

**TOPIC: NEW AND CONTINUING STATE-FUNDED CAPITAL PROJECTS
AND PRIORITY LIST, FISCAL YEAR 2011-12**

PREPARED BY: DANIEL KRUG

I. SUMMARY

The Department reviewed a total of 30 new or continuing state funded capital construction requests for FY11-12. The recommended priority list of 27 ranked capital requests totals \$312,980,272 in state funds with a cash contribution of \$55,689,835.

Once approved by the Commission, Department staff will forward the final prioritization list to the legislature's Capital Development Committee (CDC) on November 1, 2010. 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 statewide 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 16 ranked capital requests totaling \$202,521,243 in state funds, and an additional 28 unranked capital requests totaling an additional \$280,440,907 in state funds. The legislature was unable to fund higher education capital projects in the 2010 Long Bill; however, a number of annual debt service payments and controlled maintenance projects did receive funding.

III. STAFF ANALYSIS

The Department reviewed a total of 30 new or continuing state funded capital construction requests for FY11-12. Out of this total, two projects are the continuing annual Certificates of Participation (COP) payments for the University of Colorado Denver Anschutz Medical Center and the projects funded through Federal Mineral Lease payments. Of the 28 non-continuation projects reviewed, 26 have appeared on past Commission priority lists, and two are new projects. The total FY11-12 cost of all projects requested by institutions of higher education for funding is \$410,026,983 including \$352,900,929 in state funds.

Of the 30 requests shown on the priority list recommended by staff and the Commission's Capital Assets Sub-Committee (Attachment A), 27 projects are recommended for approval and assigned priority numbers. The top two projects are the statutorily required COP payments; the next 25 projects were priority ranked by the Commission's Capital Assets Sub-Committee; and the final three projects are neither recommended nor ranked.

Staff considered several different approaches and methodologies for a priority list. The Sub-Committee held working sessions to develop a priority list in September. Commissioner Pacey, the Sub-Committee chair, then personally contacted the Chief Financial Officers of each institution with a current fiscal year request to discuss the prioritization process. The Sub-Committee and Department staff incorporated this information during subsequent working sessions and released a draft list for institution comment on September 17. These projects were ranked 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. No substantive feedback was received and the Sub-Committee continued on the process towards approving the draft list for referral to the Commission.

On October 7, the Commission's Capital Assets Sub-Committee held a public meeting to discuss the annual priority list. This meeting allowed institutions to voice lingering concerns before final Sub-Committee approval. The final Sub-Committee approved priority list for FY11-12 is attached (Attachment A).

Given the ongoing economic situation and revenue forecasts it is extremely unlikely that the state will have capital construction funds for FY11-12 other than required annual payments on existing projects.

DHE staff recommend that the Commission not approve three state-funded requests. The first is the University of Colorado Denver's Academic Building 1. The reason for not recommending this project is that the University did not yet complete or provide the appropriate planning documents. C.R.S. 23-1-106 (3), (4), and (5)(a) require the Commission to review and approve program plans for state funded capital construction. Because these program plans have not yet been completed, there is nothing for the Commission to approve under the terms of statute. Department staff has expressed this to the University and welcomes the future submission of the required documents for consideration in subsequent years.

The second project not recommended for funding is the University of Colorado at Boulder's Ekeley Middle Wing Renovation. This project originally received Commission program plan approval in 2004 and has experienced a loss of state funds due to the economic downturn. Under the Commission's Capital Assets Policy III-E – 1.06, requests for state funded projects that remain “unfunded three years after its original submission, the Governing Board will be asked to withdraw the plan and to re-evaluate the project.” Ekeley was one such project during the current capital cycle. The Sub-Committee instructed Department staff to inform institutions with expiring projects in May, and in August it was decided that institutions wishing to continue

listing such expired projects could seek a Sub-Committee waiver. While four projects received waivers to this policy, the Sub-Committee and Department staff had concerns about the age and cost estimates of Ekeley and therefore did not grant a waiver. The University has been informed of this decision and will pursue more comprehensive program plan revisions for a future submission year. When funding does return, the Sub-Committee will review all projects on an equal basis and this expiration will not adversely affect project review.

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 remaining five unfunded projects in their original order from HJR08-1042 will be funded first.

IV. STAFF RECOMMENDATION

That the Commission approve the following two new program plans:

- **FRCC - Instructional Classroom Renovation**
- **MSC - Academic Classroom II**

That the Commission not approve the following three project requests:

- **UCB Ekeley Middle Wing Renovation**
- **UCD - Academic Building 1**
- **WSC – Press Box Expansion & Renovation**

That the Commission approve the FY11-12 capital priority list as shown on Attachment A.

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 FY11-12 for informational purposes.

STATUTORY AUTHORITY

C.R.S. 23-1-106