

**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 for which state funding may be requested. 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.

The Five-Year List is similar to the prioritization list adopted by the Commission at its October 2011 meeting. The prioritization list is used to request funds for specific projects. The Five-Year List, on the other hand, is meant to provide information for long range planning and is non-binding. The Five-Year State Funded Capital Program list, which covers FY2012-13 through FY2016-17, contains 95 capital construction projects (note: the Colorado Historical Society now submits its capital requests directly to OSPB and the General Assembly and is therefore no longer included in the CCHE document).

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 almost \$1.8 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 or match to state funding. 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 will hold hearings on the five-year and two-year capital projections on December 5<sup>th</sup> and 6<sup>th</sup>, 2011 and will take action on the lists 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 \$1.8 billion in Total Funds (TF) and state funding needs of over \$1.5 billion. Total FY2012-13 state funded requests are over \$259 million with total fund requests at over \$283 million.

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

	<b>Five-Year Cost</b>	<b>Current Year Cost</b>
<b>CCF</b>	\$1,550,116,936	\$259,100,617
<b>CF</b>	\$289,770,627	\$24,181,709
<b>RF</b>	\$19,500,000	\$0
<b>FF</b>	\$0	\$0
<b>TF</b>	<b>\$1,859,387,563</b>	<b>\$283,282,326</b>

The five-year capital needs projection seeks almost \$2 billion in state funds. In contrast, 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 much of the burden to fund capital projects will continue to be placed on the institutions, which may likely fund these projects through cash sources such as student fees, cash reserves, private donations, and increasingly, through bonds funded by tuition revenue. 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.

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. Some projects also disappear and reappear on the list over time as the immediate priorities change over time.

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**

	<b>State Projects</b>	<b>Cash Projects</b>	<b>Total Projects</b>
AHEC	4	0	4
ASC	4	0	4
CSM	2	4	6
FLC	6	0	6
CMU	2	2	4
MSCD	0	0	0
UNC	4	1	5
WSC	1	0	1
CSU System	16	11	27
Fort Collins	9	10	19
Pueblo	7	1	8
CU System	13	24	37
Boulder	8	12	20
Colorado Springs	3	4	7
Denver	2	8	10
CCCS	43	3	46
ACC	2	0	2
CNCC	2	0	2
CCA	0	0	0

CCD	1	0	1
FRCC	3	2	5
LCC	7	0	7
Lowry	1	0	1
MCC	3	0	3
NJC	4	0	4
OJC	3	0	3
PCC	4	0	4
PPCC	3	0	3
RRCC	2	1	3
TSJC	8	0	8
<b>Total</b>	<b>95</b>	<b>45</b>	<b>140</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. Over the next five years an estimated \$2.9 billion in total funds is needed for capital construction in the state. However, the fund splits among total state funds, cash funds, and federal funds are noteworthy: 52.2% CCF, 47.1% CF, and 0.7% FF. Over the next two years alone the ratio changes to 32.2% CCF and 67.8% CF.

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 FY2013-FY2017**