

**TOPIC: NEW AND CONTINUING STATE-FUNDED CAPITAL PROJECTS
AND PRIORITY LIST, FISCAL YEAR 2015-16**

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I. SUMMARY

State law, C.R.S. 23-1-106(7)(a), requires CCHE to annually submit a recommended capital construction priority list to the General Assembly's Capital Development Committee (CDC) by November 1st. The Commission's Capital Assets Subcommittee and Department staff reviewed an initial total of thirty-four (34) new or continuing state funded capital construction requests for FY 2015-16. However, through HB14-1342 a portion of General Fund surplus, referred to as "spillover", was distributed to the Capital Construction Fund. These additional monies funded eight Higher Education capital projects. This changed the request by providing final funding for five projects and shifting three projects to continuation projects. One project was removed by the institution. The final number of projects reviewed and prioritized was 28. Of these 28 projects, six are new projects, two of which are seeking project program plan waivers and four need program plan approval. The Capital Asset Subcommittee recommended list of prioritized capital requests, which totals \$349,908,319 in state funds with a cash contribution of \$195,214,790 is attached (Attachment A).

Once approved by the Commission, department staff will forward the final prioritization list to the (CDC). The approved priority list will also be provided to the Governor's Office of State Planning and Budgeting (OSPB) to allow higher education projects to be integrated into the Governor's prioritization list of all statewide capital projects for the upcoming fiscal year. For FY 2015-16, OSPB limited the CCHE submission of projects to its top 20 priorities. These 20 projects include continuation projects but exclude the two COP projects.

II. BACKGROUND

Last year, the Commission recommended a list of 31 ranked capital requests totaling \$348,035,399 in state funds and \$126,702,101 in cash contributions to the CDC. State revenues allowed for an initial appropriation of \$91,608,600 for the two Certificates of Participation (COP) payments and five capital construction projects. An additional \$15,924,176 was allocated for Level I controlled maintenance. In a one-time addition attributed to spillover legislation, HB14-1342, an additional \$107,720,872 was made available for eight capital construction projects and Level II Controlled Maintenance. The addition of spillover funds brought the entire capital construction amount to \$215,253,648 for FY 2014-15. The table below is a detailed breakdown of FY 2014-15 state capital funding by system.

FY 2014-15 Capital Funding: System Breakdown

Institution	Capital Construction			Controlled Maintenance			Total Appropriation
	Number of Projects	Long Bill Appropriation	FY 13-14 Spillover Appropriation	Number of Projects	Long Bill Appropriation (CM Level 1)	FY 13-14 Spillover Appropriation (CM Level 2)	
Auraria Higher Education Center	1	\$ 17,848,307	\$ 5,000,000	3	\$ 1,215,627	\$ 843,776	\$24,907,710
Fort Lewis College	1	\$ 10,000,000	\$ 10,827,755	1	\$ 612,018	\$ -	\$21,439,773
Colorado State University System	1	\$ -	\$ 15,000,000	6	\$ 2,960,912	\$ 1,562,084	\$19,522,996
University of Colorado System*	3	\$ 20,572,737	\$ 11,592,712	8	\$ 2,656,985	\$ 1,910,112	\$36,732,546
Metro State University of Denver	1	\$ -	\$ 5,279,128	0	\$ -	\$ -	\$5,279,128
Colorado Mesa University	1	\$ -	\$ 18,462,102	1	\$ 909,399	\$ -	\$19,371,501
Adams State University	1	\$ -	\$ 5,843,218	1	\$ 897,510	\$ -	\$6,740,728
Western State Colorado University	1	\$ -	\$ 25,779,853	1	\$ 524,612	\$ -	\$26,304,465
Colorado Community College System	1	\$ 10,000,000	\$ -	14	\$ 4,679,325	\$ 4,113,305	\$18,792,630
Colorado School of Mines	1	\$ 14,600,000	\$ -	2	\$ 359,166	\$ 663,964	\$15,623,130
University of Northern Colorado	0	\$ -	\$ -	2	\$ 1,108,622	\$ 842,863	\$1,951,485
Federal Mineral Lease COP Payments**	1**	\$ 18,587,556	\$ -	0		\$ -	\$18,587,556
Higher Education Total	13	\$ 91,608,600	\$ 97,784,768	39	\$ 15,924,176	\$ 9,936,104	\$215,253,648

*For Anschutz Medical Campus Certificates of Participation (COP) payments

**FML COP issued in FY 2008 for the following projects: AHEC Science Building, CMU Wubben Hall, CNCC Academic Building (Craig Campus), CSM Brown Hall, CSU Clark Building, CSU-P Academic Resources Center, FLC Berndt Hall, FRCC Science Classroom, MCC Nursing, Health and Science Building, UCCS Science Building, and UNC Butler Hancock, and WSCU Taylor Hall.

The capital construction process was revised for FY 2014-15 to provide a scoring mechanism. Following the implementation of the new process last fiscal year, CCHE asked the Capital Asset Subcommittee and department staff to conduct additional review to further refine the process prior to the FY 2015-16. Through an encompassing review, DHE and CAS made changes to the process and scoring criteria.

The main change to CCHE's prioritization process is the way continuation projects are treated. In FY 2014-15, these projects were ranked alongside unfunded projects. For the 2015-16 process, the Capital Asset Subcommittee decided to treat continuation projects similarly to COP projects where they will be broken out from the unfunded projects in their own section and ranked within that group. Continuation projects are prioritized by the length of time since the projects most recent state-funded appropriation and then by CCHE's priority within each year.

For projects that did not fall under the COP or continuation categories, the scoring criteria was adjusted. In FY 2014-15, projects were evaluated based on ten criteria. For FY 2015-16, staff evaluated projects using six criteria. Criteria and weights were adjusted to reflect best practices and input from institutions and others.

The Capital Assets Subcommittee's recommended priorities are detailed below. Note that under C.R.S. 23-1-106(5) (b), projects costing less than \$2,000,000 do not require project plan approval from the Commission. This year, two projects met that requirement and were prioritized alongside requests with costs exceeding \$2,000,000. Additionally, Commission policy requires that for program plans older than three years, governing boards certify that the plan's space use assumptions have not changed, the education and enrollment assumptions remain valid, the capital cost remain valid, and new code requirements will be met.

III. STAFF ANALYSIS

For FY 2015-16, department staff received and reviewed a total of 28 new or continuing state funded capital construction requests (see "Attachment A"). The top two projects are the COP payments for the University of Colorado Denver Anschutz Medical Center and the projects funded through Federal Mineral Lease payments. These COP payments are statutorily required. In addition to the COP projects, there are five continuation projects that received funding in previous years. In a change from last fiscal year, CCHE did not rank these projects with the unfunded projects. Instead, continuation projects are now placed on the list after COP projects but before the prioritized list of unfunded projects. Continuation projects are ranked based on when the project first received funding and its ranking on last year's CCHE list. Fifteen previously unfunded projects included in a prior CCHE budget submission and six new projects comprise the ranked portion of the list. Of these six new projects, four require program plan approval while two (2) met the CCHE policy requirements for a program plan waiver. For FY 2015-16, the total funding amount requested by institutions of higher education is \$545,123,109, which includes \$349,908,319 of state funds. The total funding requested for the top twenty projects, which will be submitted to OSPB, is \$514,451,082 and \$319,236,292 in state funding.

In order to develop the priority list, CCHE's list of priority criteria was used. The criteria are:

- Health, Life Safety, and Code Issues
- Other Fund Sources
- Space Needs
- A Clear Identification of Beneficiaries
- Achieves Goals
- Governing Board Priority

CCHE staff used the new criteria to analyze the unfunded projects and provided this analysis to the subcommittee. A draft priority list was developed and shared with the Capital Assets Subcommittee and institutions in September 2014. After a draft priority list was developed and shared, the Capital Assets Subcommittee, DHE staff, and institutions engaged in a conversation before finalizing the list.

In previous years, during a time period when funding was not available for capital construction, the method for prioritization centered around the length of time a project had been on CCHE's list. Due to this, there was a lack of movement among projects on the priority list from year to year. In FY 2014-15, there was a greater degree of movement among priorities than in the recent past. The revised criteria used for FY 2015-16 eliminated criteria such as phasability of a project used in FY 2014-15 in an attempt to further refine the process. CCHE staff and the Subcommittee believe that the revised criteria allow for a continued objective and analytical review of higher education capital needs. The final draft priority recommendation of the subcommittee for FY 2015-16 is included as Attachment A.

IV. STAFF RECOMMENDATION

Staff recommends that the Commission take the following four actions:

- 1. That the Commission approve the following request for a waiver from program planning requirements:**
 - **OJC – Technology Infrastructure**
 - **CSU-P – Modular Datacenter**

- 2. That the Commission approve the following six new or revised program plans:**
 - **CMU – Kinesiology and Performing Arts**
 - **UNC – Campus Commons**
 - **WSCU – Leslie J. Savage Library**
 - **PCC – Davis Academic Building**
 - **UC-Boulder – Ketchum Arts and Sciences Building**
 - **UC- Colorado Springs – Visual and Performing Arts Center**

- 3. That the Commission approve the FY 2015-16 capital priority list as recommended by the Capital Asset Subcommittee included as Attachment A and grant the Department the ability to make any necessary technical adjustments to project amounts based on revenue forecasts, and report these changes to the Commission.**
- 4. That the Commission acknowledge and forward to the Governor's Office and the General Assembly the complete list reflecting number and costs for all higher education capital projects submitted in FY 2015-16 for informational purposes.**

V. STATUTORY AUTHORITY

C.R.S. §23-1-106 Duties and powers of the commission with respect to capital construction and long-range planning.

ATTACHMENT A: Capital Assets Subcommittee Recommendation FY 2015-16 State Funded Capital Priorities