

AGENDA ITEM SUMMARY

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Changes to Capital Improvements Recommendations
Coordinating Board for Higher Education
June 8, 2017

DESCRIPTION

Over the past several years, the capital funding landscape has been in considerable flux. The Coordinating Board process has also seen changes, some of which have led to confusion and misunderstanding regarding the board's responsibilities in this area and the scope and nature of its annual recommendations. The intent of this agenda item is to provide information about the board's current process and to make recommendations for changes.

Background

For the past 15 years, only very limited capital appropriations for higher education were approved by the legislature. The primary exceptions to this situation related to opportunities provided by specialized funding sources, such as the Lewis and Clark Discovery Initiative, the American Recovery and Reinvestment Act, and, more recently, the state bonding initiative. However, the legislature has recently exhibited greater interest in funding higher education capital projects, making it crucial that the Coordinating Board budget recommendation process for these projects fit this changing reality.

As part of its statutory responsibility to plan systematically for the state higher education system, the Coordinating Board has traditionally included a capital improvements component in its annual budget request. In some recent years, the request has included two rank-ordered lists of capital requests, one for public four-year institutions and State Technical College and one for the public community colleges. In addition, based on past direction from the Coordinating Board, a third list was provided, which contained projects approved by the legislature that were vetoed or restricted in previous years. This list was provided to indicate to the legislature that these projects should be given top priority for reappropriation. A fourth list was included, pursuant to Section 172.287, RSMo, which included the statutorily mandated request for matching funds for engineering equipment expenses at the University of Missouri.

With the implementation of the Higher Education Capital Fund, a separate list was added to display the projects meeting the criteria for that initiative. That unranked list included new projects for approval by the board but also included previously approved HECF projects that had not received funding.

Current Situation

In the recent past, Coordinating Board members have expressed confusion about the intent and interaction between the multiple lists and the projects they contain. This included concern that the fragmented approach to approving these projects may result in reluctance by the Governor's office and budget leaders in the legislature to base capital appropriation decisions on the board's recommendations. As a result, the Coordinating Board requested that MDHE staff review the

existing process and bring recommendations to the board for revisions prior to the FY 2019 appropriation process.

Proposed Revisions

Based on staff experience during recent budget cycles, as well as information gathered from other sources, it does not appear that the time and energy expended to create a rank-order list is well spent. To date, there has been no evidence that the project ranking has impacted decisions by the legislature regarding the funding of projects, and this practice does not appear to be one used by other states in their budget recommendation process. While staff continues to believe highlighting the top priority project for each public institution is valuable to those involved in the capital appropriation process, ending the ranking of the projects is recommended. With the ending of that process, the existing CBHE Guidelines for Selecting Priorities for Capital Improvements Projects will be retired.

In place of the prioritized list, staff recommends the capital request contain an unordered list of the first priority project of each public institution. Those requests would continue to be submitted through the state's Capital Improvements Budget Request (CIBR) system. For the top priority, the institutions would be directed to provide the following additional information in order to make more complete information about the project available to the Board and staff. This would also strengthen the ability of staff to support funding of these projects during the legislative process. The additional information would include the following items:

- Cost breakdown
 - Amount requested from state funds
 - Any non-state matching funds, including the source of those funds
 - Total project cost
- Estimated operating costs (or savings) and the availability of funds to cover any additional operating costs
- Connection to the institution's campus master plan
- Detailed description of the project
- Other funding considerations, such as ADA compliance, use of new technologies, need to address building codes/accreditation standards, etc.

Although staff would recommend that legislatively approved but unfunded and incomplete projects continue to be a high priority for reappropriation, the inclusion of that list in the CBHE budget recommendation tends to create confusion regarding project priorities while adding little to an understanding of the capital appropriation process. Consequently, it is recommended that the listing of these projects no longer be included in the CBHE budget recommendation process.

On June 30, 2017, the statutory mandate to develop an appropriation recommendation for engineering equipment expenses at the University of Missouri will expire. Although legislation was introduced during the 2017 session to reauthorize this requirement, the proposal did not make it through the legislative process. Consequently, staff recommends the removal of that listing from the budget recommendation process.

The Coordinating Board's process for Higher Education Capital Fund projects is limited to verifying that the non-state matching funds are available and meet the requirements established in the authorizing statute. Once satisfaction of those criteria is confirmed, the project is considered in the same manner as other capital requests. Although some legislators have expressed a growing interest in funding capital projects that include some level of outside funding, that interest is not necessarily contingent on a specific level of match and these projects cover a wide range of priority ranking at individual institutions. Given this situation, staff recommends that projects approved by the Coordinating Board for funding through the Higher Education Capital Fund continue to be considered separately from the annual budget process and that information about those projects be provided separately to interested parties.

STATUTORY REFERENCE

Section 163.191, RSMo – State Aid to Community Colleges

Section 173.020, RSMo – CBHE statutory responsibility to plan systematically for the state higher education system.

Chapter 173.480, RSMo – Department of Higher Education, Higher Education Capital Fund

RECOMMENDED ACTION

It is recommended that the Coordinating Board adopt the recommended changes to the capital improvements budget recommendation process and direct MDHE staff to make the changes necessary to implement the recommendations for the FY 2019 budget process.

ATTACHMENT(S)

None