

STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
September 14, 2022

SUBJECT: 2023-2024 Fixed Capital Outlay Legislative Budget Request and PECO Preliminary Selection Group

PROPOSED BOARD ACTION

Approve the 2023-2024 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 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)
- Capital Improvement Trust Fund (CITF)
- Legislative authorization for certain capital projects ("Back of Bill" or BOB)
- Special Legislative Appropriation

Public Education Capital Outlay (PECO)

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

The statutorily-driven scoring methodology was adopted by the Board in 2019 and amended in June 2022, and the resulting list reflects 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 PECO Preliminary Selection Group) includes 24 projects.

Included in the Preliminary Selection Group chart is a 3-year projection of PECO funding based on the August 5, 2022 PECO Revenue Estimating Conference and further promulgated as preliminary estimates by the Department of Education. FY23-24 (1st year) indicates approximately \$279M to SUS, including \$76.9M in Sum-of-Digits funding (to be discussed in the next section below), leaving over \$202M in PECO funding for six (6) proposed capital projects.

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

Section 1013.64(1)(a), F.S., 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.*” These funds are statutorily intended to address maintenance, repair, renovation and remodeling of SUS educational facilities (i.e. deferred capital replacement and renewal), but these funds have not been appropriated since FY18-19. However, for FY22-23, the State appropriated over \$443M to the SUS as part of the (Section 197) Deferred Building Maintenance Program funds from the state's allocation from the federal Coronavirus State Fiscal Recovery Fund. These will help address the backlog of deferred capital replacement and renewal needs in the SUS estimated at approximately \$1.6B, as of FYE22. Despite the unprecedented appropriation of \$443M, most of the backlog remains unaddressed. As such, this year's FCO LBR includes the estimated \$76.9M SOD funding. A chart reflecting the pro-rata allocation to each university is attached, for reference.

Deferred Capital Replacement & Renewal Funding (nonrecurring, General Revenue)

Last year, the FCO LBR included a request for an \$800M appropriation from non-recurring General Revenue to help address the \$1.6B backlog of deferred capital replacement and renewal needs in the SUS. The legislature appropriated exactly \$443,725,327 under Section 197 Deferred Building Maintenance Program, as previously described. The difference of \$356,274,673 has been added to the FY23-24 FCO LBR as a request for additional funding from non-recurring General Revenue for the same purpose. If received, it will augment the proposed Sum-of-Digits funding in helping to address the significant backlog of deferred capital needs. Attached is a chart reflecting the proposed allocation to each university; the percentages are based on the FY22-23 legislative appropriations.

Capital Improvement Trust Fund (CITF)

Section 1010.86, F.S. requires the Board to administer the CITF, the balance of which includes receipts of the mandatory student Capital Improvement Fee, submitted as well as interest earnings thereon. All funds, except those required for debt service payments and educational research centers for child development (“childcare centers”,

s. 1011.48, F.S.) are used to fund projects or real property acquisitions meeting the requirements of s. 1013, F.S. Such projects are not presented to the Board for approval by the universities without prior consultation with the student government association.

This year's proposed request is approximately \$45.5M. 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.

Special Legislative Appropriation

In the 2022 legislative session, section 1004.6496, F.S. created the Hamilton Center for Classical and Civic Education (Center) on the University of Florida main campus. The Center, to be located in the historic Infirmary Building (circa 1931), will support teaching and research concerning the ideas, traditions, and texts that form the foundations of Western and American civilization. Project details are attached as an exhibit. The existing facility will require extensive remodeling at a cost of approximately \$40M. Accordingly, the FCO LBR includes a request for appropriation of non-recurring general revenue of \$20M annually over the next two years to fund necessary remodeling costs.

Supporting Documentation:

See materials in the Facilities Committee