

Capital Appropriations Overview

The Ohio Board of Regents

Revised March 24, 2001

1. Capital Allocation Formula, Two Major Elements – **Activity-Based POM** and **Aged Space**

1.1. **Activity-Based POM Element Weighted at 50%**

1.1.1. Core: POM earnings based on subsidy-eligible all-terms FTEs

1.1.1.1. Eligible FTEs weighted at 1.00

1.1.1.2. Doctoral ineligibles weighted at 1.00

1.1.1.3. All other ineligibles weighted at 0.50

1.1.2. Additional weights to the Core

1.1.2.1. Activity-based POM Weights

1.1.2.1.1. Non-credit job-related training expenditures at 1.00 (as percent of I&G)

1.1.2.1.2. Sponsored research expenditures at 1.00 (as percent of I&G)

1.1.2.2. Small campus factor

1.1.2.2.1. Value range 1.000 to 1.2000

1.1.2.2.2. FTE range for universities: 1,000 to 6,000

1.1.2.2.3. FTE range for all others: 1,000 to 4,000

1.1.3. Methodology: POM earnings are calculated by campus and for the system as a whole. Campus shares of Activity-Based POM

Component = Campus percentage of systemwide total.

1.2. **Aged Space Element Weighted at 50%**

1.2.1. Universe = Instructional and General Space only (e.g., excludes auxiliaries and hospitals)

1.2.2. Aged Space definition: Square feet of space by building, weighted as follows:

1.2.2.1. Age in Years	Weight
0 – 20 years	0.0
21 – 40 years	1.0
41 – 60 years	1.5
61 +	2.0

Actual age of building is used. Age of building is adjusted to reflect major investments in the structure. If 50% of the replacement value of the building has been invested to rehab or renovate the building in a ten-year period, the building's age will be reclassified. Local funds are not included in this calculation, but plans are to include local funds in future calculations.

1.2.3. Methodology: Aged space is calculated by campus and for the system as a whole. Campus shares of Aged Space = campus percentage of systemwide total.

2. Campus shares equal average of Activity-Based POM share and Aged Space share

- 2.1. Formula allocates debt service funds to campuses, called “Capital Allocation”
 - 2.1.1. Under current market conditions, debt service funds ~ 10% of a capital appropriation.
 - 2.1.2. In FY 2001- FY 2002 capital biennium, total debt service amount = \$35,400,000; capital appropriation equivalent = \$354,000,000
 - 2.1.3. In submitting capital requests to the Board, campuses are free to request amounts they deem necessary, but are informed of capital component formula earnings in advance.
 - 2.1.3.1. If total request > campus’ capital component allocation, excess amount is subtracted from campus’ State Share of Instruction for 15 years.
 - 2.1.3.2. If total request < campus’ capital component allocation, campus earns the surplus through an operating budget appropriation called the Capital Component for 15 years. Funds are restricted for capital and capital related purposes.
 - 2.1.3.3. If total request = campus’ capital allocation – it’s a wash.
 - 2.1.3.4. Generally, OBM expects universities to seek exactly their capital component formula earnings; two-year campuses have more discretion to seek more or less.
- 2.2. Additional adjustment
 - 2.2.1. Space shortage – campuses showing significant space shortages are eligible to receive special consideration
 - 2.2.1.1. Space shortage calculation compares campuses activity-based POM earnings to NASF-based POM earnings. If activity-based POM greatly exceeds NASF-based POM, campus may be eligible for space shortage money.
 - 2.2.1.2. Major consideration is to make certain projects exempt from the capital formula deduction – campus in effect receives “free” capital money.

3. Other capital appropriations

3.1. Statewide line items are exempt from capital component formula discipline, e.g.,

- 3.1.1. Child care matching grants
- 3.1.2. OhioLINK and other collaborative entities
- 3.1.3. Non-credit Job-Related Training Grants
- 3.1.4. Eminent Scholars
- 3.1.5. Action and Investment Fund

3.2. “Community Projects” are exempt from capital component formula discipline

- 3.2.1. OBM decides what is a community project
- 3.2.2. Regents concerned about erosion of direct state support for higher education

3.3. Basic Renovations are exempt from capital component formula discipline, but are allocated on basis of a different formula

- 3.3.1. State needs to maintain past investments
- 3.3.2. Basic renovations distributed on formula basis
 - 3.3.2.1. Calculate square feet of space by category by campus
 - 3.3.2.2. Multiply square feet of space by estimated replacement costs, sum for campus and system
 - 3.3.2.3. Each campus receives a share of systemwide total appropriations (~\$70 million) based on share of system weighted space totals.

3.4. Instructional equipment and data processing amounts are exempt from capital component formula discipline, but are distributed on basis of a separate formula.

- 3.4.1. Appropriation = ~ \$33 million
- 3.4.2. Formula starts with value of selected equipment inventory, sorted by program.
- 3.4.3. Program equipment inventory value divided by FTEs in that program, by campus and systemwide, to develop program inventory FTE weight
- 3.4.4. Weight is applied to most current FTEs, by program by campus, and systemwide.
- 3.4.5. Each campus receives a share of the Instructional Equipment allocation based on its shares of total systemwide program-weighted FTEs.
- 3.4.6. Methodology under review: Need to replace this capital appropriation with an operating appropriation for IT needs.