

## **Draft Recommendations for Discussion Purposes**

### **Recommendation I – Make funding immediately available July 1**

**Current Barriers** - Universities may not enter into any contracts for projects approved by the Legislature until the Commissioner of Education authorizes encumbrance of those funds in writing. In turn, the Commissioner may only authorize projects up to the amount of budget authority released by the Executive Office of the Governor. Due to these inherent limitations, funding is not immediately available July 1<sup>st</sup> of each year. Specifically, statutes should be modified to allow the following:

- Provide the Chancellor of the Board of Governors authority to encumber funds immediately, following approval of the General Appropriations Act by the Governor. Said authorizations to be effective July 1<sup>st</sup>.
- Provide full 100% budget release of all educational fixed capital outlay projects, rather than the 20% currently provided.

These changes would authorize universities to let contracts with architects and contractors on an expedited basis.

### **Recommendation II – Increase the Minor Project Threshold**

**Current Barriers** - Universities must go through the same procurement and approval process for an \$80 million project as for a \$1.2 million project. The minor projects threshold should be increased in statute, while still providing for competitive procurement. The universities have consistently suggested that the limit be raised from \$1 million to \$2 million. Most of these projects are for basic maintenance items, such as new roofs, repairs to electrical systems, utility infrastructure, and the like, and could be rapidly completed, if authorized.

### **Recommendation III – Provide flexibility to reallocate funds**

**Current Barriers** - University projects are approved on a line item basis. No statutory authority exists for the Board of Governors to allow a university to realign or reallocate funding so that projects could be more rapidly constructed. The only current mechanism for doing so is via the annual appropriation process. If the Board of Governors was provided some limited statutory authority to reallocate fixed capital outlay funding, as requested by a university, this would provide a valuable acceleration mechanism.

### **Recommendation IV – Multi-Year Funding**

**Current Barriers** - Florida law specifically prohibits making construction commitments until funding is fully appropriated. The 2006 Facilities Task Force found that a majority of state systems reported that they had the option of multi-

year funding for building construction. The most frequently cited advantage of multi-year funding was that institutions could commit to larger construction projects. Other benefits cited were better planning and the ability to replace initial committed funds.

Universities cannot initiate planning and design until July 1<sup>st</sup>, even though most, if not all, projects recommended by the Board of Governors in September will be included in the General Appropriations Act. Even after Legislative authorization, schools are hesitant to commit planning dollars until the project is fully appropriated. Planning and design generally represent 10% of project cost, but can take up to 50% of project time to completion. Thus, a high ROI is generated from any planning acceleration. Florida law requires the LBR be submitted with 3-Year budgets, but does not allow actual planning and construction based on a 3-Year budget.

The following recommendations would allow universities to rely on a multi-year planning strategy.

- Allow universities to authorize construction once 50% of the construction cost has been approved by the Board of Governors. This could be subject to limitations, such as requiring that remaining funding has been recommended by the Board, and that such commitment aligns with the proposed construction draw schedule. Furthermore, the Legislature could formally endorse the Board's policy of continuation of existing projects as the highest priority, and require that all projects under contract be funded sufficient to meet obligations as the highest BOG PECO priority in the following Legislative Budget Request.
- For projects which have received the full planning appropriation, Universities should authorize planning contracts as soon the Board of Governors approves fully-funding the project in the September approved Legislative Budget Request. There is a risk that the Legislature will not fund the balance of the project. Historically, this has occurred on a few occasions. This could be offset by a Legislative statement of intent to fully fund projects as approved by the BOG on the 3 Year PECO list. In short, this recommendation calls upon the Legislature to adopt the BOG policy of continuation of projects as the highest priority for future funding.
- Allow universities to obtain temporary lines of credit (LOC) for up to 12 months to fund initiation of the planning process, based upon anticipated PECO appropriations. The LOC would be secured by the state, not the university.

**Recommendation IV -Forward Funding of State Matching Funds**

Current Barriers -The universities have dozens of projects which have received private donations, and are programmed pending state matching funding. The plans are “on-the-shelf” and RFP’s for architects could be initiated in a matter of weeks, if funding could be guaranteed. These university facility matching grants have accrued over \$76 million in private donations, which are frozen, waiting for state matching dollars. If the state could provide for one-time funding, this would release the match dollars and also further stimulate the economy as donors would be encouraged to liquidate assets to make additional donations. (When the state does not provide a match, this discourages donations).