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 (CI&R) 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.*

In spring 2019, $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 the public 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.

The HECC F&A Subcommittee approved a Capital Improvement and Renewal Technical Workgroup charge on April 11, 2018. The CIR Workgroup subsequently formed with representatives from each of the seven public universities and HECC staff. It held a kick-off meeting on May 30, 2018 and a factor development meeting on July 9, 2018.

The next meeting will be held on August 3, 2018 with the target of delivering a completed allocation formula by the end of August 2018.

The workgroup is refining goal statements that include the following themes:

- Repair, improve, renew, and ensure safe and effective campus facilities to support the mission of the Public Universities listed in ORS 352.002.
- Limit scope to education and general facilities which support the mission of the public universities.
- Ensure a predictable and sustainable allocation model grounded in comparable data.

The CIR Workgroup has identified, preliminarily, the following potential variables for the allocation formula:

1. Education and general square footage
2. Age of facility, incorporating major renovation
3. Building complexity
4. Space utilization or intensity of use

Docket Material (Attached)**:**

- Capital Improvement and Renewal Technical Workgroup Charge
- Capital Improvement and Renewal Technical Workgroup Roster

Staff Recommendations:

Information only. No action required.