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**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.*

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 square footage 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:

In March 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 CIR met three times in August to establish the allocation formula for 2017-2019.

The workgroup refined 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 education and research of the public universities.
- Ensure a predictable and sustainable allocation model grounded in comparable data.

The HECC Staff in collaboration with the CIR Workgroup has identified the following factors for the allocation formula:

**Phase I – 2017-2019**

1. Education and general Gross Square Feet – Factor weight to be determined
2. Density of use – Factor weight to be determined

**Phase II – 2019 and future biennia**

1. Education and general Gross Square Feet
2. Density of use
3. Age of facility, incorporating major renovation – Factor tabled for an additional development for biennia 2019-2021 and beyond to be completed by January 2019.

**Docket Material (Attached):**

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

**Staff Recommendations:**

Approve the HECC Staff Recommendation of CIR Allocation Formula Factors and authorize staff to utilize factor weighting it determines to be appropriate.