

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Facilities Committee
September 16, 2020**

SUBJECT: 2020-2021 Fixed Capital Outlay Legislative Budget Request and Preliminary Selection Group

PROPOSED COMMITTEE ACTION

Review and approve the 2020-2021 State University System (SUS) Fixed Capital Outlay (FCO) Legislative Budget Request (LBR) and 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 Section 1001.706, Florida Statutes.

BACKGROUND INFORMATION

Preliminary Selection Group - PECO projects

Effective last year, section 1001.706(12), F.S. requires the use of a points-based system for ranking Public Education Capital Outlay (PECO) projects into a prioritized list pursuant to section 1013.64(4), F.S. Projects considered for prioritization are 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 university. The scoring methodology and points matrix were approved by the Board last year and were utilized for this year's process. The resulting list represents an assessment of projects prioritized and deemed potentially eligible for PECO funding, pursuant to Statute.

Each university is afforded the opportunity to amend their Capital Improvement Plans, from which Board staff compiles the Preliminary Selection Group. This public and transparent process allows for the correction of any out-of-date or incorrect information on the part of either Board or university staff, but may result in changes to the prioritized list. To that extent, material amendments to the prioritized list will be brought back before the Board for review and approval, as necessary.

Fixed Capital Outlay Appropriation Requests

The requested budget provides the SUS continued capital outlay support and has been prepared in accordance with statutory requirements and guidelines adopted by the Board. Furthermore, all university FCO LBR's have been approved by their respective boards of trustees.

Specific Fixed Capital Outlay Appropriation Requests

- **PECO 3-Year Fixed Capital Outlay Budget Request:**

Two options are provided for Board consideration; one with maintenance/repair funding and one without, as further described below and reflected in the attached two Preliminary Selection Group charts.

Option 1

The proposed PECO fixed capital outlay budget is prepared in accordance with the estimates adopted by the August 5, 2020 PECO Revenue Estimating Conference and further promulgated by the Department of Education, resulting in approximately \$73M in PECO to the SUS for FY2021-22, including \$32.2M in Maintenance, Repair, Renovation & Remodeling (MRR&R) funding, leaving \$40.8M in funding for proposed FCO projects, as reflected in the chart below:

	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
PECO Funding (projected, DOE estimate)	\$232,909,737	\$343,036,664	\$431,636,664
<u>Less:</u> Allocation to K-12 and FCS	<u>(159,822,662)</u>	<u>(235,391,759)</u>	<u>(296,189,079)</u>
Funding to SUS	\$73,087,075	\$107,644,905	\$135,447,585
<u>Less:</u> MRR&R (i.e. Sum of Digits formula)	<u>(32,234,708)</u>	<u>(47,476,274)</u>	<u>(59,738,514)</u>
Remaining PECO \$ for SUS FCO Projects	\$40,852,367	\$60,168,631	\$75,709,071

Proposed per-university allocation of MRR&R (Sum of Digits) funding is provided as an attachment. Based on the above option, approximately four (4) FCO projects could be funded, if appropriated by the Legislature (see attached Preliminary Selection Group list).

Option 2

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.*” However, for the past two years, the Board’s LBR has included a request for Sum of Digits, but both years the SUS received zero (\$0) appropriation [note: last year, the Legislature expanded the used of E&G Operating Carryforward funds to include MRR&R-type FCO projects, providing some level of offset]. Also, this year’s estimated PECO budget is 39% less (on avg.) than the past two years. In light of this, option 2 proposes no funding for MRR&R, resulting in \$73M available for SUS FCO Projects, which could fund eight (8) projects (see corresponding Preliminary Selection Group list attached).

	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
PECO Funding (projected, DOE estimate)	\$232,909,737	\$343,036,664	\$431,636,664
<u>Less:</u> Allocation to K-12 and FCS	<u>(159,822,662)</u>	<u>(235,391,759)</u>	<u>(296,189,079)</u>
Funding to SUS	\$73,087,075	\$107,644,905	\$135,447,585

Less: MRR&R (i.e. Sum of Digits formula)	(0)	(0)	(0)
Remaining PECO \$ for SUS FCO Projects	\$73,087,075	\$107,644,905	\$135,447,585

MRR&R funding remains no less important and vital to the SUS for preserving its capital assets. However, recent history and the current challenging environment necessitate a second option for Board consideration.

- **Capital Improvement Trust Fund (CITF) Allocation Request:**

2020-21 CITF lump sum \$ 46,000,000

This amount is based on current CITF revenue projections, with a base assumption of no future fee increases. The attached chart reflects a pro-rata distribution to the universities based on historical remittances of CITF fees, less debt service and the Child Care Center Allocations. If Legislatively appropriated, the universities' proposed CITF-funded projects will be submitted to the Board early next year for review and approval.

In summary, the staff recommendation to the Board is adoption of the budget request for 2021-2022, prepared in accordance with the official estimated amounts as provided by Florida law.

Supporting Documentation:

- 1) PECO LBR and Preliminary Selection Group scenarios; with MRR&R and without.
- 2) Scoring & Points Methodology
- 3) 2021-22 Sum of Digits Allocation
- 4) 2021-22 CITF Allocation

Facilitators/Presenters:

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