A large, stylized arrow graphic pointing to the right, composed of two overlapping chevron shapes. The top chevron is a darker shade of orange, and the bottom one is a lighter shade of orange.

CAPITAL AND MAINTENANCE FUNDING IN THE OKLAHOMA HIGHER EDUCATION SYSTEM

IS 23-077- Assessing capital needs for RUSO and rural colleges
and universities

House Higher Education and Career Tech Committee

Representative Anthony Moore, Chair

Speaker Pro-Temp Kyle Hilbert, Co-Author

Minority Floor Leader Cyndi Munson, Co-Author

October 17, 2023



OBJECTIVES

1. Review institutional deferred maintenance inventory
2. Examination of recent deferred maintenance survey data
 - A. Recognize structures in need of demolition
 - B. Examine institutional maintenance budgets
3. Identify capital and maintenance funding sources
4. Suggest solutions

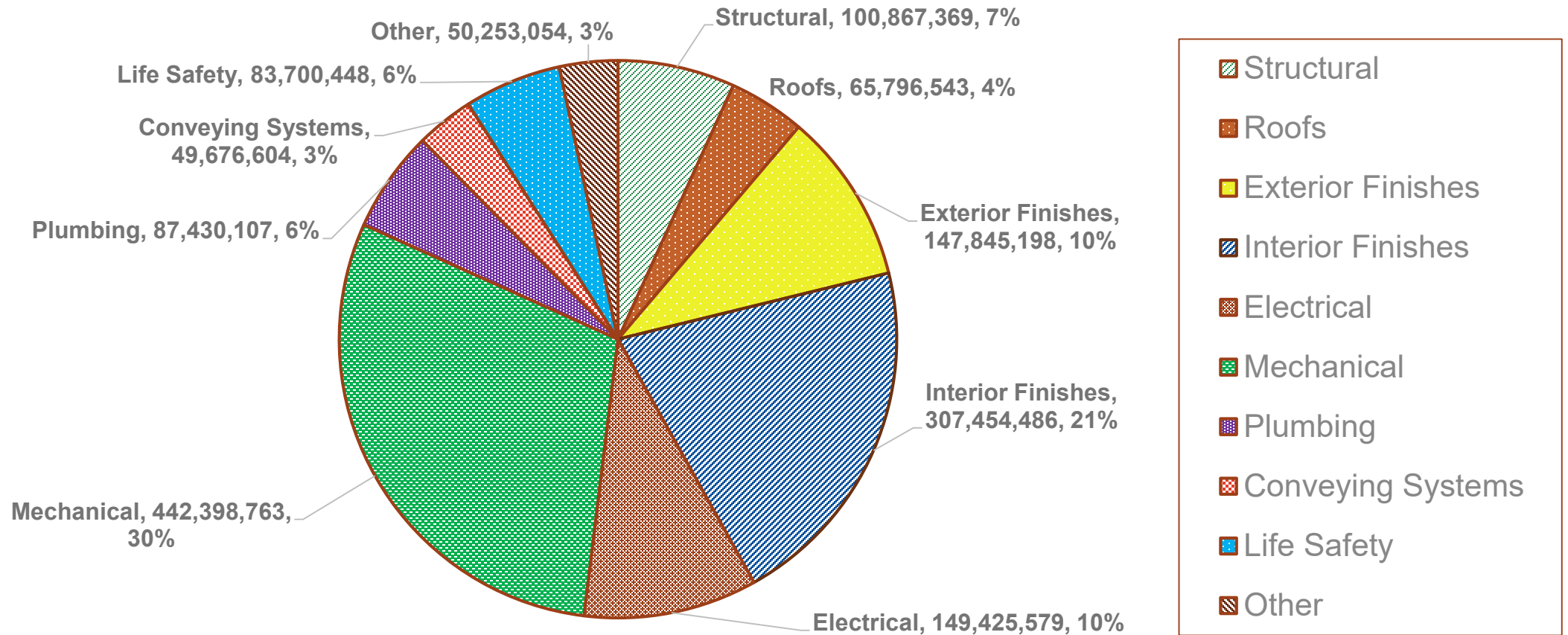


CAPITAL AND DEFERRED MAINTENANCE PROJECT COST ESTIMATES BY INSTITUTION CATEGORY

- ▶ Total deferred maintenance cost estimates by all institutions:
 - ▶ \$1,484,848,151
- ▶ Cost estimates by institution category
 - ▶ Research, Medical and Veterinary
 - ▶ \$891,600,244 60.0%
 - ▶ RUSO and Rural Four and Two Year
 - ▶ \$379,290,436 26.0%
 - ▶ Urban Four and Two Year
 - ▶ \$189,476,900



CAPITAL AND DEFERRED MAINTENANCE PROJECT COST ESTIMATES BY MAINTENANCE CATEGORY





DEMOLITION PROJECTS

- ▶ The most recent survey identifies 41 structures where the best option is demolition
- ▶ Current cost estimates for all razing all identified structures approaches \$25,489,295
- ▶ RUSO and rural four and two year institutions reported 13 structures with demolition cost estimates totaling nearly \$7.3 million
- ▶ Research tier institutions identified demolition projects represent 62.1 percent of the total estimated cost of all demolitions



CURRENT OPTIONS AND RESOURCES AVAILABLE

- ▶ Cash and Other Pay as You Go Solutions
- ▶ Commissioners of the Land Office (CLO)
 - ▶ Article XI, Section 5
 - ▶ New College
 - ▶ Section 13
- ▶ Section 13 Offset
 - ▶ Allocated funds to institutions not included in CLO programs
- ▶ Master Lease Program
 - ▶ Real Property
 - ▶ Equipment
- ▶ Other Capital Market Obligations
 - ▶ Oklahoma Capitol Improvement Authority
 - ▶ Direct Issuance thorough Governing Boards



REPORTED EDUCATION AND GENERAL (E&G) FUNDS BUDGETED FOR ON-GOING MAINTENANCE

- ▶ Survey responses indicate that approximately 3.7 percent of education and general (E&G) budgets are directed to on-going maintenance
- ▶ RUSO institutions and rural four and two year institutions direct approximately 4.4 percent of E&G budgets to on-going maintenance
- ▶ Percentages of E&G budgets directed to maintenance range from under one percent to over 30 percent. These percentages will vary from one year to another



COMMISSIONERS OF THE LAND OFFICE (CLO) DISTRIBUTION OF SECTION 13 AND NEW COLLEGE FUNDS

COMMISSIONERS OF THE LAND OFFICE
APPORTIONMENT REVENUES TO COLLEGES AND UNIVERSITIES
Years Ending June 30, 2022, and June 30, 2023

Institution	2022			2023		
	Section 13	New College	Total	Section 13	New College	Total
University of Oklahoma	\$5,666,363	\$3,760,155	\$9,426,518	\$6,192,782	\$3,718,670	\$9,911,452
Oklahoma State University	5,666,363	2,159,901	7,826,264	\$6,192,782	\$2,244,574	8,437,356
University of Central Oklahoma	699,544	313,732	1,013,276	\$764,535	\$338,726	1,103,261
East Central University	699,544	313,732	1,013,276	\$764,535	\$338,726	1,103,261
Northeastern State University	699,544	313,732	1,013,276	\$764,535	\$338,726	1,103,261
Northwestern Okla. State University	699,544	313,732	1,013,276	\$764,535	\$338,726	1,103,261
Southeastern Okla. State University	699,544	313,732	1,013,276	\$764,535	\$338,726	1,103,261
Southwestern Okla. State University	699,544	313,732	1,013,276	\$764,535	\$338,726	1,103,261
Cameron University	699,544	313,732	1,013,276	\$764,535	\$338,726	1,103,261
Okla. Panhandle State University	699,544	313,732	1,013,276	\$764,535	\$338,726	1,103,261
Univ. of Science & Arts of Oklahoma	699,544	313,732	1,013,276	\$764,535	\$338,726	1,103,261
Langston University	629,592	1,278,640	1,908,232	\$688,080	\$1,366,085	2,054,165
Northern Oklahoma College	629,592	2,032,715	2,662,307	\$688,080	\$2,267,160	2,955,240
Total	\$18,887,806	\$12,054,999	\$30,942,805	\$20,642,539	\$12,645,023	\$33,287,562



SECTION 13 OFFSET FUNDS DISTRIBUTION

Section 13 Offset Allocations by Institution FY-19 - FY-24

	FY-19	FY-20	FY-21	FY-22	FY-23	FY-24	Change: From FY-19	
	Allocation	Allocation	Allocation	Allocation	Allocation	Allocation	Amount	Percent
Cameron University	\$88,407	\$88,407	\$84,918	\$203,371	\$313,371	\$313,371	\$224,964	254.5
Carl Albert State College	330,792	772,011	741,542	900,000	1,000,000	1,000,000	669,208	202.3
Connors State College	330,792	772,011	741,542	900,000	1,000,000	1,000,000	669,208	202.3
East Central University	38,952	38,952	37,415	203,371	313,371	313,371	274,419	704.5
Eastern Oklahoma State College	330,792	772,011	741,542	900,000	1,000,000	1,000,000	669,208	202.3
Murray State College	330,792	772,011	741,542	900,000	1,000,000	1,000,000	669,208	202.3
Northeastern A&M College	330,792	772,011	741,542	900,000	1,000,000	1,000,000	669,208	202.3
Northeastern State University	338,195	338,195	324,848	373,671	373,671	373,671	35,476	10.5
Northwestern OK State University	12,207	12,207	11,725	203,371	313,371	313,371	301,164	2,467.1
OK City Comm. College	634,499	1,082,340	1,039,624	1,267,350	1,267,350	1,267,350	632,851	99.7
OSU-Oklahoma City	197,301	772,011	741,542	900,000	1,000,000	1,000,000	802,699	406.8
OSU IT, OKM	197,301	772,011	741,542	900,000	1,000,000	1,000,000	802,699	406.8
OSU-Tulsa	330,792	772,011	741,542	900,000	1,000,000	1,000,000	669,208	202.3
OK Panhandle State University	12,207	12,207	11,725	203,371	313,371	313,371	301,164	2,467.1
Redlands Comm. College	330,792	772,011	741,542	900,000	1,000,000	1,000,000	669,208	202.3
Rogers State University	330,792	772,011	741,542	900,000	1,000,000	1,000,000	669,208	202.3
Rose State College	475,993	772,011	741,542	900,000	1,000,000	1,000,000	524,007	110.1
Seminole State College	330,792	772,011	741,542	900,000	1,000,000	1,000,000	669,208	202.3
Southeastern OK State University	12,207	12,207	11,725	203,371	313,371	313,371	301,164	2,467.1
Southwestern OK State University	97,669	97,669	93,814	203,371	313,371	313,371	215,702	220.9
Tulsa Community College	945,575	1,409,940	1,354,295	1,716,400	1,716,400	1,716,400	770,825	81.5
University of Central Oklahoma	734,826	964,985	926,900	1,397,421	1,397,421	1,397,421	662,595	90.2
University of Science & Arts	12,207	12,207	11,725	203,371	313,371	313,371	301,164	2,467.1
Western OK State College	330,792	772,011	741,542	900,000	1,000,000	1,000,000	669,208	202.3
TOTALS	\$7,105,466	\$14,105,459	\$13,548,766	\$17,878,439	\$19,948,439	\$19,948,439	\$12,842,973	180.7



MASTER LEASE PROGRAM

- ▶ Established in 2002, inclusion of real property in 2005
- ▶ Consists of two elements
 - ▶ Equipment and personal property
 - ▶ Transaction minimum of \$50,000
 - ▶ Transaction maximum of \$10,000,000
 - ▶ Maximum of \$50,000,000 in any calendar year
 - ▶ Maximum duration of twenty (20) years or useful life of asset
 - ▶ Real property
 - ▶ Maximum duration of thirty (30) years or useful life of asset
 - ▶ Requires submission to the Legislature at the start of each Session
 - ▶ Annual transactions limited to approved projects or prior year projects not financed



MASTER LEASE PROGRAM

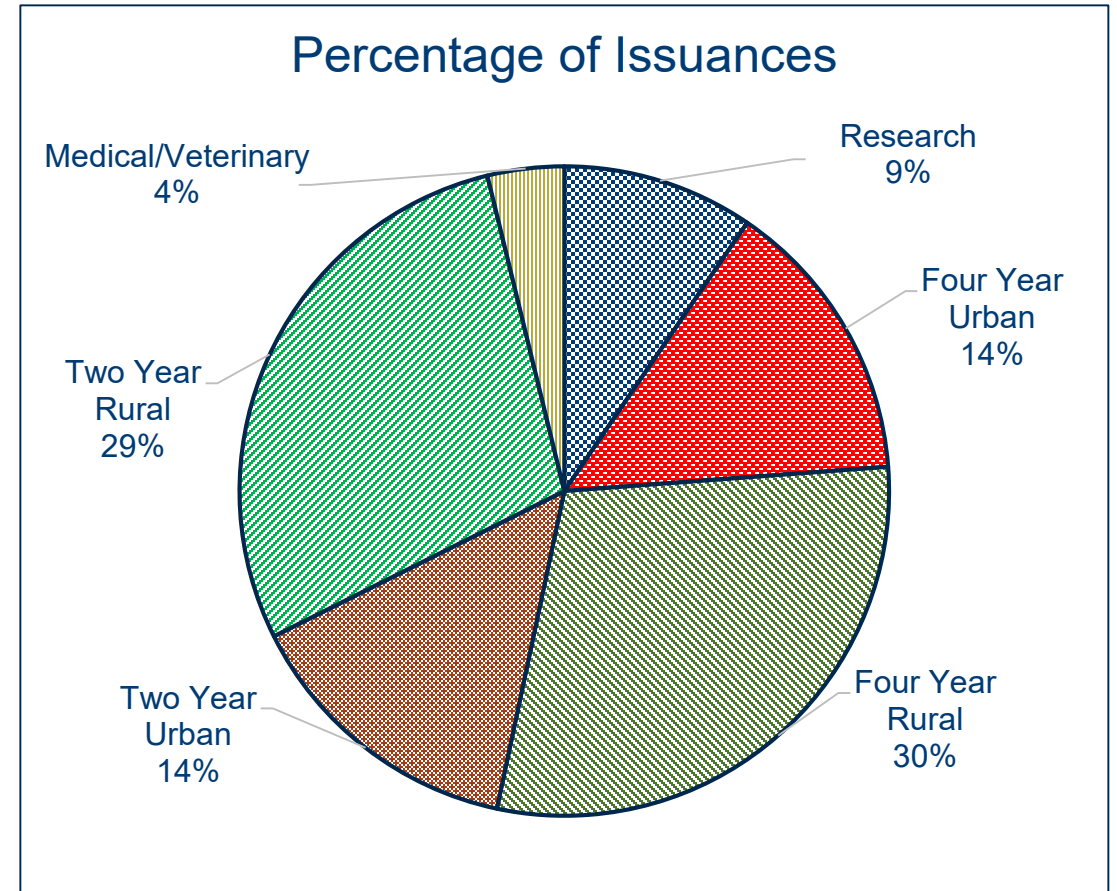
Master Lease: Outstanding Issues

<u>Category</u>	<u>Number of Issues</u>	<u>Original Principal Amount</u>	<u>Current Principal Amount</u>
Real Property	36	\$735,560,000	\$491,323,000
Equipment	<u>25</u>	<u>134,747,000</u>	<u>42,447,000</u>
TOTAL	61	\$870,307,000	\$533,770,000



MASTER LEASE PROGRAM REAL PROPERTY

Master Lease Real Property Issuance Participation	
<u>Category</u>	<u>Number of Issuances</u>
Research	10
Four Year Urban	15
Four Year Rural	31
Two Year Urban	15
Two Year Rural	30
Medical/Veterinary	4



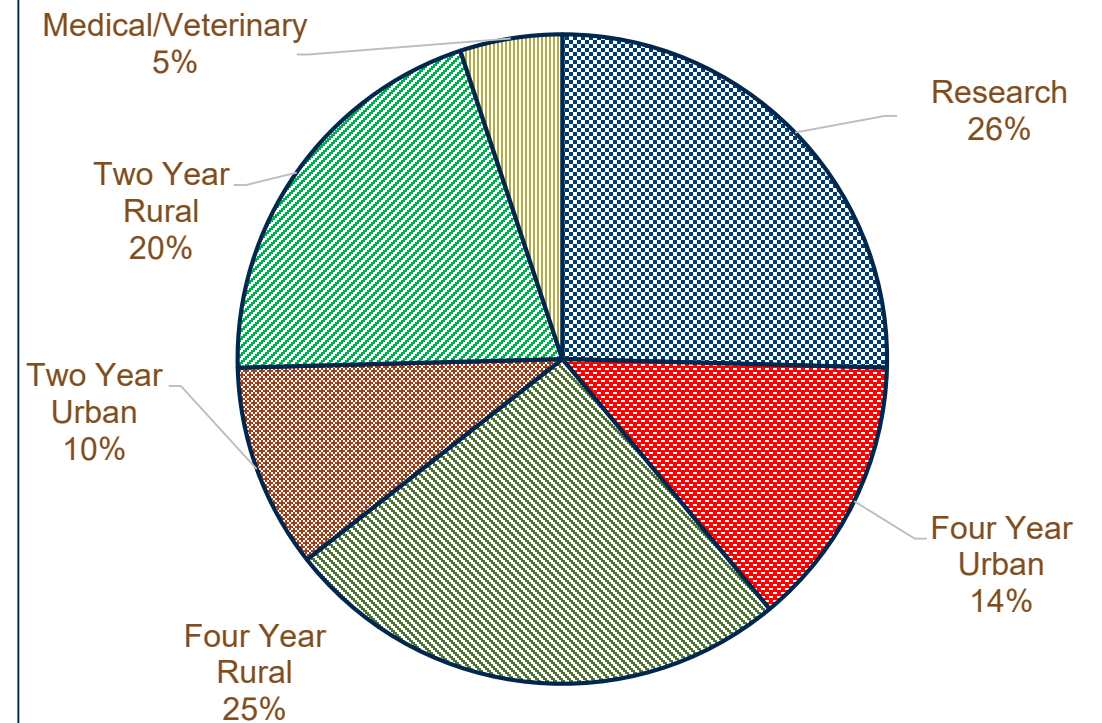


MASTER LEASE PROGRAM EQUIPMENT

Master Lease Equipment Issuance Participation

<u>Category</u>	<u>Number of Issuances</u>
Research	16
Four Year Urban	8
Four Year Rural	15
Two Year Urban	6
Two Year Rural	12
Medical/Veterinary	3

Percentage of Issuances





OTHER CAPITAL MARKET OBLIGATIONS

- ▶ Institutions may access capital markets other than through the Master Lease program when beneficial
 - ▶ Direct issuance through governing boards
 - ▶ Oklahoma Capitol Improvement Authority
 - ▶ Private placement



SOLUTIONS

- ▶ Increase Section 13 offset funding
- ▶ Cash specifically for maintenance
- ▶ Capital market activity
- ▶ Development of a revolving allocation structure
 - ▶ Features similar to the Legacy Capital Finance Revolving Fund
 - ▶ Strategically designed priority hierarchy
 - ▶ Maximum duration
 - ▶ Identified revenue sources for repayment
 - ▶ Funds available for reallocation as repayments are made

