

**TOPIC: TWO-YEAR CASH FUNDED CAPITAL PROGRAM LISTS**

**PREPARED BY: TONYA GOMEZ, FINANCE POLICY OFFICER**

**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. It also 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 FY2012-13 through FY2013-14 contain forty-one (41) capital construction projects from the Governing Boards (the Colorado Historical Society submits directly to OSPB and the General Assembly and is not included). Attachment A includes the final Two-Year Cash Funded Capital Program list. This list includes all projects submitted on the institution's two-year capital construction plans, which are approved but not prioritized by each Governing Board before submission. The total cash cost of the Two-Year List is about \$774 million, which 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 separate lists: the Five-Year State Funded Capital Program List and the Two-Year Cash Funded Capital Program List.

It is important to note that projects on the Five-Year State Funded List 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, projects on the Two-Year Cash Funded List include those projects which are to be funded only with 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.

As amended by SB09-290, C.R.S. 23-1-106 (7) requires 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 17, 2012 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. Amendments are submitted to both 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 either 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 about \$1.3 billion in state funds, while actual revenue forecasting for the state show that it is unlikely anything near this amount will be appropriated for capital over that 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 in capital construction will continue to be funding 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.

The numbers and projects included in Attachment A include the most current Two-Year List as submitted by the Governing Boards. 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 about \$775 million in total funds for their own capital needs.

**Table 1:  
Two-Year Cash Funded Capital Program  
FY2013 - FY2014**

<b>CF</b>	\$769,247,263
<b>FF</b>	\$5,211,238
<b>TF</b>	<b>\$774,458,861</b>

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

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	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
<b>Total</b>	<b>83</b>	<b>42</b>	<b>125</b>
<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 is needed, but when looking at total state funds, cash funds, and federal funds, the fund split is: 58.6% Capital Construction Funds, 41.2% Cash Funds, and 0.2% Federal Funds. Over the two-year time period from FY2012-13 to FY2013-14, the ratio changes to 41.9% Capital Construction Funds, 57.7% Cash Funds, and 0.4% Federal Funds.

Institutions of higher education listed 42 cash funded projects on the Two-Year List for FY2012-13 and FY2013-14. 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**

	<b>Academic</b>	<b>Auxiliary</b>	<b>Total</b>
<b>Intercept</b>	4	4	<b>8</b>
<b>Non-Intercept</b>	16	18	<b>34</b>
<b>Total</b>	<b>20</b>	<b>22</b>	<b>42</b>

Per the statutory amendments of 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 FY2013-FY2014