



TOPIC: Capital Budget: Brief Presentation and Discussion

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: November 21, 2013

SUMMARY: Building on the success of the Board's capital funding request of the State during the recently completed legislative session, the Board Finance Committee asked that Mr. Vivona and his staff brief the Board 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 November 2013, 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 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 and discussion.

FISCAL IMPACT: This item is presented for information and discussion.

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

COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

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

Three-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 idea is to make these discussions part of each of the next 3 Finance Committee meetings leading up to the May Workshop.

Objective: 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 Workshop itself.

November 21, 2013 (at UMBC) – OVERVIEW
Moving Parts and Future Trends Affecting Facilities

High level overview of issues affecting the capital program, such as

- The direction of the Strategic Plan
- 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

January 30, 2014 (at TU) – FOCUS ON STATE CIP
A Long-Term Plan that Justifies and Inspires Expanded State Support

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.)
- Unrequested (Master Plan) project needs
- Correlation with Board’s goals for each institution, including:
 - Enrollment growth
 - Expanded research
- Potential priority funding queue scenarios for discussion
- 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 should 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. 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

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.
