

TOPIC: FIVE-YEAR STATE FUNDED CAPITAL PROGRAM LISTS

PREPARED BY: Tonya Gomez

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. In addition, statute 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 2012 meeting the Commission adopted a prioritization list for FY2013-14 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 FY2013-14 through FY2017-18 contain 84 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 about \$1.5 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. 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.

It is important to note that state funded requests may contain cash contributions, where institutions can 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. These projects are listed on the Five-Year State Funded Capital Program List.

By contrast, cash funded projects contain only institutional cash funds and/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. These projects are listed on the Two-Year Cash Funded Capital Program List.

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 about \$1.76 billion in Total Funds (TF) and state funding (CCF) needs of about \$1.38 billion. These figures include funds appropriated for projects in prior years. Total FY2013-14 state funding requests are over \$255 million with total fund requests at about \$286 million.

**Table 1:
Five-Year State Funded Capital Program
FY2013-2018**

	Five-Year Request	Current Year Request
CCF	\$1,376,603,328	\$255,161,367
CF	\$372,166,988	\$30,513,297
RF	\$0	\$0
FF	\$15,000,000	\$0
TF	\$1,763,770,316	\$285,674,664

The five-year capital needs projection seeks about \$1.4 billion in state funds, while actual revenue forecasts for the state show that it is unlikely this amount will be appropriated for capital over the same time frame. As the economy continues a slow recovery, capital construction will continue to be delayed, and it is likely that a significant backlog of capital projects will develop. As a result, the trend of a majority of capital construction projects being funded by the institutions through cash sources such as student fees, cash reserves, private donations, and bonds funded by tuition revenue, will continue. 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, it is likely that institutions will increasingly strain operating revenues and place a greater financial burden on students in order to build and maintain the facilities crucial to their future and functionality.

Attachment A is a compilation of the most current Five-Year List as submitted by the 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. In addition, some projects also disappear and reappear on the list over time as the immediate priorities change from one year to the next.

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	1	5
ASU	3	0	3
CMU	2	4	6
CSM	3	4	7
FLC	6	0	6
MSU Denver*	0	1	1
UNC	4	2	6
WSCU	1	0	1
CSU System	16	7	23
Fort Collins	9	6	15
Pueblo	7	1	8
CU System	9	21	30
Boulder	4	12	16
Colorado Springs	3	4	7
Denver	2	5	7
CCCS	35	2	37
ACC	1	0	1
CNCC	2	0	2
CCA	0	0	0
CCD	3	0	3
FRCC	0	1	1
LCC	5	0	5
Lowry	1	0	1
MCC	3	0	3
NJC	4	0	4
OJC	3	0	3
PCC	4	0	4
PPCC	2	1	3
RRCC	0	0	0
TSJC	7	0	7
Total	83	42	125
<i>*Note: MSU Denver submits its state-funded requests through AHEC</i>			

While the Five-Year and Two-Year lists are difficult to compare because they cover different time periods, the fund splits among the different categories of funds are significant. When considering the total capital 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 \$2.3 billion in total funds will be needed, but when looking at total funds by source—state funds, cash funds, and federal funds—the split is as follows:

58.6% Capital Construction Funds,
41.2% Cash Funds, and
0.2% Federal Funds.

Over two-year time period, from FY2012-13 to FY2013-14, the ratio changes to the following:

41.9% Capital Construction Funds,
57.7% Cash Funds, and
0.4% Federal 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