

**TOPIC: FIVE-YEAR STATE FUNDED CAPITAL PROGRAM LISTS**

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**I. SUMMARY**

As required by statute, the Commission annually requests that the Governing Boards submit a unified and prioritized five-year projection of projects requesting state funding. In addition, as required by statute, the Department (on behalf of the Commission) prepares a unified five-year report of projects. The Department ensures that this list is coordinated with institutional master plans and then transmitted to the Office of State Planning and Budgeting (OSPB) and the General Assembly.

In October 2013, the Commission adopted a prioritization list for FY 2014-15 state funded projects. While related, these lists serve distinct purposes. The prioritization list requests 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 FY 2014-15 through FY 2018-19 contain ninety-six (96) capital construction projects from the Governing Boards (the Colorado Historical Society submits projects 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. Governing Boards approve and prioritize the five-year plans before submission to CCHE. The projected five-year total cost of projects is about \$1.8 billion (excluding funds already appropriated for projects).

**II. BACKGROUND**

Prior to the FY2010-11 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. The passage of SB09-290 gave institutions of higher education considerable flexibility in the area of capital construction. SB09-290, significantly amended C.R.S. §23-1-106(6), requiring 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). Total needs on the combined five-year plans are about \$1.82 billion and state funding (CCF) needs are about \$1.42 billion. These figures do not include funds appropriated for projects in prior years. Total FY 2014-15 state funding requests are about \$337 million, with total fund requests over \$463 million.

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

	<b>Five-Year Request</b>	<b>Current Year Request</b>
<b>CCF</b>	\$1,416,178,193	\$336,932,233
<b>CF</b>	\$401,763,819	\$125,809,103
<b>RF</b>	\$0	\$0
<b>FF</b>	\$400,000	\$400,000
<b>TF</b>	<b>\$1,818,342,013</b>	<b>\$463,141,336</b>

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 institutional 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 that the projected need by institutions will likely outweigh the projected state funds for higher education capital construction, institutions will probably continue to 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 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. In addition, some projects also disappear and reappear on the list over time as the Governing Boards' 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	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
<b>Total</b>	<b>96</b>	<b>28</b>	<b>124</b>
<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 in construction. 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.

### **III. STAFF RECOMMENDATION**

**Staff recommends 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 FY 2014-15 to FY 2018-19**