

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS**
August 31, 2021

SUBJECT: 2022-2023 Fixed Capital Outlay Legislative Budget Request and PECO Preliminary Selection Group

PROPOSED BOARD ACTION

Approve the 2022-2023 State University System Fixed Capital Outlay Legislative Budget Request including the Preliminary Selection Group of Public Education Capital Outlay (PECO) eligible projects.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7, Florida Constitution and Sections 1001.706, 1010.86 and 1013.64, Florida Statutes.

BACKGROUND INFORMATION

The annual State University System (SUS) Fixed Capital Outlay Legislative Budget Request (FCO LBR) represents the Board's request for Legislative appropriation of funds for fixed capital outlay projects. Such funding provides the SUS continued capital outlay support to renovate, remodel and maintain existing plant as well as fund new capital projects that, together, further the mission and strategic goals of the individual universities and the overall SUS alike. The proposed request has been prepared in accordance with statutory requirements as well as guidelines adopted by the Board. Furthermore, all university Capital Improvement Plans (CIPs); the building blocks for the annual FCO LBR, have been approved by their respective boards of trustees.

This year's FCO LBR is comprised of following funding/authorization categories, each of which is subsequently discussed below:

- Public Education Capital Outlay (PECO)
- Maintenance Repair Renovation & Remodeling ("Sum of Digits" or SOD); i.e. deferred maintenance funding
- Capital Improvement Trust Fund (CITF)
- Legislative authorization for certain capital projects ("Back of Bill" or BOB)

PECO - Preliminary Selection Group (prioritized PECO project list)

Section 1001.706(12) F.S. requires the use of a points-based system for ranking PECO projects into a prioritized list chosen from a Preliminary Selection Group consisting of:

- 1) PECO projects that have received prior appropriation but have not been fully funded, and
- 2) The top two priorities of each state university.

The scoring methodology and points matrix were approved by the Board in 2019 and have been utilized to satisfactory effect since adoption. The resulting list represents an assessment of projects prioritized and deemed potentially eligible for PECO funding. Any subsequent material amendments to the list will be brought back before the Board for review and approval, as necessary.

This year's list (see attached Preliminary Selection Group) includes 20 projects. Florida Poly is not included, as they did not propose any PECO projects this year, and FGCU and UNF had one eligible project each.

Included in the Preliminary Selection Group chart is a 3-year projection of PECO funding based on estimates adopted at the August 3, 2021 PECO Revenue Estimating Conference and further promulgated by the Department of Education. FY2022-23 (1st year) indicates approximately \$101.2M to SUS, including \$39.1M in Sum-of-Digits deferred maintenance funding (to be discussed in the next section below), leaving \$62.1M in PECO funding for six (6) proposed capital projects.

Comparatively, last year estimated PECO funding was \$73M, with \$0 Sum-of-Digits and eight capital projects potentially funded by PECO. Ultimately, the Legislature appropriated \$131.4M to fund ten (10) projects.

Maintenance Repair Renovation & Remodeling ("Sum of Digits" or SOD)

Section 1013.64(1)(a) indicates Sum-of-Digits "*shall be given priority consideration by the Legislature for appropriations allocated to the boards from the total amount of the [PECO] appropriated.*" In FY18-19 and FY19-20, we received \$0 SOD, and last year we did not request it due to limited PECO funds representing a 39% drop (avg.) over the prior two years. This year's estimated PECO of \$101.2M is an increase over last year (\$73M), and deferred maintenance is a continued, growing concern within the SUS. As such, this year's FCO LBR includes a request for \$39.1M SOD to help address deferred maintenance.

A chart reflecting the pro-rata allocation to each university is attached, for reference.

Capital Improvement Trust Fund (CITF)

Section 1010.86, F.S. requires the Board to administer the CITF, which includes receipts from capital improvement student fee assessments and interest earnings. All funds, except those to be used for debt service payments and educational research centers for child development ("childcare centers", s. 1011.48, F.S.) shall be used to fund projects appropriated by the Legislature.

This year's proposed request is \$44.7M. The attached chart reflects a pro-rata distribution to the universities based on actual remittances of CITF fees, plus earnings, less debt service and the childcare center allocations. If legislatively appropriated, the universities' proposed CITF-funded projects will be submitted to the Board early next year for review and approval.

Legislative authorization for certain capital projects (“Back of Bill” or BOB)

The FCO LBR contains a list of proposed projects requesting Legislative authorization (per universities’ CIPs) to be constructed, acquired and/or financed by a university or DSO, including capital projects governed by Sections 1010.62 and 1013.171, F.S.; i.e. debt-finance projects and public-private partnerships, respectively. Said Legislative authorization is memorialized in the general appropriations act, typically in the back sections; hence “Back of the Bill” (BOB). Such Legislative authorization does not supersede the requirements for Board of Governors review and approval of all projects, as required.

The proposed bill language and list of projects is attached.

In summary, the staff recommendation to the Board is adoption of the FCO LBR for 2022-23, prepared in accordance with the official estimated amounts as provided by Florida law.

Supporting Documentation:

Information contained in the Facilities Committee materials.