

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES
*INFORMATION ITEM***

FY 2006-2011 Capital Budget Update

BACKGROUND

The most recent capital budget for Minnesota State Colleges and Universities was last submitted to the governor and legislature in July 2003 as a multi-year plan spanning the three biennia FY 2004-2009. The budget requested \$175 million in specific line-item capital projects and \$100 million under the Higher Education Asset Preservation and Replacement (HEAPR) program. Funding was to be obtained through the sale of state general obligation bonds, requiring the passage of a “bonding bill” by the Legislature and approval by the Governor. This plan reflected the mission, vision and future direction of Minnesota State Colleges and Universities as articulated by the Chancellor and the Board of Trustees in June 2003 when the capital budget was approved.

The 2004 legislative session concluded without passage of a bonding bill and thus the 2004 capital budget request remains unfunded at this time. However, it is anticipated that the 2005 Legislature will take action on that request. The 2004 capital budget request, adjusted for inflation, is attached for your information at Attachment A. Priority No. 25 project for Minneapolis Community and Technical College was reduced from \$5.79 million for sciences and healthcare facilities renovation to \$900,000 for design of renovating one of the recently purchased Billy Graham properties for the same program purposes. The Board has been clear on several occasions since last summer that the unfunded 2004 capital budget was to be brought forward into the 2005 legislative session in the same priority order.

MAJOR CAPITAL PROJECTS FOR 2006-2011

The Board approved the FY2006-2011 Capital Budget Guidelines in July 2004, which are included as Attachment B for your information. Per these Guidelines, colleges and universities submitted capital project requests in priority order in December 2004.

At this time, there are 37 major projects totaling \$275 million under consideration. State universities have submitted 14 projects, and colleges have submitted 23. These projects anticipate an additional \$169 million in 2008 and \$10 million in 2010.

Emphasis, per the Guidelines, has been placed on renovation of existing square footage versus building new space, and on maintaining existing facilities with remodeling/rehabilitation to revitalize and correct maintenance deficiencies. Projects with a science, workforce or technology component are also important criteria.

Of the proposed 37 projects, six had requested design funding in 2004 with construction funding following in 2006 estimated at \$114 million. Additionally, there are two projects that were

appropriated design funds from the legislature in 1998 and 2003 that are now, for the first time, proposed for construction funding totally \$15.6 million. These eight projects represent, at \$129.6 million, approximately 47% of the anticipated \$275 million capital budget.

Of these 37 projects, those in support of the sciences and allied health programs are the largest dollar requests for this biennium with 11 projects at 11 campuses totaling \$128.5 million. These projects anticipate additional funding in FY2008 for \$66.5 million for completion.

Classroom remodeling and/or additions to existing classroom space are another major component, with eleven projects at ten campuses totaling \$67 million with additional construction requests of \$29 million anticipated in FY2008.

SYSTEM-WIDE INITIATIVES

Additionally, 25 system-wide “small” capital projects were proposed from 20 campuses totally \$43 million. These will be aggregated and classified as “system initiatives” for renovations of science labs, renovation of space to respond to workforce development needs, property acquisition, and demolition. These system-wide initiatives tend to have the most impact at the two-year colleges. Of the 25 requests, 7 are from universities and 17 are from colleges. These initiatives include:

- **Property acquisition:** Significantly higher this biennium, reflecting purchase opportunities at six universities and four colleges totaling \$20 million.
- **Demolition:** The second largest grouping, including demolition of outdated student residence halls at three universities. This proposal totals over \$16 million.
- **Renovation of obsolete space for workforce training:** Remodeling at eight campuses to reclaim obsolete space in support of workforce-related training at \$4.2 million.
- **Science lab renovation:** At \$2.6 million for five campuses, this request is less than in the past since the FY 2004 request of \$8.9 million addresses most of the minor science lab renovation requirements in the system.

HIGHER EDUCATION ASSET PRESERVATION AND REPLACEMENT (HEAPR)

The HEAPR program focuses on major facilities maintenance and repair needs that cannot be funded through the campus operating budget such as roof replacements. HEAPR also includes funding for compliance with life safety and building codes; Americans with Disabilities Act requirements; hazardous material abatement; and indoor air quality improvement. As part of the capital budget, HEAPR is expressed as a total, lump-sum requirement for appropriation purposes with a detailed campus-by-campus project list provided as back-up information.

Campuses will be presenting their top priorities for HEAPR funding in February 2005. These projects follow the main categories expressed in the 1998 Facilities Condition Assessment

report, i.e. roof repair/replacement; preservation of building envelope; renewal of building interiors; repairs and replacement of HVAC, plumbing and mechanical systems; vertical transportation; hazardous material abatement; accessibility (ADA); and compliance with life safety code requirements. It is anticipated that the request for this top priority will again be \$100 million.

PROCESS AND SCHEDULE

On January 5 and 6, 2005, Technical Advisory Teams composed of facilities, finance, technology and academic experts representing all regions, types of institutions and the Office of the Chancellor will be scoring projects based on the Capital Budget Guidelines. Results of the scoring process will be provided to Board members in February. Project requests will also be further reviewed by staff in conjunction with predesign reports, campus master plans, and other related benchmarks.

After the scoring and further review, colleges and universities will present their individual projects to the Finance-Facilities Committee of the Board of Trustees at three public hearings scheduled as follows:

February 23 - Anoka Ramsey Community College, Cambridge campus

March 2 - Metropolitan State University, St. Paul

March 9 - Minnesota West Community and Technical College, Worthington campus.

Following these presentations and further Board and Leadership Council input, the Chancellor will recommend the FY2006-2011 Capital Budget to the Board of Trustees in May 2005 for consideration and approval in June 2005 to meet the requirement of submission to the Governor in July 2005.