

7. Act on Allocation of FY 2019 Educational Building Fund Appropriation – System

Summary and Staff Recommendation

The Board has acted in previous years to approve specific rehabilitation and repair projects at the state universities based upon the legislative appropriation from the Educational Building Fund and the Board's policy on how the dollars are shared among the universities. To improve flexibility for the universities and to streamline the administrative processes necessary to monitor the funds, an amended process is recommended to allocate the dollars in the same manner, but not connect those dollars to identified projects and tie up funds that require subsequent Board action to approve changes to the project list. The universities will instead report annually to the Board on how the funds were used. As conditions change and circumstances warrant changes to projects, the universities will have the flexibility to re-allocate to the highest priority or most urgent projects. The share for each university would not change, nor would the buildings which are eligible for EBF resources for repair. Staff recommends the Board approve the allocation as identified below.

Allocation of Funds for Rehabilitation and Repair Projects for Institutions of Higher Education as Appropriated to the Kansas Board of Regents FY 2019 - \$42,000,000 (EBF)

Adjusted gross square feet (EBF-Eligible Buildings Only):

	<u>Gross Sq. Feet</u>	<u>% of Total</u>	<u>Allocation</u>
The University of Kansas	5,488,301	26.87	\$11,285,400
The University of Kansas Medical Center	2,297,176	11.25	4,725,000
Kansas State University	6,105,374	29.90	12,558,000
Wichita State University	2,243,148	10.98	4,611,600
Emporia State University	1,232,601	6.04	2,536,800
Pittsburg State University	1,507,841	7.38	3,099,600
Fort Hays State University	<u>1,548,171</u>	<u>7.58</u>	<u>3,183,600</u>
Total	20,422,612	100.00	\$42,000,000

Background

The 2017 Legislature altered the appropriation from the Educational Building Fund (EBF) to provide the Board of Regents with greater control over how the Fund is allocated across the state university system. Previously, the Board was given a specific dollar amount specified for rehabilitation and repair. The Legislature could also choose to make other appropriations from the EBF, such as most recently the \$3.7 million appropriated to Kansas State University for FY 2017 to finance debt service on the bonds issued for Seaton Hall renovations. The Board now has a more general “no limit” appropriation from the EBF for FY 2019; however, the funds still must be used for the construction, reconstruction, equipment and repair of buildings and grounds at the state universities.

To allocate the specific EBF appropriation in prior years, the Board received a specific list of projects from each of the institutions. Once the Board approved that list, it bound the universities to the projects on the list until an emergency or other priority arose to compel the institution to request Board approval of a modification to the project list. Staff proposes the Board allocate the funds in the same manner as in the past based on gross square feet of eligible buildings, but without tying those dollars to pre-identified projects.

Through the budget process, the universities will continue to submit their five-year capital plans to the Board for approval and to the Joint Committee on State Building Construction, as required by state law. The state universities will provide reports to the Board on how the funds were used for rehabilitation and repair projects on a regular basis.

Board policy for facilities currently determines how the Board shall continue to allocate the state universities' rehabilitation and repair funding from the EBF (Chapter II, Section E, 4, c) which reads as follows:

The Board receives an annual line item appropriation from the Educational Building Fund for rehabilitation and repair projects. This appropriation is allocated by the Board to the state universities pursuant to an "adjusted square footage" formula, which factors in gross square footage, building age and complexity of the physical plant.

To further streamline the process and give the universities greater flexibility in using their allocations, it is recommended that time restrictions that have previously been imposed on the universities' EBF accounts be removed from the universities' appropriation language. It will require less effort on the universities' part to monitor. If a university wishes to set money aside from within its allocation for a Board-approved EBF-eligible project, this step would allow them that flexibility. Board staff will request that this change be made by the Budget Division analyst as she drafts appropriation language for the 2018 Legislature.

Having access to this Fund, however small relative to the need, is a benefit not available in every state, allowing the state universities to not have to compete for State General Fund resources for rehabilitation and repair projects.

Staff Recommendation

Staff recommend the Board approve the EBF allocation for FY 2019 and adopt the procedural changes in how the state universities receive funding for rehabilitation and repair projects as noted above.