2011-12 state funded requests are over $348 million with total fund requests at over $396 million.

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

	Five-Year Cost	Current Year Cost
CCF	$1,968,989,542	$348,141,041
CF	$384,867,446	$48,746,264
RF	$19,500,000	$0
FF	$10,000,000	$0
TF	**$2,383,356,988**	**$396,887,305**

The five-year capital needs projection seeks almost $2 billion in state funds, while actual revenue forecasting for the state projects 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. More and more, students are being called upon to pay for capital projects.

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. 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 include the most current Five-Year List as submitted by Governing Boards. Dollar amounts shown are likely to change as schools revise requests with additional information, Governing Boards reprioritize and the General Assembly requests further phasing of certain projects.

Table 2 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 2:
Number of Project Requests by Institution and Governing Board

	State Projects	**Cash Projects**	**Total Projects**
AHEC	**5**	**0**	***5***
ASC	**3**	**4**	***7***
CCCS	**33**	**4**	***37***
ACC	0	0	*0*
CNCC	0	0	*0*
CCA	0	0	*0*
CCD	0	1	*1*
FRCC	1	1	*2*
LCC	6	0	*6*
Lowry	1	0	*1*
MCC	3	0	*3*
NJC	4	0	*4*
OJC	3	0	*3*
PCC	4	1	*5*
PPCC	3	0	*3*
RRCC	0	1	*1*
TSJC	8	0	*8*

CSM	**6**	**5**	***11***
CSU System	**19**	**29**	***48***
Fort Collins	12	28	*40*
Pueblo	7	1	*8*
CU System	**25**	**13**	***38***
Boulder	14	3	*17*
Colorado Springs	3	2	*5*
Denver	8	8	*16*
FLC	**6**	**0**	***6***
MSC	**2**	**1**	***3***
MSCD	**0**	**0**	***0***
UNC	**4**	**1**	***5***
WSC	**2**	**0**	***2***
Total	***105***	***57***	***162***

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. Over the next five years, an estimated $3.4 billion in total funds is needed, but when looking at total state funds, cash funds, and federal funds, the fund split is: 57.8 percent capital construction or state funds, 39.8 percent cash funds, and 2.4 percent federal funds.

Per the statutory amendments of SB09-290, academic facilities constructed under the capital procedures will be eligible for state Controlled Maintenance Funds.

III. STAFF RECOMMENDATION

That the Commission approve the Five-Year State 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 FY2011-2016