

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Facilities Committee
September 8, 2023**

SUBJECT: 2024-25 Fixed Capital Outlay Legislative Budget Request and PECO Preliminary Selection Group

PROPOSED COMMITTEE ACTION

Approve the 2024-25 State University System Fixed Capital Outlay Legislative Budget Request, as described, including the Preliminary Selection Group of Public Education Capital Outlay 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 continued capital outlay support to renovate, remodel and maintain existing physical plant, as well as build new capital projects that, together, further the mission and strategic goals of the universities and the SUS.

The proposed request has been prepared in accordance with statutory requirements and Board-adopted guidelines. Furthermore, the universities' annual Capital Improvement Plans (CIPs); the building blocks for the FCO LBR, have been approved by their boards of trustees.

This year's FCO LBR is comprised of following components, each of which is subsequently discussed below:

- Public Education Capital Outlay (PECO)
- Maintenance, Repair, Renovation & Remodeling ("Sum of Digits" from PECO)
- Special Legislative Request for Deferred Capital Replacement & Renewal Funding (non-recurring General Revenue)
- Capital Improvement Trust Fund (CITF)
- Legislative authorization for certain capital projects ("Back of Bill")

Public Education Capital Outlay (PECO)

Section 1001.706(12), F.S., requires the use of a points-based system for ranking university PECO projects into a prioritized list or "Preliminary Selection Group". Per statute, projects eligible for inclusion and prioritization on the list shall consist of:

- 1) Public education capital outlay projects for which State funds were previously appropriated but have not been completed, and
- 2) Each university's top two priority projects.

The Board-adopted, statutorily-driven scoring method results in a prioritized list of public education capital outlay projects deemed eligible for funding. Subsequent amendments to the list are brought back before the Board for review and approval.

The list includes a 3-year projected PECO funding cycle, as required by Statute, based on the latest State PECO Revenue Estimating Conference, further promulgated as preliminary estimates by the Florida Department of Education.

Last year, PECO funding was projected to be \$279M, including \$76.9M Sum-of-Digits funding, leaving \$202M for six (6) capital projects. The Legislature ultimately appropriated \$616M for 33 projects.

This year, PECO funding (1st year of the attached chart) is estimated at just under \$367M, including \$99.8M Sum-of-Digits funding, leaving \$267M for 10 capital projects. This year's Preliminary Selection Group includes 35 proposed projects, most of which have received a partial appropriation of funding (see attached *PECO Preliminary Selection Group*).

Maintenance Repair Renovation & Remodeling (“Sum of Digits”, from PECO)

Per s. 1013.64(1)(a), F.S., 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*, and are statutorily intended to address *maintenance, repair, renovation, and remodeling* of educational facilities. This component of PECO funding has not been appropriated since FY18-19. However, in FY22-23, the SUS was appropriated over \$443M from the State's allocation of non-recurring federal Coronavirus State Fiscal Recovery Funds (specifically under the *Deferred Building Maintenance Program*) to help address the estimated \$1.6B backlog of deferred needs in the system. Despite this unprecedented funding, much of the backlog remains. As such, this year's FCO LBR includes a request for approximately \$83.2M in Sum-of-Digits funding. For reference, this is reflected as a carve-out from the PECO estimate on the previously discussed *PECO Preliminary Selection Group*, as well as a separate chart reflecting university pro-rata allocations based on their educational plant inventories (see attached exhibit *Sum-of-Digits LBR and Allocation*). The amount is based on a statutorily-driven calculation and the 3-year projected PECO funding cycle.

Special Legislative Request – Deferred Capital Replacement & Renewal Funding (General Revenue, non-recurring)

The FY22-23 FCO LBR included a request for \$800M in 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, as described above in the *Maintenance Repair Renovation & Remodeling* section. The difference of \$356,274,673 was added to the FY23-24 LBR, but it did not receive appropriation. It is included again in this year's LBR as a 'special request' for non-recurring General Revenue, but the amount has been revised upward by approximately \$99M to reflect construction cost escalation since the original request. 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 (see attached *2024-25 Special Legislative Budget Request*).

Capital Improvement Trust Fund (CITF)

Section 1010.86, F.S. requires the Board to administer the CITF, the balance of which includes the accumulated mandatory student Capital Improvement Fees and interest earnings thereon. All funds, except those required for annual debt service and funding of “childcare centers” (i.e., educational research centers for child development, per s. 1011.48, F.S.) are used to fund projects meeting the statutory requirements of s. 1013, F.S. Typical projects funded via CITF include wellness centers, student unions, and student recreational amenities, and may be approved by the university boards of trustees without consultation with the student government association.

This year’s proposed request is approximately \$50.5M. The attached chart (titled “*Capital Improvement Fee LBR and Allocation*”) reflects a pro-rata distribution to the universities based on actual remittances of fees, plus earnings, less debt service and childcare center allocations. If legislatively appropriated, the universities’ proposed CITF-funded projects will be submitted to the Board early next year for approval.

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

Pursuant to sections 1010.62 and 1013.171, F.S. (governing debt-financed projects and public-private partnerships, respectively), certain projects to be constructed or acquired by a university or direct service organization (DSO). This authorization is memorialized in the back sections of the General Appropriations Act, hence “Back of the Bill”. It is a statutory prerequisite for certain projects (e.g. athletic facilities, hotels, conference centers, etc.), and does not supersede the Board of Governors subsequent review and approval of such projects. The proposed bill language and list of projects is attached (see “*Back of Bill project authorization*”).

Supporting Documentation:

- 1) 2024-25 PECO Preliminary Selection Group, including Scoring Methodology
- 2) 2024-25 PECO Allocation for MRRR aka Sum-of-Digits
- 3) 2024-25 Special Legislative Request for Deferred Capital Needs
- 4) 2024-25 CITF LBR and Allocation
- 5) 2024-25 Back of Bill project authorizations

Facilitators/Presenters:

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