

OHIO BOARD OF REGENTS

Agenda Item 6.11 Consideration of preliminary capital recommendations for higher education for the FY 2003 - FY 2004 and FY 2005 - FY 2006 biennia

RESOLUTION

WHEREAS, Section 126.03 of the Ohio Revised Code requires the Director of the Office of Budget and Management to submit a six-year state capital plan to the General Assembly; and

WHEREAS, capital recommendations for higher education are a significant component of the state capital plan; and

WHEREAS, in February of 2000 the Board of Regents submitted the FY 2001-FY 2002 higher education capital plan to the Office of Budget and Management, and these same recommendations have been incorporated into H.B. 640, the state capital appropriations bill; and

WHEREAS, state colleges and universities and other state-supported entities have developed and submitted conservative long-term capital plans to the Board of Regents for the period FY 2003 - FY 2006; and

WHEREAS, at this time, higher education capital recommendations for the FY 2003-FY 2004 and FY 2005 - FY 2006 biennia were developed to reflect amounts needed to maintain current purchasing power only; and

WHEREAS, the Board, along with state colleges and universities, will conduct a study of higher education facilities to determine the resources needed to make necessary investments in information and other technology, to renovate or replace obsolete facilities, and to provide new facilities necessary for the educational needs of Ohio, and will revise its future capital recommendations accordingly;

NOW, THEREFORE,

BE IT RESOLVED, upon the recommendation of the Chancellor and with the concurrence of the Resources Committee of the Ohio Board of Regents, that the preliminary higher education capital recommendations for FY 2003 - FY 2004 and FY 2005 - FY 2006 are hereby approved.

Preliminary FY 2003 – FY 2006 State Capital Plans

Introduction

Section 126.03 of the Ohio Revised Code requires the director of the Office of Budget and Management to submit to the General Assembly a six-year capital plan. Section 126.03 reads, in part:

“(A) The director of budget and management shall:

- (1) Prepare biennially a capital plan and, with the concurrence of the governor, submit it to the general assembly. The capital plan shall contain recommendations as to the acquisition of real estate and the construction of public improvements. The capital plan shall extend through a period of at least six years in the future and shall identify the projects which should be undertaken in each biennium of the period through which the plan extends, together with estimated costs of all such recommended projects....”

Higher education capital appropriations are a significant component of the state capital, comprising one-third to one-half of the state capital appropriations in previous years.

FY 2001 – FY 2002

The Board made its capital recommendations for the FY 2001 – FY 2002 biennia in February, 2000. The total amount approved was \$500 million, a limit imposed by the state Office of Budget and Management. This amount did not provide for inflation, let alone growth, in state capital resources allocated to higher education. During its capital budget deliberations, the Board was informed of the multiple pressing needs that existed on campus to:

- address the problem of deferred maintenance,
- provide for needed investments in information technology infrastructure,
- replace or renovate obsolete facilities, and
- construct new facilities to serve the educational needs of Ohio.

The Chancellor observed that these needs could not be addressed in the long run within the fiscal constraints of a \$500 million cap.

FY 2003 – FY 2006

Prior to developing their long-term capital plans, campuses were requested by the staff of the Board to keep their long-term requests within their current capital allocations. That is, they were asked to submit plans that, all other things being equal, would total to \$500 million – the cap imposed by OBM. This guidance was given so that campuses would plan conservatively, but was also given with a clear recognition that the amounts would not be sufficient to address the needs identified above.

With few exceptions, the attached capital plans for FY 2003-04 and FY 2005-06 incorporate campus requests. In addition, the plans include amounts needed to fund construction inflation, now estimated to be about 4.3% per year. At this

rate, the cost of the \$500 million capital investment the Board proposed for FY 2001-02 will rise to \$544 million in FY 2003-04 and to \$594 million in FY 2005-06. These amounts are reflected in the attached capital plans. The additional dollars needed for inflation are added to two generic line items – Basic Renovations and Instructional Equipment. These line items are more than placeholders, since the funds in these line items help address the problems of deferred maintenance and block obsolescence (Basic Renovations) and technology (Instructional Equipment).

These preliminary capital plans are provided to send a signal of the minimal capital needs of higher education in future years. Future capital recommendations of the Board of course will vary from these preliminary amounts. In particular, Board staff will work with campus representatives to conduct a thorough study of the capital facilities and capital needs so that future capital recommendations will identify more precisely the unmet capital needs of higher education, and the capital resources needed for higher education, in the future.

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