



TOPIC: Brief Presentation and Discussion Related to the Capital Budget

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: January 30, 2014

SUMMARY: Building on the success of the Board's capital funding request of the State during the recently completed legislative session, the Finance Committee asked that Mr. Vivona and his staff brief the members in advance of the Capital Workshop in May, focusing on the requests to be made of the State in the years beyond the Governor's Five Year Capital Improvement Program (CIP).

These briefings, to be conducted at the Committee's January 2014 and March 2014 meetings, will provide an overview of important factors, as well as a focus on the priorities and issues related to the USM CIP and System-Funded Construction Program (SFCP). This will give the Board members the opportunity to turn their attention to the System's longer term capital needs and is fortuitous in light of the dynamic fiscal and environmental factors encompassing the State and the Nation.

The time seems right to take a fresh, longer term assessment of the next generation of capital projects.

ALTERNATIVE(S): This item is presented for information purposes.

FISCAL IMPACT: This item is presented for information purposes.

CHANCELLOR'S RECOMMENDATION: This item is presented for information purposes.

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: Joseph F. Vivona (301) 445-1923

Two-Meeting Outline for Board of Regents Finance Committee “Planning for Facilities Needs in Years 5 to 15”

Concept: Brief (20 minute) presentation and discussion hitting key topics related to the “out years” of the capital program. The goal is to provide Board members with a fresh, long-term assessment of the next generation of capital needs in preparation for a more comprehensive discussion, guidance and direction at the May Workshop. **Focus for each session is highlighted below.**

January 30, 2014 (at TU) – FOCUS ON STATE CIP

A Long-Term Plan that Justifies and Inspires Expanded State Support

Brief, high level overview of issues affecting the State-funded CIP, such as

- Demographics & enrollment
- Growth institutions
- State-level goals, trends and factors
- Trends in delivery of education
- Technological innovation (changes over last 10-15 years)
- Future of research activities
- Ongoing FR needs

Brief overview of State funding potential for the future, including:

- Debt (GO Bonds)
- Supplemental capital (cash or paygo)
- The role of non-budgeted funds (Leveraging State support? Changing priorities?)
- New potential for public-private partnerships to fund State facilities

General Discussion of “out year” State-funding requests in prep for Workshop:

- General classification of project requests from institutions
 - In terms of meeting space needs (classrooms, libraries, research labs, etc.)
 - And by project type (new building, renovation, infrastructure, etc.)
- **Correlation of requests with Board’s goals for each institution, including:**
 - **Enrollment growth**
 - **Expanded research**
- **Potential priority funding queue scenarios for discussion**
 - **Project categories with examples**
- **Means of evaluating or measuring priority**

Outcome: Multiple scenarios depicting project priorities in very broad, overlapping categories is presented to the Committee for discussion. These proposals will be pre-selected by staff and used as discussion tools, seeking feedback from the group. They should be illustrative, not prescriptive because the idea is impart insight in preparation for the Workshop. For example, scenarios could include: (1) Strategic focus on STEM and research; (2) Strategic focus on degree attainment and building enrollment; and/or (3) A balanced approach that varies by institution—at different funding levels.

March 27, 2014 (at UB) – FOCUS ON THE SFCP

Overcoming the Constraints of the Economy by Utilizing the Financial Strength of the USM

Brief, high level overview of issues affecting the System-funded Construction Program, such as

- Demographics & enrollment
- Growth institutions
- Benefits of residential campus development (e.g., student retention, town-gown)

Brief review of SFCP-related funding, comprising the key financial components of the SFCP, including:

- USM Debt Capacity (what counts, what doesn't, "lurkers")
- USM Fund Balance (sources, uses, potential for future increase)
- Public/Private Partnerships, noting current state of this funding option

General discussion of "out year" projects in prep for Workshop:

- Requests from institutions for the "out" years (space, project type)
- Unrequested (Master Plan) project needs and "Lurkers"
- **Correlation with Board's goals for each institution**
- **Potential priority funding queue scenarios for discussion**
- **Means of evaluating or measuring priority**
 - **Key role of affordability (financial viability) of SFCP projects**
 - **Resolving "haves" and "have-nots" (cash, debt service)**

Outcome: Multiple scenarios depicting project priorities in very broad, overlapping categories is presented to the Committee for discussion (similar to that done with the CIP) that could include varying parameters like (1) debt capacity, (2) return of viability for PPP projects, and/or (3) enrollment based on more non-traditional and/or non-residential student populations.
