

**Docket Item:**

Capital prioritization process, rubric, and timeline

**Summary:**

As part of its biennial budget development process, ORS 352.089 (5) requires:

*A public university listed in ORS 352.002 that wishes to request the issuance of state bonds, including a public university that elects to remain eligible to receive proceeds of state bonds under ORS 352.402, must make a request to this effect to the Higher Education Coordinating Commission. The commission shall decide whether, and in what manner, to make a request for the issuance of state bonds to the Legislative Assembly.*

In recognition of the limited resource nature of state-funded debt service, a prioritization process that includes a scoring rubric has been established for projects for which state-funded debt service or appropriations are sought. Once approved by the Funding & Achievement Subcommittee (F&A) that rubric is applied to projects eligible for prioritization, resulting in a rank-ordered list of university capital requests. This staff-generated priority list contributes to F&A deliberation on the final prioritized project roster to be forwarded to the full Commission for consideration. A final list is advanced to the Governor as part of the HECC Agency Request Budget (ARB).

Staff is proposing a similar process for the prioritization of projects that may be included in the 2019-21 ARB. This process would, at a minimum, include the following elements:

- Commission: Review of proposed capital policy and rubric. (December 2017)
- Funding & Achievement Subcommittee: Adoption of a project scoring rubric. (As early as March 2018)
- Universities: Development and submittal of capital requests according to guidance provided by HECC staff. (May 2018)

- University Presidents, or their designees: Collectively place projects in tiers of priority. Tier 1 represents those projects to be considered by the HECC for prioritization. (May 2018)
- HECC staff: Completes site visits at each university to ensure accuracy and completeness of capital request submissions. (May 2018)
- HECC staff: Applies scoring rubric to project requests, assembling a prioritized list for F&A subcommittee consideration. (June 2018)
- Funding & Achievement Subcommittee: Considers staff-prioritized list and advances a recommendation to the full Commission. (June 2018)
- Full Commission: Consider project roster for inclusion in the ARB. (August 2018)

In December 2017 and again at the March 15, 2018 F&A subcommittee meeting, staff proposed several updates to the scoring rubric to more clearly establish scoring criteria. These updates include:

- Section F - Staff proposes clarifying this section as a measure each project's focus on student success, with special emphasis on underserved populations that are similarly emphasized in the Student Success and Completion Model.
- Section H - Staff proposes greater specificity on the use of this section to include evaluation of the project's contributions, if any, to State goals that are not otherwise incorporated into the rubric. Projects receiving credit in this section may contribute to the educational, civic, cultural, and economic development goals of the State in a way that is not immediately connected to the HECC Priorities identified in Section B of the rubric.

Since the March 15 F&A subcommittee meeting, staff has reviewed more than 40 individual suggestions or concerns about the rubric submitted to the Commission and staff by the universities. Universities were unable to come to agreement on a collective request for changes to the proposed rubric, resulting in several individual institutions and one group of institutions to submit to the Commission comments on the proposed rubric. As a result of its review of this feedback, staff has modified the proposed rubric to clarify the use of Section A as a gateway into the scoring process and improved wording in the campus priority section of the rubric.

In addition to these proposed rubric changes, staff will issue to the institutions revised project information requirements designed to better organize project requests and facilitate clearer and more efficient application of the scoring rubric. In response to recent comments from universities regarding the importance of prioritizing deferred maintenance projects above new construction projects, staff has added several new questions to the revised project information requirements to collect data on the amount of deferred maintenance related to a proposed project

and to examine whether renovation of existing facilities was considered if new construction is being requested. This additional information will not be directly incorporated into rubric-generated project scores but will provide the Commission and staff with additional information that could cause reconsideration of project rank in the final prioritized list. Staff views this as an opportunity to improve the clarity and efficiency of the scoring process, not as an attempt to limit or otherwise modify the nature of information contained in the project submittals relative to past prioritization cycles.

The Commission has previously flagged several aspects of the rubric for discussion, including:

- Perception that the rubric has favored renovation projects over new construction. An examination of 2017-19 project proposals and rubric scores demonstrates that renovation projects received, on average, .01% greater net scores than new construction projects. In six sections of the rubric scored by HECC staff, renovation projects received 5% greater scores than new construction projects. This 5% average advantage was worth approximately three positions in the final ranking in the 2017-19 process. In the two sections of the rubric where scores are determined by the submitting university, new construction projects received 11.8% greater scores, on average, than renovation projects.
- Disparity in fundraising capacity between institutions and related impact on rubric scores. Staff analysis shows that varying the importance of this rubric section from current levels to removing the section from the rubric caused projected swings in scores of as much as 8.7%. The Legislature authorized approximately \$274 million in state-paid bonds for university projects in the 2017 session. Drawing a line at \$274 million in the project priority list and varying the importance of points available from matching funds resulted in 1 to 5 projects either dropping below the line or advancing above it.
- Perception that the rubric may not recognize the importance of projects that are limited to site preparation for future investment. In evaluating projects proposed for 2017-19, the F&A Subcommittee and full Commission voted twice to move projects of a site preparation nature above the priority position preliminarily set by staff application of the rubric. The subcommittee and full Commission continue to have the ability to move projects within the staff-generated priority list should it find the rubric is not capable of evaluating the full merit of a project.

**Docket Material (Attached):**

- Draft Capital Prioritization Scoring Rubric
- Draft Capital budget project information request

**Staff Recommendation:**

Staff recommends either of two actions:

- Adopt the staff proposed rubric as presented.
- Adopt the staff proposed rubric with direction that staff incorporate any changes requested by the Subcommittee at its March 28, 2018 meeting.