

TOPIC: TWO-YEAR CASH FUNDED CAPITAL PROGRAM LISTS

PREPARED BY: DANIEL KRUG, DIRECTOR OF CAPITAL ASSETS AND COMPLIANCE

I. SUMMARY

Statute requires the Commission to annually request from the Governing Board of each institution of higher education a unified, non-prioritized two-year projection of projects that will be constructed using 100% cash funds. Statute further requires the Commission to prepare a unified two-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 Two-Year List provides information for planning and one part of the approval process for cash funded projects.

The Two-Year Cash Funded Capital Program lists covering FY2011-12 through FY2012-13 contain **46** capital construction projects from the Governing Boards (Note: the Colorado Historical Society submits its capital requests directly to OSPB and the General Assembly and is not therefore included herein). Attachment A includes the final Two-Year Cash Funded Capital Program list. This list is aggregated from institutional two-year capital construction plans. 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 almost \$1.1 billion will be sought by institutions through institutional or federal sources.

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 will hold hearings on the five-year and two-year capital projections on December 5th and 6th, 2011 and will take action on the list 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

The five-year capital needs projection seeks over \$1.8 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 much 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 or fee revenue.

Table 1 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 \$1.1 billion in total funds for their own capital needs.

Table 1:

**Two-Year Cash Funded Capital Program
FY2012-FY2013**

CF	\$1,125,690,351
FF	\$0
TF	\$1,125,690,351

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, Metropolitan State College of Denver, Western State College, Community College of Denver, and Pueblo Community College have voted to implement stand alone capital fees for current and future campus needs. .

The numbers and projects included in Attachment A include the most current Two-Year List as submitted by Governing Boards. Dollar amounts shown are likely to change as schools request additional cash funded projects, Governing Boards reprioritize, and federal grants are secured or lost.

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	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	2	6
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
Total	95	46	141

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, but when looking at total state funds, cash funds, and federal funds, the fund split is as follows: 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.

Institutions of higher education listed 46 cash funded projects on the Two-Year List for FY2011-12 and FY2012-13. For these projects Table 3 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 3:
Cash Funded Project Types**

	Academic	Auxiliary	Total
Intercept	5	7	12
Non-Intercept	19	15	34
Total	24	22	46

Per 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 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: Two-Year Cash Funded Capital Program FY2012-FY2013