

OHIO BOARD OF REGENTS

Agenda Item 3.7 Consideration of Higher Education Capital
Recommendations for the FY 2007 – FY 2008 Capital
Biennium

RESOLUTION

WHEREAS, Section 3333.04 (I) of the Ohio Revised Code provides that the Ohio Board of Regents shall make recommendations to the Governor and the General Assembly concerning the development of state-financed plans for higher education; and

WHEREAS, the capital recommendations are based on the submission of capital plans from colleges and universities regarding the design, cost, financing, and function of capital projects; and

WHEREAS, the capital recommendations are also based on the submission of capital plans from other entities, such as OhioLINK, that provide services to higher education throughout the state; and

WHEREAS, most of the recommended capital appropriations are allocated to campuses on the basis of (a) formulas based on information about enrollments and physical facilities or (b) competitive procedures.

NOW, THEREFORE,

BE IT RESOLVED: upon the recommendation of the Chancellor and with the concurrence of the Resources and System Efficiency Committee of the Ohio Board of Regents, that the higher education capital plan for FY 2007 – FY 2008 attached and made a part hereto is hereby approved for submittal to the Governor and General Assembly.

BE IT FURTHER RESOLVED: that campuses may subsequently request reallocations of their project appropriations recommended here provided that the requested change does not increase the state's obligations beyond the amounts listed in the attached table.

BE IT FURTHER RESOLVED: that these recommendations may be revised to reflect new control totals provided by the Office of Budget and Management.

FY 2007 – FY 2008 Higher Education Capital Recommendations
The Ohio Board of Regents
January 12, 2006

The Board of Regents is asked to approve \$600 million in higher education capital appropriation recommendations for the FY 2007 – FY 2008 biennium.

This amount is composed of two requests:

1. a core request of \$450 million for campuses and statewide initiatives based on the amount of state capital funds expected to be available for higher education during the FY 2007 – FY 2008 biennium; and
2. a supplemental request of \$150 million for state capital appropriations for additional critical needs not addressed with expected available funds.

The sum of these two requests represent an increase of \$95 million from the level of funding originally requested by the Board in the FY 2005 - FY 2006 capital biennium.

I. The Core Request: \$450 million

A. Campus Capital Allocations – \$312 million

Allocation Basis: These funds are allocated to campuses on the basis of the debt service formula that is the foundation of the Regents' capital funding policy. The allocations are generally used by campuses for major capital projects. Campuses earn state debt service allocations based on an agreed-upon formula – based primarily on each campus' share of enrollments and aged space – that is updated every two years. They may decide to “spend” these allocations by requesting state-bond based capital appropriations. Most campuses have done so. Others have banked some or all of their allocations for future distribution through the capital component in the operating budget. In addition, a special space shortage allocation is provided to Central Ohio Technical College, Marion Technical College, Owens State Community College, and Stark State College of Technology to provide capacity for exceptionally rapid and sustained enrollment growth at each institution.

Important Features: The majority of the projects requested by campuses are intended to rehabilitate or replace existing facilities, or to provide new space to programs and/or campuses that are short of space. Some of the appropriations will be used to reimburse campuses for local debt they incurred in the recent past to enable them to accelerate construction of certain projects. Figure 1 below shows the results of these decisions for the all campuses.

These projects in total will help build or rehabilitate the classrooms, laboratories, and offices that are needed to provide the

The vast majority of state capital funds recommended here will be used to 1) renovate, rehabilitate, or replace classrooms, labs, and offices in existing older facilities in dire need of upgrading or 2) provide new space for campuses and programs that are over capacity.

core academic functions on campus. Few if any auxiliary functions, such as residence halls, dining halls, bookstores, and parking garages, are funded here. Auxiliary projects are generally self-financed from independent revenue streams produced by the auxiliary facilities.

B. Basic Renovations – \$83 million¹

Allocation Basis: These funds are distributed to campuses on the basis of a facility, square foot-based formula.

Important Features: These moneys are used by campuses to fund a variety of smaller projects that require quick attention to prevent deterioration of existing facilities. Campuses will identify these smaller projects to Regents staff and OBM in later administrative actions. The amount recommended here is a slight increase to the amount provided in the current biennium.

C. Statewide Line Items – \$55 million

Allocation Basis: Some of these funds (e.g., Instructional Equipment) are entirely distributed to campuses on the basis of agreed-upon formulas; others, such as the Hayes Investment Fund and Eminent Scholars, are distributed on a competitive basis, while yet others are provided directly to operating entities such as OhioLINK and the Ohio Supercomputer Center.

Important Features: These funds serve a variety of purposes. Entities such as OhioLINK, the Ohio Supercomputer Center, and the regional library depositories depend upon these appropriations for much if not all of their resources.

II. The Supplemental Request - \$150 million

Rationale: Due to declining state capital support and the simultaneous aging of a large proportion of state higher education capital facilities, there is a backlog of expensive and critically-needed renovation, rehabilitation, and replacement projects on Ohio's campuses. This backlog of projects – often referred to as “deferred maintenance” – now totals \$5 billion. In addition, campus capital debt has sky-rocketed in recent years, as campuses increasingly have to take on local debt for projects that in the past had been funded by the state. To help address these and other problems, the Regents are

¹ The Office of Budget and Management, in response to campus requests, has provided campuses the flexibility to request amounts less than their Basic Renovations and/or Instructional Equipment allocations in favor of an increased Institutional Allocation or, conversely, request a lower amount for their Institutional Allocation in favor of additional Basic Renovations or Instructional and Data Processing Equipment. The flexibility option provides a programmatic benefit to campuses, but does not an additional financial benefit since campuses are not allowed to exceed their overall control total.

recommending a supplemental capital appropriation for the FY 2007 - FY 2008 capital biennium.

The major components of this supplemental request are:

A. Campus Capital Renewal - \$132.5 million

This additional funding will be a small step toward addressing the capital needs of our campuses, described above. Distribution of this funding will be determined by Regents staff, in consultation with campus representatives, in a manner designed to help address the deferred maintenance problems on Ohio's public campuses.

B. Supplemental Renovations – Library Depositories - \$2 million

As with Basic Renovations funds allocated to campuses, this request will provide resources to fund a variety of smaller projects that require quick attention to prevent deterioration of depository facilities. This request recognizes the continuing capital needs of five regional library depositories, which receive no other source of funding other than what they receive from the state. The depositories will identify these smaller projects to Regents staff and OBM in later administrative actions.

C. Statewide E & G Facility Audit and Master Plan - \$10 million

Regents staff, working with campus representatives, currently estimate that Educational and General (E & G) facilities may require up to \$5 billion in funding for capital renewal. This estimate is currently based on condition assessment facility data reported by campuses to the Regents. To better understand the extent of Ohio's capital renewal needs for higher education and project capital recommendations more precisely, this funding will provide the necessary funds for a statewide engineering assessment and the purchase of lifecycle planning software and computer equipment. In addition, the requested funds will support the basis for the creation of a statewide master plan for E & G facilities. A master plan for E & G facilities will offer a neutral perspective on higher education's capital renewal needs and provide a framework for discussions between the Regents and agency staff, campus representatives, members of the Legislature, and the Governor's Office.

D. Central State University Supplemental - \$4 million

Central State University has identified a need for \$4 million for its Center for Education & Natural Sciences project. This project, when completed, will provide a facility to house and support the CSU College of Education, Natural Sciences, and Institute for Urban Education programs. Currently, the College of Education shares space within the library that is inadequate to fulfill the mission of the College of Education program. Natural Sciences are currently housed in Banneker Hall, a facility that is grossly inadequate to support modern science education. Phase I, currently underway, will provide space for

the College of Education. This request will provide support to fully fund Phase II, which will provide the science facilities for this building.

E. OhioLink Supplemental - \$1.5 million

OhioLink has the opportunity to purchase a large amount of historical documents and books that is being digitized by publishers. This content ranges across journals, books, government papers, literature, music, and more.

A \$1.5 million increase in appropriations, matched with library funds, will enable OhioLink to buy collections of major value across a spectrum of academic disciplines from the hard sciences to humanities in journals, literature, and government documents. The acquisition of this material will make OhioLINK's current holdings even more valuable and useful.

Campus Capital Recommendations by Purpose - FY 07/08 Capital Biennium
Total State Capital Support as proposed - \$390,782,358

