

Docket Item:

University Capital Improvement and Renewal Allocation

Summary:

SB 5505 (2017) authorizes \$112.3 million in Article XI-Q bonds in the 2017-19 biennium for 11 specific capital construction projects at six public universities and OSU-Cascades, including cost of issuance. An additional \$50 million in net Article XI-Q bonding is authorized by the legislation for Capital Improvement and Renewal at all public universities. The purpose of the funding is explained in the associated budget report:

*Capital Improvement and Renewal: approved \$50,620,000 Article XI-Q general obligation bonds to finance \$50,000,000 of project costs and \$620,000 for costs of issuing the bonds. The capital improvement projects will address deferred maintenance, code compliance, safety issues, and Americans with Disabilities Act (ADA) accessibility improvements for campus facilities. The projects will not involve: acquisition of buildings, structures, or land; classroom or lab modernization; or improvements to auxiliary facilities, which are typically self-supporting.*

This description of intended use is generally consistent with the prescribed use of \$65 million in Article XI-Q bond funding authorized for the 2015-17 biennium by HB 5005:

*Capital renewal, code compliance, and safety: approved \$65,770,000 Article XI-Q bonds to maintain facilities and keep the deferred maintenance backlogs from growing. These projects do not involve acquisition of buildings, structures, or land. The approved amount includes \$65,000,000 for project costs and \$770,000 for issuance costs.*

A significant difference between the two bills and related budget reports is the absence of direction to the HECC concerning allocation of 2017-19 funding between the public universities. The 2015-17 capital renewal, code compliance, and safety funding was made with the following direction to the HECC by budget report:

*HECC initially will allocate funds to the individual universities based on square footage in education and general services facilities, following past OUS*

*practice. Debt service on the Article XI-Q bonds will be paid with General Fund.*

Additionally, the 2015-17 funding included a budget note:

*The Higher Education Coordinating Commission, in collaboration with the seven public universities and the Department of Administrative Services, shall submit a report by December 31, 2015 to the Legislative Fiscal Office that identifies whether and how revisions in statute and/or administrative rules are needed to better enable universities to use capital repair and renewal funds to implement disability access improvements.*

This report was completed and adopted by the Commission in December 2015. Contained within it is a recommendation to amend the name of the funding to "Capital Improvement and Renewal (CI&R)" which was implemented in the current biennium. The report included other recommendations beyond the original scope of the budget note, including the following:

*The workgroup, beyond the needs identified in the budget note related to HB 5005 (2015) as listed above, recommends that the HECC, in conjunction with the public universities and the DAS, develop Administrative Rules or other mechanisms, as necessary, in order to define, allocate and deploy Capital Improvement and Renewal funding to campuses through the bond programs addressed in HB 3199 (2015). The end product of this process will be to provide a clear, equitable and readily understood process for all stakeholders and ensure prudent control and distribution of state resources to meet the goals identified by the Legislature through its creation of the CI&R project.*

Consistent with HB 5005 (2015), bond proceeds totaling \$65 million that were made available for the purposes of Capital renewal, code compliance, and safety in February 2017 were proportionally allocated by education and general space at each public university. The allocation calculation process utilized data submitted by each institution with high-level review and vetting by HECC staff. The vetting process did produce changes in the data from the original submissions. The final allocation is summarized below:

<b>2015-17 Capital Repair Allocation Summary</b>			
<b>Institution</b>	<b>E&amp;G SF</b>	<b>% of Total</b>	<b>Allocation</b>
EOU	606,898	3.9%	\$ 2,512,146
OIT	666,922	4.2%	\$ 2,760,604
OSU	5,848,180	37.2%	\$ 24,207,492
PSU	2,619,048	16.7%	\$ 10,841,080
SOU	1,024,655	6.5%	\$ 4,241,376
UO	4,099,491	26.1%	\$ 16,969,110
WOU	837,865	5.3%	\$ 3,468,192
<b>Total:</b>	<b>15,703,059</b>	<b>100.0%</b>	<b>\$ 65,000,000</b>

In spring 2019, the CI&R funding the \$50 million authorized for CI&R in the 2017 Legislative session will become available. There currently is not a specified allocation methodology for those funds. Both universities and HECC staff have expressed interest in developing a permanent funding allocation methodology in advance of this bond issue. Legislative Fiscal Office staff also have expressed interest in the HECC establishing and codifying such an allocation methodology, as well as a requirement that universities report to the HECC on the need and use for these funds. The establishment of an allocation methodology, to be codified in administrative rule, is therefore consistent with both this LFO direction and the recommendation of the HB 5005 report.

To begin this process, staff proposes formation of a Capital Improvement and Renewal Technical Workgroup facilitated by HECC staff with additional membership from the Department of Administrative Services and university capital leaders. The technical workgroup, which could meet as early as May, will consider use of a multi-factor allocation calculation and ultimately present HECC staff with a recommendation for a permanent allocation formula. HECC staff, in turn, would follow that work with a proposed allocation formula for review and consideration by the Funding & Achievement Subcommittee and Commission.

**Docket Material (Attached):**

- Capital Improvement and Renewal Technical Workgroup Charge - Draft

**Staff Recommendation:**

Adopt the Capital Improvement and Renewal Technical Workgroup Charge and authorize staff to form and convene such a technical workgroup for the purpose of preparing a proposed permanent Capital Improvement & Renewal allocation and related administrative rules.