

## STAFF REPORT: FINANCE & ADMINISTRATION

Item: FY 2007-09 Biennial Capital Budget Request

### Background

In September, the Board of Governors' Finance and Administration Committee received the FY 2007-2009 biennial capital budget request for Connecticut's public colleges and universities calling for \$349,161,325 in new authorizations for 34 projects. The Department invited each constituent unit to discuss its proposed projects at the Board's November 16<sup>th</sup> meeting. The Department also forwarded the overall request to the Office of Policy and Management, as required by the Governor.

The consolidated budget calls for new authorizations of \$154,542,764 for 30 projects in FY 2008 and \$194,618,561 for 17 projects in FY 2009. Combined with existing authorizations accorded to the University of Connecticut and the University of Connecticut Health Center under 21<sup>st</sup> Century UConn, the system capital budget for the next two years totals \$624,161,325 for 53 projects, including \$274,542,764 in FY 2008 and \$349,618,561 in FY 2009.

The Department has evaluated all budget submissions and related information and has discussed the budget requests with both the Office of Policy and Management (OPM) and constituent unit staff. Based on this review, the Commissioner's recommendations are provided below.

### Commissioner's Recommendation

With the generous support of the Governor and General Assembly, Connecticut has made a capital investment of nearly \$2.6 billion into our public higher education system since 1997 which has renewed, enhanced and replaced our aging public colleges and universities with state-of-the-art-facilities. Having passed the half-way point measured from the beginning of UConn 2000 in FY 1996 to the end of the 21<sup>st</sup> Century Capital Investment Program in 2015, the Commissioner provides the following recommendations based on the review of each constituent unit's capital budgets and five-year plans:

- The State should continue its commitment to rebuild and refurbish the Connecticut State University and Community-Technical College System as it has with the University of Connecticut through UConn21st Century.
- While the State's significant capital investment has truly transformed Connecticut's public colleges and universities, it is just as important is to provide critical operating and maintenance support to ensure these new facilities are maintained appropriately and staffed to maximize their return on investment. The State is encouraged to review its policy on funding the operating costs of new facilities which historically has been under-funded.

- As energy costs continue to soar, energy conservation measures should be a top priority for every project and the State should provide the funding necessary to incorporate energy saving equipment and materials into all college and university buildings in order to minimize energy consumption across the public higher education system.
- Quinebaug Valley and Norwalk Community Colleges should be commended for raising private funds to supplement their capital projects. The Commissioner recognizes that some private funding has taken place across the system for capital projects, but more needs to be done in this arena especially given the State's generous support.
- Delays in the allocation of general obligation bonds funds at CSU and the CTCs has resulted in the unallocated balances increasing to just under \$500 million. These delays have caused significant increases in each unit's capital plans due to inflation, material increases associated with Hurricanes Katrina and Rita, DPW service increases, meeting the Leadership in Energy and Environmental Design (LEED) Silver design standard in 2007, and building commissioning costs. The Commissioner recognizes the constraints the State is under regarding bonding, however, encourages the administration to provide CSU and the CTCs with a more predictable allocation funding stream like that accorded to UConn to move their projects from design through construction more expeditiously. In the end, the State would save significant dollars on these projects by avoiding cost increases from these delays.
- The Three Rivers Master Plan II Project should be approved immediately in order to provide Three River Community College with a completely functioning consolidated campus. This \$11 million project represents components eliminated from the original consolidation plan in order to get the project within the authorization limits due to unforeseen delays and cost increases. The bulk of the authorizations for this project were approved back in 1999 some 8 years ago.
- Lastly, Section 4 of PA 97-293 establishes the annual commitment of \$5 million for a period of 10 years to finance auxiliary service projects at CSU campus. This commitment ends in FY 2008 but should be continued since it helps to maintain auxiliary facilities which are paid for by students and reduces CSU's dependence on the CSU University Fee.

With the stipulations outlined above, the Commissioner recommends that the Board endorse the FY 2007-09 Biennial Capital Budget request. In addition, the Commissioner recommends that the Governor and General Assembly use the Board of Governors' five priority categories to evaluate and determine funding levels for each constituent unit. These priority categories are defined in Attachment A. Each requested project has been assigned a category based on these definitions.

11/15/06

## **Attachment A**

### **Level A - Code Compliance/Safety**

These are projects whose need is found to be immediate and necessary to ensure compliance with recognized public access, environmental and safety rules, procedures, laws or regulations, and to avoid known circumstances in which the agency or the state would perpetuate unsafe working or operating conditions in its facilities or sites through the delay or denial of the project.

### **Level B - Most Critical Instructional Renovations, Equipment, Technology Enhancements**

Projects in this category demonstrate the greatest objective need for approval either through the demonstration of significant measurable efficiency enhancements, modernization to new technology or improved instructional program delivery. Included in this category are portions of projects commonly titled by the unit as a Code Compliance or Deferred Maintenance which, in fact, are not critical to safety or compliance but are critical to improved service delivery and/or access. Level B projects are most likely to directly enhance the educational experience for students within the upcoming biennium. For example, personal computers targeted for student use in classes or labs are recommended in Level B rather than in Level C. All Level B projects are included in the respective institutional Master Plans, where applicable.

### **Level C - Important Instructional and Critical General Renovations - Critical Equipment and Technology**

These projects have demonstrated convincing objective and subjective need for project approval. Level C projects are shown to have a positive impact on program delivery and are designed to meet new and changing needs of the unit's students, faculty and staff. When compared to Level B projects, Level C projects are less likely to directly enhance the educational experience for students within the upcoming biennium. Certain Level C projects may indirectly enhance the student's educational experience by creating streamlined administrative interfaces. Often, Level C projects enhance internal administrative processes without direct student impact. Continuing the above example, personal computers targeted for administrative purposes are found in Level C rather than in Level B. All Level C projects are included in the respective institutional Master Plans, where applicable.

### **Level D - Other Renovations/Equipment - Critical New Construction**

Projects in this category are those in which the failure to fund would not have an immediate detrimental effect on educational services. However, if left unfunded, this would suggest that a significant re-evaluation of master plans and projected program offerings is in order.

### **Level E - Land Acquisition and All Other New Construction and Improvements**

Projects in this category are those for which the units have demonstrated satisfactory justification. Within a growth-based budgetary environment, these projects would be recommended on the basis of the project's inclusion in institutional master plans. These projects enhance or enlarge campuses, improve or expand campus development and are designed to increase the physical plant resources of the unit in order to meet increasing demand and/or changing needs. In an environment in which contraction and/or maintenance of operating service levels is expected, these projects would be considered the least critical capital spending within the system.