

Docket Item:

Public University Capital Investments-2019-21 ARB Staff Recommendation

Summary:

ORS 352.089(5) requires that as part of its biennial budget development process:

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 establish a process for reviewing the request to issue state bonds. The commission shall decide whether, and in what manner, to make a request for the issuance of state bonds to the Legislative Assembly.

In December 2017, HECC staff began to develop such a process for the 2019-21 Agency Request Budget (ARB). This process included the following steps, described in the body of the docket item below:

1. Reconvening the HECC's Funding and Achievement (F&A) Subcommittee to discuss and update the capital budgeting request process and consider university and other stakeholder comments on that, and other associated, issues.
2. Creating an updated capital scoring rubric and capital budget guidance documents (attached at the end of this document) for the 2019-21 ARB process. These documents were sent to institutions in advance of their submissions and in order to guide the form of and information they provided.
3. Receiving and ranking all capital submissions for the 2019-21 ARB, which included in-person visits by HECC staff to all eight campuses where capital improvements are being requested.

The forgoing docket item lays out these steps as well as provides a brief summary of the HECC's role in capital budgeting. Finally, this docket item lays out the prioritized capital project list for inclusion in the 2019-21 HECC ARB.

Docket Material:

University Capital Budgeting at the HECC:

At present time, and throughout the HECC’s existence, there are four bond types utilized for public university capital projects and they are as follows:

University Capital Bond Types		
Bond Type	Summary	Requires HECC Review?
XI-G	State-Paid, Requires at Least a 1:1 Institutional Match	Yes
XI-Q	State-Paid, Does Not Require a Match	Yes
Lottery	State-Paid Through Lottery Funds	Yes
XI-F(1)	Institution-Paid	No

Most public university projects submitted to the HECC utilize XI-G and XI-Q bonds, with rare lottery bond projects (only one university project, the EOU field house in the current biennium, has been approved using lottery bonds since the 2011-13 biennium), as well as XI-F(1) bonded projects. Projects that involve multiple bond types are relatively common and are reviewed by the HECC if they include any bond type other than XI-F(1). Projects that utilize only XI-F(1) bonds are not evaluated or ranked by the HECC as they do not require state paid debt and are included in the HECC’s ARB as requested by the university.

For both the 2015-17 and 2017-19 ARBs, the universities submitted a consolidated capital request. This request consisted of a combined list of projects, ranked into “Tiers”, with the highest priority projects in “Tier I.” The only exceptions to these ranking were as follows: (1) Capital Improvement & Renewal funding for general deferred maintenance projects at each institution, which is traditionally ranked first, (2) any project wholly university funded using institution-paid XI-F(1) bonds, and (3) reauthorizations for previously approved projects. The HECC then took the remaining “Tier 1” projects and ranked them consistent with the capital-scoring rubric in place for the relevant biennia. This allowed the HECC to view a smaller, more focused, list of capital projects that represented the collective priorities of the institutions.

The 2019-21 Capital Budgeting Process:

In concert with the Commission in late 2017 and its F&A Subcommittee in early 2018, staff reviewed and revised the capital scoring rubric and associated guidance for the 2019-21 prioritization process.

As part of this process, HECC staff considered more than 40 comments and requests for amendments to the first rubric draft. In response to this feedback, HECC staff clarified language in two sections of the rubric but no substantial changes were determined to be necessary. However, staff did add a new section to the associated guidance document in order 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.

Following consideration of all the comments and suggestions from the universities, Commissioners and other key stakeholders, staff developed a capital scoring rubric and associated guidance that were sent to institutions in advance of their capital budget submissions. There are two major changes from that 2017-19 rubric:

1. Section F was reframed to 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.
2. Section H was refocused 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.

This rubric, along with the associated guidance, which provided instructions on the form of submission and required information for capital project requests as well as information on how to demonstrate compliance with each of the above rubric elements, formed the basis for the HECC's scoring of capital project submissions. HECC staff received such submissions on May 1 and began the prioritization process. The final ranked capital project list is provided as an appendix to the following section and the capital rubric and associated guidance documents are provided as appendices.

Ranked Capital Project List for the 2019-21 ARB:

The following section lists and summarizes the ranked capital project list developed by HECC staff for inclusion in the HECC's 2019-21 ARB.

Prior to development of the below list, HECC staff conducted the following steps after receiving the capital projects submissions from the institutions:

- Initial evaluation and check for completeness of capital submissions.
- Development of questions to institutions.
- Campus visits to discuss each project submission and confirm accuracy and completeness of each submission.
- Final ranking of projects submitted to the HECC for inclusion in the HECC's 2019-21 ARB.

The proposed ranked capital list is included as an appendix to this document followed by a brief summary of each project. In addition, we are providing the capital rubric and guidance document that was sent to the universities for reference.

Appendices:

Appendix A: HECC staff ranked capital list

Appendix B: Capital project summaries

Appendix C: Capital rubric as sent to universities

Appendix D: Capital guidance document as sent to universities

Staff Recommendation:

Recommend that the Commission adopt the staff recommended 2019-21 Capital Prioritization List as included in the attachment for inclusion in the 2019-21 HECC ARB.