

**TOPIC: TWO-YEAR CASH FUNDED CAPITAL PROGRAM LIST
AMENDMENT– COLORADO STATE UNIVERSITY**

PREPARED BY: TONYA GOMEZ, FINANCE POLICY OFFICER

I. SUMMARY

This item requests approval of a Two-Year Cash Funded Capital Program list amendment a cash funded program plan amendment and a supplemental request for Colorado State University (CSU). The list of cash funded projects contains one additional project that CSU will pursue. The comprehensive list is included as Attachment A. In addition, CSU is requesting a time extension for a cash-funded project that is currently under construction.

II. BACKGROUND

Current law allows governing boards to amend their two-year capital construction lists at any point during the fiscal year, and such amendments are to be submitted to the Colorado Commission on Higher Education (CCHE) and the Capital Development Committee (CDC) for approval or re-approval.

Department and CDC policy and practice is 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. In addition to CDC and Commission Two-Year Cash Funded list approval, a program plan must be reviewed and approved for Intercept projects. Last December, the Commission approved all submitted Two-Year Cash Funded Capital Program lists. They were approved in January by the legislature's Capital Development Committee.

The headnotes of the Long Bill each year contain a reference to what is known as the "three-year rule." It states that the funds for a capital construction project "shall remain available until completion of the project or for a period of three years, whichever comes first, at which time unexpended and unencumbered balances shall revert to the funds from which they were appropriated." Prior to the passage of SB09-290, higher education institutions' cash-funded projects were appropriated in the Long Bill and were subject to the "three-year rule." If an institution's cash-funded project was appropriated in a Long Bill and they require more than three-years to complete a project, the time-extension must be approved by CCHE and the project has to be re-appropriated the General Assembly.

III. STAFF ANALYSIS

The CSU list adds one new project at a cost of approximately \$7.7 million making CSU's total

projection of cash needs approximately \$146.7 million. The cost of the new project is to be covered primarily from cash funds. Table 1 displays the new cash funded project as reported on the two-year list by funding type.

**Table 1:
Two-Year Cash Funded Capital Program
FY 2012-2014**

CF	\$7,700,000
FF	\$41,609
TF	\$7,741,609

For this project, Table 2 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 2:
Cash Funded Project Types**

	Academic	Auxiliary	Total
Intercept	1	0	1
Non-Intercept	0	0	0
Total	1	0	1

Senate Bill 09-290, allows academic facilities constructed to be eligible for state Controlled Maintenance Funds. 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 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.

The new addition to CSU's Two-Year List is described briefly below:

“Willard O. Eddy Hall Revitalization” project was originally approved on a CSU cash list in May 2012 as a non-intercept project at a cost of \$6 million. After a recent forensic study of the building, it was determined that the project will cost \$7.7 million. The project

will revitalize Eddy Hall, which was originally built in 1963, to address life safety issues and energy efficiency upgrades. CSU will use the intercept bond program to fund this revitalization and will be will paid for out of university revenues. No new student fees will be required to fund this project. If approved, the project would commence in July 2013 and would be completed in September 2014.

CSU is also requesting a time extension for the Research and Innovation Center, a \$52 million cash funded project that was included the 2007 Long Bill (SB07-239) and is currently under construction. This supplemental request is in response to the “three-year rule,” which requires all funds for a project to be encumbered within three years of the original appropriation. In May 2009, a supplemental request to change the scope and extend the timeline of the project was approved, in anticipation of a \$10.7 million National Institutes of Health (NIH) grant to build and equip an MRI suite. CSU received grant funding in January 2010 and design of the addition began immediately. As part of the grant process, an NIH review of the design was required. This review process delayed the construction of the MRI suite for over a year, putting the project behind schedule. The suite is currently under construction and CSU is requesting a three-year time extension for the project. CSU expects the project to be completed in June 2014.

IV. STAFF RECOMMENDATION

Approve the Two-Year Cash Funded Capital Program list, Eddy Hall program amendment, and Research and Innovation Center supplemental request for Colorado State University for submission to the Governor, the Office of State Planning and Budgeting, and the Capital Development Committee.

V. STATUTORY AUTHORITY

C.R.S. 23-1-106 (7)

ATTACHMENT A: CSU Two-Year Cash Funded Capital Program List