

TOPIC: TWO-YEAR CASH 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, non-prioritized two-year projection of projects that will be constructed using 100% cash funds and to prepare a unified two-year report of projects. This capital report is 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 FY 2013-14 through FY 2014-15 contain twenty-eight (28) capital construction projects from the Governing Boards. 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. The total cash cost of the Two-Year List is about \$571 million, the funding of which will come from institutional or federal funding sources.

II. BACKGROUND

Prior to the FY 2010-11 budget cycle, Governing Boards were historically 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 plan, 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) holds 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 in December 2013 and will be voting on list approval early in the 2013 legislative session. 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 \$1.4 billion in state funds, while actual revenue forecasting for the state show that it is unlikely that this level of funding will be appropriated for capital over that same time frame. As a result, the current trend in capital funding – that institutions fund their projects through cash sources such as student fees, cash reserves, private donations, and bonds funded by tuition revenue - will continue.

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 planning to bring forward about \$571 million in total funds for their own capital needs.

**Table 1:
Two-Year Cash Funded Capital Program
FY 2014 - FY2015**

CF	\$571,293,884
FF	\$42,430
TF	\$571,336,314

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 Adams State University, Colorado Mesa University, Colorado School of Mines, Colorado State University-Ft. Collins, Colorado State University-Pueblo, Fort Lewis College, Metropolitan State University of Denver, University of Colorado-Boulder, University of Northern Colorado, Western State Colorado University, Community College of Denver, Front Range Community College 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**

	State Projects	Cash Projects	Total Projects
AHEC	2	0	2
ASU	3	1	4
CCHE*	1	0	1
CMU	3	3	6
CSM	3	1	4
FLC	5	1	6
MSU Denver	1	0	1
UNC	2	1	3
WSCU	1	0	1
CSU System	19	10	29
Fort Collins	13	8	21
Pueblo	6	2	8
CU System	15	10	25
Boulder	6	1	7
Colorado Springs	3	1	4
Denver	6	8	14
CCCS	41	1	42
ACC	2	0	2
CNCC	1	0	1
CCA	0	0	0
CCD	3	0	3
FRCC	5	0	5
LCC	5	0	5
Lowry	1	0	1
MCC	3	0	3
NJC	3	0	3
OJC	3	0	3
PCC	2	0	2
PPCC	6	1	7
RRCC	2	0	2
TSJC	5	0	5
Total	96	28	124
<i>*Note: The CCHE request is for the Federal Mineral Lease Certificates of Participation that were released in FY 2008-2009</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, institutions of higher education plan to spend an estimated \$2.4 billion for capital. The planned funding for these projects are 59.3% Capital Construction Funds, 40.7% Cash Funds, and 0.02% Federal Funds. Over the two-year time period from FY 2013-14 to FY2014-15, the estimated funds needed is \$1.5 billion and the fund split changes to 45.6% Capital Construction Funds, 54.4% Cash Funds, and 0.03% Federal Funds. For FY 2013-14 to FY 2014-15, the cash funds contribution is about 10% higher than the requested state funds, which may be a direct result of the Commission using cash-fund contributions as one of the criteria during the FY 2014-15 state funded capital prioritization process.

Institutions of higher education listed twenty-eight (28) cash funded projects on the Two-Year List for FY 2013-14 and FY 2014-15. 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	4	9
Non-Intercept	10	9	19
Total	15	13	28

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 by CCHE. 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

Staff recommends 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 FY 2013-14 to FY 2014-15