



2026 Capital Budget Request Guidelines – *First Reading*

Finance and Facilities Committee

Finance and Facilities Division

April 16, 2024

Outline

- » **Review major trends impacting Minnesota State colleges and universities**
- » **Present proposed guidelines for the 2026 legislative session and future Revenue Fund bond sales**
- » **Gain insights and feedback**

Environmental Trends

» Enrollment:

- FYE FY2013 vs FY2023: - 44,421 (-29.6%)

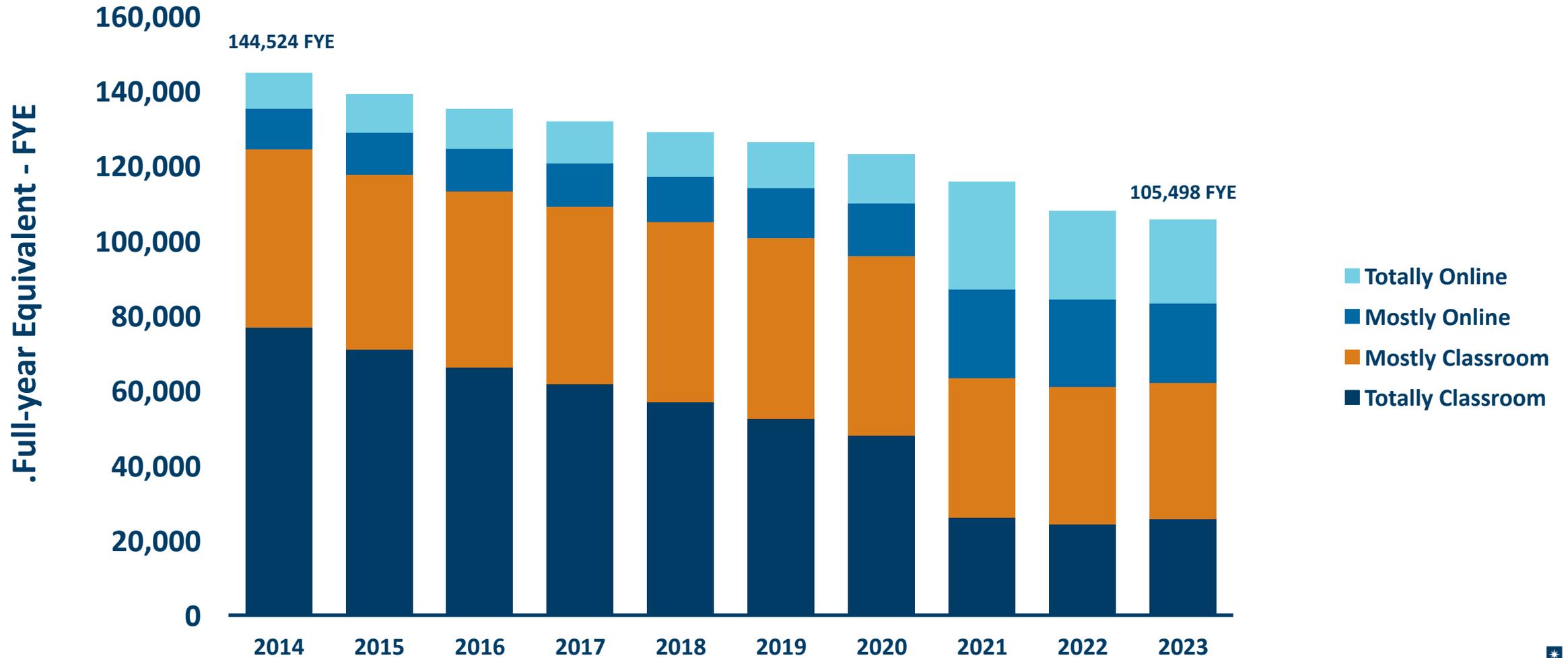
» Program delivery:

- Totally in classroom and mostly classroom: 86% of FYE in FY2014, 59% in FY2023
- Totally online and mostly online: 14% of FYE in FY2014, 41% in FY2023

» High school graduates:

- AY2023-24 vs AY2036-37: - 3,550 (-5.0%)

Enrollment Trends



Environmental Trends

» Campus facilities

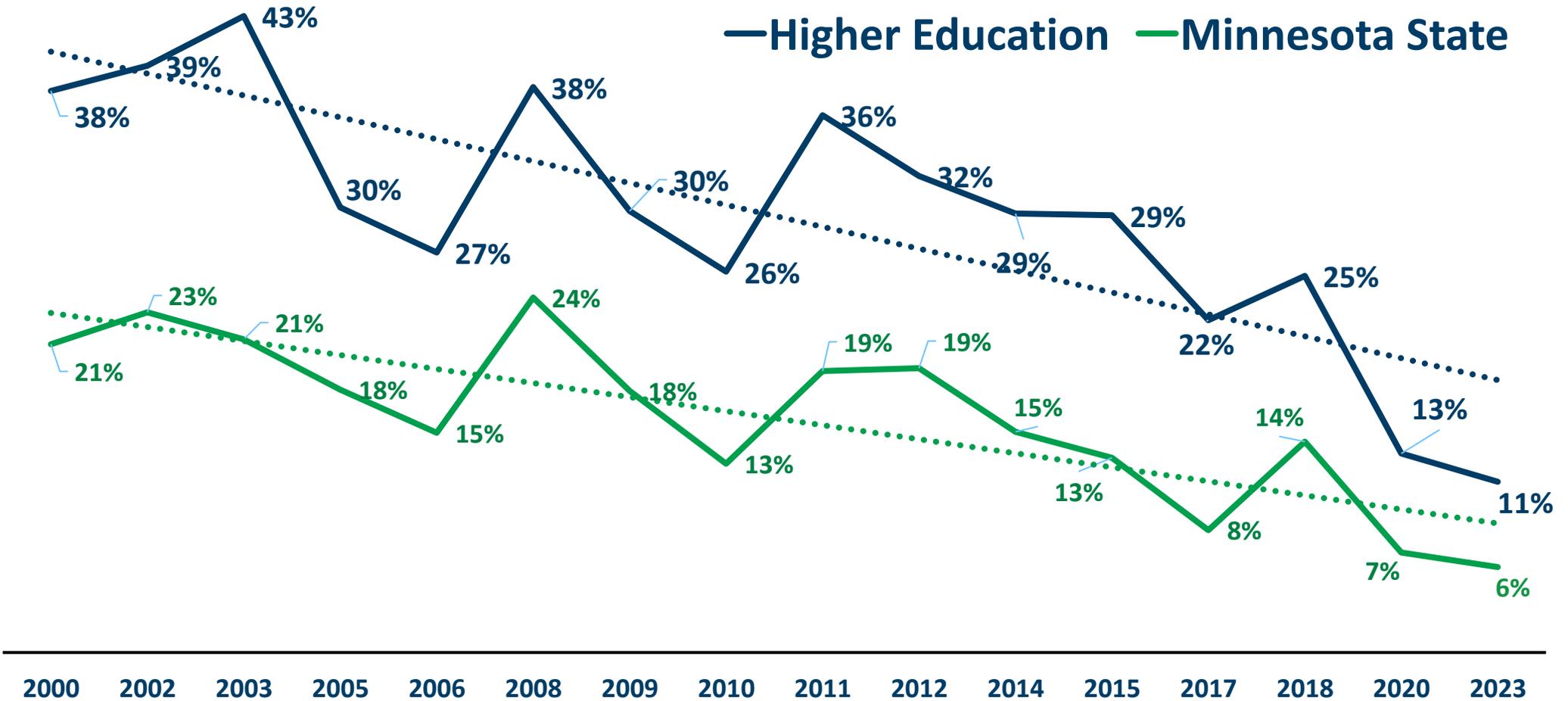
- Total facility space the flat FY2013 vs FY2023 - 28.5 million square feet
- 40% of Minnesota State's campus buildings (364 of 919), 60% of total facility space, more than 50 years old
- Total backlog of maintenance estimate: \$1.8 billion

» State Capital investment funding:

- FY2004-2013: \$795.3 million vs FY2014-2023: \$525.0 million - \$270.3 million less (-34.0%)
- 10-year average biennial funding:
 - HEAPR: \$37 million
 - Projects: \$99 million

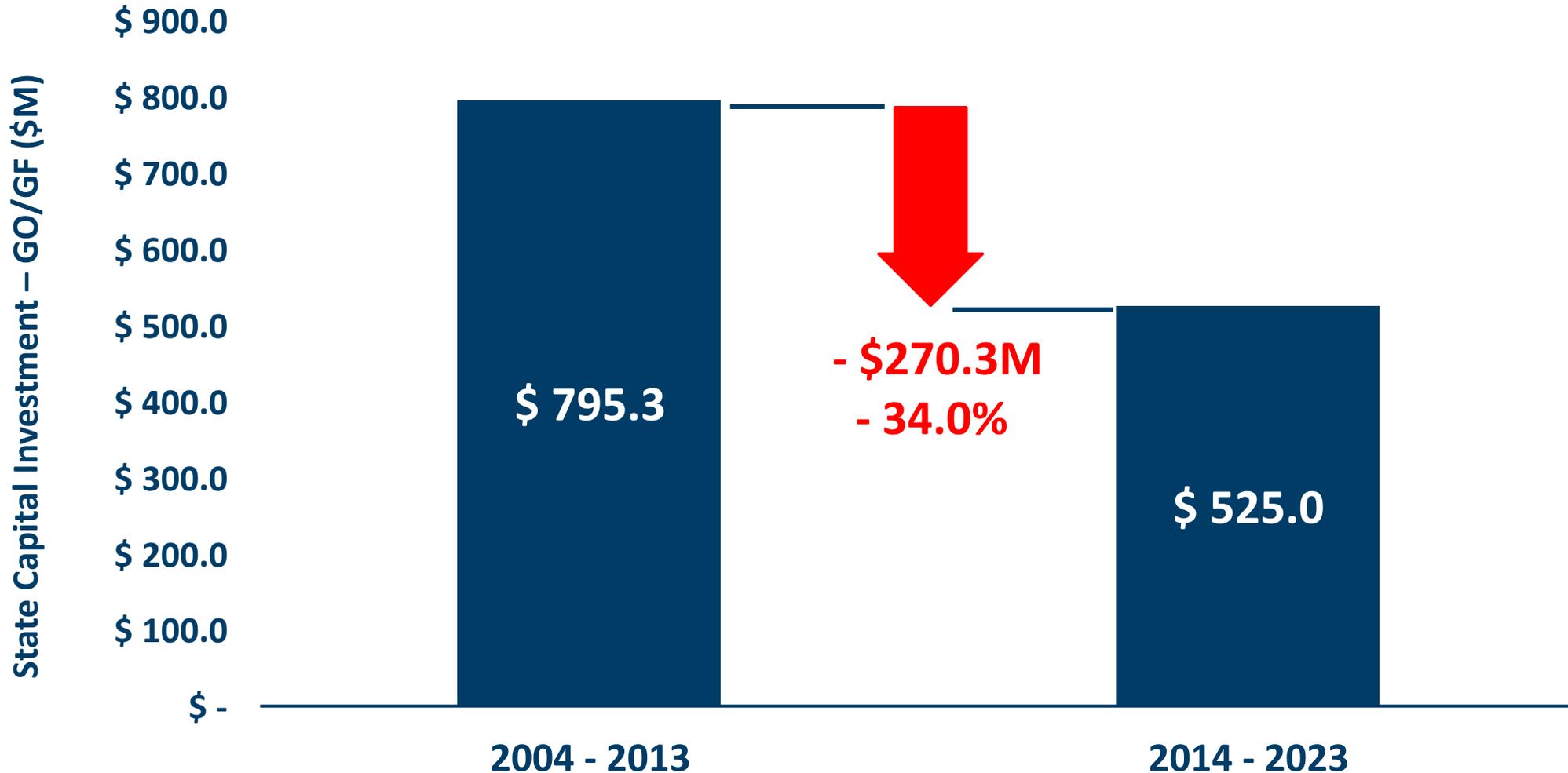
Capital investment in higher education

Percent of total state capital investment



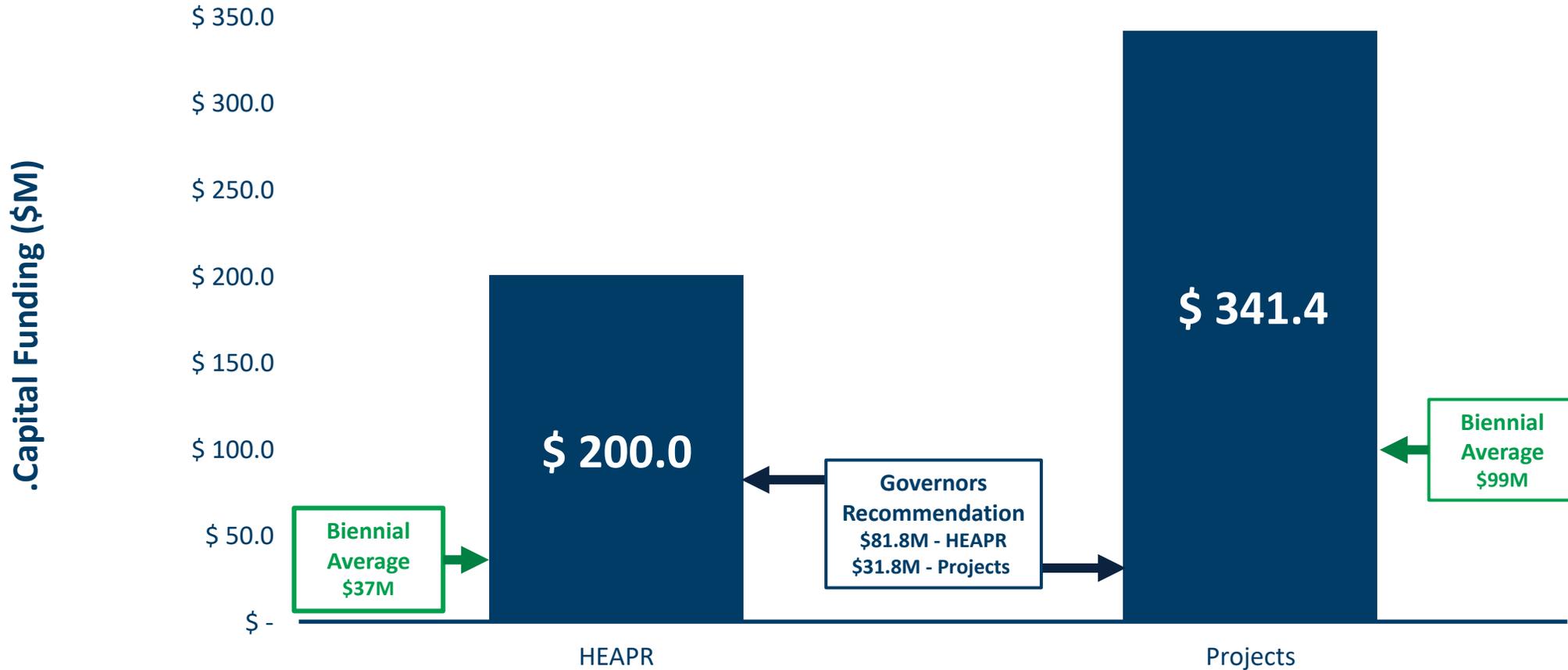
Shrinking state capital investment

Minnesota State – Down 34% in total funding



2024 Capital Program Perspectives

Biennial Averages and Governor's Recommendation



Minnesota State Capital Program

Guidelines – First Reading

- » Reduce backlog of maintenance in college and university academic and student support facility spaces by 15 percent in a biennium through Higher Education Asset Preservation and Replacement (HEAPR) funding
 - Preserve interior and exterior of existing highly utilized academic and student support buildings
 - Improve operating and energy efficiency of systems and infrastructure and reduce operating expenses
 - Enhance accessibility and compliance with Americans with Disabilities Act requirements including environmental, health and safety standards and abated hazardous materials and improve air quality
 - Asset preservation accomplished in individual major capital projects will *supplement* this funding

Guidelines – First Reading

- » Evaluate and only consider requesting funding for those major capital projects that were part of the 2024 capital program development process
 - Conduct project verification and basic project budget updates for:
 - Projects that are part of the Board of Trustees 2024 capital program request and
 - Candidate projects submitted as part of the 2024 capital program development process but ultimately not included in Board of Trustees final 2024 capital program request
 - Accept no new or additional candidate major capital project requests for the 2026 capital program development process

Guidelines – First Reading

- » Create flexible classroom and lab spaces enabled with technology capable of delivering over a broad spectrum of programming modalities
- » *Respond to workforce demand from community and industry partners*
- » Seek full funding for project design and construction costs to eliminate significant project delays associated with gaps between project design funding in one legislative session and construction funding in a later session

Guidelines – First Reading – Revenue Fund

- » Revenue Fund projects and revenue bond sales:
 - Significant financial modeling
 - Sound project and program financials supported by reasoned assumptions on costs and revenues over time
 - Project pro forma
 - Strong evidence of student involvement and commitment consistent with system procedure 2.3.1 *Student Involvement in Decision-Making*
 - Revenue Fund financial advisor and rating agencies consideration

Discussion

- » **Do the proposed guidelines reflect Board of Trustees intent and direction for capital investment given the environment Minnesota State finds itself in?**
- » **What risks are associated with the guidelines as presented?**
 - **How might risks be addressed or mitigated?**
- » **Are there additional considerations or factors to include in the guidelines?**



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