

**STATE UNIVERSITY SYSTEM OF FLORIDA  
BOARD OF GOVERNORS**  
September 18, 2024

**SUBJECT:** 2025-26 Fixed Capital Outlay Legislative Budget Request and PECO Preliminary Selection Group

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**PROPOSED BOARD ACTION**

Approve the 2025-26 State University System Fixed Capital Outlay Legislative Budget Request, as presented, and authorize the Chancellor to make technical changes as needed.

**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 capital outlay funding to build, renovate, remodel, and maintain physical plant that will further the mission and strategic goals of the individual universities and SUS overall.

Each year, the universities submit their board of trustee approved Capital Improvement Plans or "CIPs". The CIPs are the proverbial building blocks for the FCO LBR, which is prepared in accordance with statutory requirements and Board-adopted guidelines. This year's FCO LBR is comprised of the following components:

- Public Education Capital Outlay (PECO): \$253M for capital projects and \$81.8M for maintenance/repairs.
- Capital Improvement Trust Fund (CITF): \$50.3M
- Legislative "Back of Bill" project authorizations
- Special Legislative Request for Deferred Capital Replacement & Renewal: \$400M

**Public Education Capital Outlay (PECO)**

For discussion purposes, PECO funding is split into two components: Funding for Capital Projects and Funding for Repairs/Maintenance.

**Funding for Capital Projects**

Section 1001.706(12), F.S., requires the use of a points-based system for ranking university capital projects into a prioritized list, or "Preliminary Selection Group", consisting of:

- 1) PECO 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 PECO projects deemed eligible for funding (**see attached chart "Preliminary Selection Group"**).

Per Statute, the list includes a 3-year projection of PECO funding, which is based on the latest State Revenue Estimating Conference and further promulgated as preliminary estimates by the Florida Department of Education. The FY25-26 projection provides approximately **\$253M for 8 capital projects**.

**Funding for Repairs/Maintenance**

Section 1013.64(1)(a), F.S., provides for an annual allocation of PECO funding that “*shall be given priority consideration by the Legislature*”, the amount of which is based on a statutorily-driven calculation and the 3-year projection of PECO funding (described above). Informally known as “Sum of Digits”, this funding is reflected as a carve-out from projected PECO funding on the *Preliminary Selection Group* chart, and is intended to address deferred capital replacement & renewal (i.e., repairs & maintenance) in educational facilities.

This year’s budget request is over **\$81.8M**. If appropriated, funding is allocated to each university pro rata based on their inventory of educational facilities, as per statute (see attached chart *Maintenance, Repair, Renovation & Remodeling Allocation aka “Sum of Digits*). The SUS has not received this component of PECO funding since FY18-19.

For comparative purposes, the table below reflects this year’s PECO request against the past two years. At to the latter, legislatively appropriated funding has significantly exceeded original projected PECO funding:

<u>Public Education Capital Outlay (PECO)</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>
<b>Budget Request:</b> Projected PECO Funding	\$279M	\$367M	\$335M
"Sum of Digits" (maintenance/repairs)	(\$77M)	(\$100M)	(\$82M)
PECO for Capital Projects	<b>\$202M</b>	<b>\$267M</b>	<b>\$253M</b>
# of Capital Projects to be funded	6	10	8
<b>Appropriated:</b> Actual PECO Funding	\$616M	\$573M	tbd
"Sum of Digits" (maintenance/repairs)	\$0	\$0	tbd
PECO for Capital Projects	<b>\$616M</b>	<b>\$573M</b>	tbd
# of Capital Projects funded	33	23	tbd

While this year’s estimated PECO funds only 10 capital projects, the statutorily-driven *Preliminary Selection Group* (attached and previously discussed) includes a total of 35 prioritized projects, 20 of which have already received partial appropriation in prior legislative sessions.

**Capital Improvement Trust Fund (CITF)**

Section 1010.86, F.S. requires the Board to administer the CITF, which includes accumulated 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 fixed capital outlay projects meeting the requirements of Chapter 1013, F.S. Typical CITF-funded projects include, but is not limited to, student recreational amenities, student unions, and wellness centers.

This year’s proposed request is **approximately \$50.3M**. The attached chart (see “*Capital Improvement Fee Allocation and Request*”) 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 projects will be submitted to the Board next year for approval, prior to funding. All such proposed projects must be approved by the university boards of trustees upon consultation with their respective student government associations.

### **Legislative “Back of Bill” project authorizations**

Pursuant to ss. 1010.62 and 1013.171, F.S., certain debt-financed projects and public-private partnerships are preauthorized by the legislature, such as student housing, parking/transportation, and health care, whereas other projects, such as athletic facilities, hotels, conference centers, and grocery stores, require specific legislative authorization. Project specific authorization is memorialized annually in the back sections of the General Appropriations Act; hence “Back of Bill”. The proposed bill language and list of projects is attached (**see “Back of Bill project authorization”**). This required preauthorization does not supersede the Board’s subsequent review and approval of such projects.

Included in the legislative authorizations is a request from New College of Florida to revert \$5,617,612 in appropriated funding for Hamilton Classroom Building Remodeling project and re-appropriate it to the PEI Dorms Renovation (24-25 Legislative Initiative Project).

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

In 2017-18, an SUS-engaged consultant (Gordian fka: Sightlines) estimated the systemwide annual accrual of deferred capital replacement & renewal (aka “deferred maintenance”) at roughly \$200M per year and a ‘backlog’ (at that time) approaching \$1B. In 2021, university data indicated the ‘backlog’ was over \$1.6B. Since that time, various funding sources have been utilized to help address this issue: the State has appropriated over \$245M in PECO for renovation/remodeling projects (they typically include “deferred maintenance”); the universities have allocated over \$690M in E&G operating carryforward towards related projects; and SUS institutions received over \$443M for “Deferred Maintenance” from the State’s allocation of federal Coronavirus State Fiscal Recovery Funds. Despite these efforts, as of last May, university data suggests a continued ‘backlog’ of roughly \$1B.

To address this issue, this year’s FCO LBR includes a special budget request for \$400M from General Revenue. This includes \$200M to address the annual accrual, as previously described, plus another \$200M to be allocated to the \$1B ‘backlog’ (i.e. if received annually for five years, it would be eliminated). Funding would be allocated to the universities based on the percentage allocation generated by the “Sum of Digits” model (**see attached chart “Deferred Capital Replacement & Renewal in Educational Facilities”**).

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#### **Supporting Documentation:**

1) Supporting documentation can be found in the Facilities Committee materials