

**SHEEO Information Request
State capital Funding - Match Programs
April 14, 2015**

To Finance Officers:

A Colleague in Massachusetts asks- do any states have capital funding programs that include a matching component -- whereby the state provides general obligation bond support for projects and the universities provide an equal or proportional match from grants, gifts, campus operations, or campus borrowed funds.

Please reply back to this query by April 21, 2015 and I will compile the results.

State Responses

Alaska	Sorry, we in AK do not.
Colorado	<p>Colorado does not have a matching component for capital funding programs – whereby the state provides general obligation bond support for projects and the universities provide an equal or proportional amount. The additional information below outlines some of the interactions between the state and institutions for capital projects.</p> <p>The State of Colorado is constitutionally prohibited from issuing debt backed by a general promise of repayment (General Obligation Bonds), but the state may enter into a Certificate of Participation (COP). COPs are a lease-financing mechanism where the government agrees to pay for the use of an asset over a set period of time, and then receives the title to the asset once the lease-payments are completed. In 2008, \$230 million was issued in COPs to finance 12 higher education projects. The legislation allowing this issuance required a Joint Resolution from the Legislature outlining the maximum amount to be financed through the COP and requiring a minimum amount to be contributed by the institution in a match.</p> <p>Additionally, Colorado allows Institutions of Higher Education to utilize the state’s credit rating to bond projects if they meet specific criteria. This process allows institutions to use gifts, donations, auxiliary revenues, and/or other revenues as backing for repayment for revenue bonds while using the state’s credit rating to help reduce the total borrowing costs. If an institution cannot make a payment, the state makes the payment on their behalf and intercepts their state general fund operating amount until the payment is recouped.</p>
Connecticut	Not in Connecticut Angela! It’s an interesting concept however.
Florida	The State of Florida has a matching program for capital projects for both public colleges and universities. However, the program is suspended, with no funding being appropriated since 2008. While not a bonded program, the State of Florida provided for a state match of private donations on a dollar for dollar basis.
Georgia	<p>The University System of Georgia does not have a formally identified matching program that specifies terms up front, although in many projects there is an expectation that a significant portion of the costs be funded externally in addition to state funds. In many cases, institutions proffer external funding in advance in an attempt to leverage the probability and/or speed of state funding.</p> <p>External fund match is most common in projects that are compatible with our mission yet have a degree of mission-oriented external revenue (primarily research), and on projects that satisfy certain core facility needs but also go beyond the range or scope of normal state funded academic buildings.</p>

Idaho	Not in Idaho, but it's a good idea. State capital funding for university facilities is extremely limited. The majority of new higher ed facilities are funded using student revenue bonds and donations.
Kansas	Kansas does not have an overall capital funding program as described below.
Kentucky	<p>There is no established capital matching funding program in Kentucky. However, in the past, when the Kentucky General Assembly appropriates funds for capital renewal and asset preservation, it has required the institutions to match the funds.</p> <p>The most recent example of this kind of matching requirement occurred in the 2008-10 budget of the Commonwealth: "The Capital Renewal and Maintenance Pool appropriated to the Council on Postsecondary Education provides funding for individual postsecondary institutions to be recommended by the Council on Postsecondary Education to the Secretary of the Finance and Administration Cabinet from the project listings previously identified and recommended by the Council for funding in the 2008-2010 fiscal biennium. The Council shall require matching funds from the institutions..."</p>
Louisiana	<p>LOUISIANA'S POST-SECONDARY EDUCATION'S CAPITAL PROJECTS & MATCHING FUNDS</p> <p>Capital outlay projects in the state of Louisiana are provided for each year through the passage of House Bill 2 (HB2). HB2, or the capital outlay bill, serves as the primary capital funding instrument for construction of all state-owned and some non-state facilities. Relative to institutions of post-secondary education, General Obligation (GO) Bonds are sold by the state to provide financing for the design and construction of facilities, infrastructure, etc. on our college campuses. Generally, appropriations of the legislature contained in HB2 do not contain a matching requirement; however, from time to time projects that are of great importance and/or represent a great need for an institution include a matching fund authorization in the appropriation. For example, Louisiana State University and A&M (LSU) recently began a renovation and expansion of their Engineering building. The project total was approximately \$110 million, with \$55 million coming in the form of matching funds. The matching funds allocated by LSU to the project demonstrated the strong commitment from LSU and its supporters and assisted the institution with ensuring the project remained in the final, signed version of HB2. While HB2 normally does not contain appropriations with a matching funds component, the Louisiana Community and Technical College System (LCTCS) was successful in garnering support for legislation (Act 360) passed in June 2013 that authorized the financing and construction of 29 projects in the amount of \$251.6 million for institutions across the state. One feature of Act 360 was the requirement that each institution raise a 12% match, or approximately \$30.2 million in total. Some institutions exceeded the 12% matching requirement. Per the legislation, projects were not eligible to receive state financing until all the private funds were available for that project. The construction projects provided for through Act 360 were managed and administered by a nonprofit corporation established for such purposes, and the 29 projects were not required to be included in the annual comprehensive capital outlay bill (HB2). With the exception of the LCTCS projects created by Act 360 of 2013, all capital projects for post-secondary education in 2015 will be contained within HB2 passed by the Louisiana Legislature during the 2015 Regular Session. The majority of these projects will not contain a matching component.</p>
Minnesota	Occasionally we will receive state support with language that the support is in addition to a planned gift. When that occurs, we have communicated the funding strategy as a part of our presentation to the legislature.
Nevada	While nothing formal exists in statute, the long standing policy is the state provides from 1/3 to 1/2 of the building costs (for academic buildings, no dorms or athletics, etc) and the campus provides the remainder through donor funds or debt. Its on a project by project basis, approved by the Legislature at the recommendation of the Governor.

New Hampshire	New Hampshire has no such requirement. Proposals that indicate the public systems are willing and able to contribute to some portion of the cost enhances the request of course....
North Carolina	The UNC System’s 2015-17 Capital Budget priorities presented to the Governor and General Assembly included a minimum 5% match requirement. We titled it S-I-T-G, short for “skin in the game.” I have attached a summary sheet showing how it is displayed. [UNC SUMMARY SHEET FOLLOWS THIS SUMMARY.]
North Dakota	<p>During the 13-15 biennium, ND has a state funded matching grant program which could be used for capital projects, scholarships, endowments, etc. \$29 million in state funding was provided with each state dollar required to be matched 2:1 with private funds.</p> <p>That program is likely to be re-authorized in the 15-17 biennium at \$25.5 M in state funding, but would no longer be available for capital projects.</p>
Ohio	Ohio Does not require any matching funds
Oregon	<p>Beginning in 1991, Oregon’s universities have been using gift funds, local government contributions, and federal construction grants to provide the constitutionally required match for general obligation bonds authorized under Article XI-G of the Oregon constitution. Article XI-G was approved by voters in 1959 and was intended to permit the state to issue bonds to fund half the cost of construction of a higher education project (with the other half coming from state general fund appropriations). The use of bonds was a response to the need to increase enrollment in the wake of Sputnik and the rapid growth in population Oregon experienced during and after World War II. (The state would pay the debt service on the bonds.)</p> <p>In 1991, voters passed an initiative to reduce property taxes and to transfer the lion’s share of responsibility for funding K-12 schools and community colleges from local taxing districts to the state. That put a squeeze on the state budget, adding major new expenditure obligations without any additional revenue sources. In addition to making significant budget cuts to universities and other state-funded entities, the state began to revise its statutes to permit more flexibility in the use of “other funds” as means of meeting the required match for construction projects for higher education. At first (1991 and especially 1993) that involved using gifts raised from private donors. By 1997, federal and local funds were added to the list of sources that could be used to match the state general obligation bonds. (Article XI-G requires a 1:1 match.)</p> <p>In the 1990s, the matching funds (Article XI-G requires a 1:1 match) had to be accepted into and appropriated from the state general fund in order to meet the legal test of being state general fund revenue. However, voters in about 2007 changed the language to remove the requirement that the funds be “washed through” the state general fund and a practice that the state had employed that the match dollars had to be spent before the bonds were issued. (That requirement had caused problems when pledge maturities were timed to project completion dates and not to some earlier time.)</p> <p>The capital budgets for higher education from 2009-2013 were the largest in history, largely due to the flexibility of being able to use of outside funds to match state bonds.</p> <p>Oregon has a program for matching funds in state bonds. It represents a significant amount of the capital projects supported by the state in any given budget cycle. The matching program referred to as “Article XI-G” bonds or “XI-G” bonds referencing the article authorizing them in our state constitution. These require a 50% match of non-state funds.</p> <p>Primarily XI-G bonds have been used by the large campuses who have access to philanthropic support or revenue bonds which can serve as a match.</p>
Rhode Island	We do not do that in Rhode Island – but it sounds like a great idea!

South Dakota	South Dakota does not have such a program.
Tennessee	<p>Yes, Tennessee has had a matching component for new construction or major renovation (what we call 'capital outlay') since 2012-13. It requires that the institution fund a portion of each project out of external funds, whether it be fundraising, reserves or other options. (The hope of course is that private fundraising fulfills the match).</p> <p>Here are some additional details:</p> <ul style="list-style-type: none"> • The primary aim of the matching program is to leverage private and external funding to the greatest extent possible in capital outlay projects. • The match is graduated by institution type: universities at 25%, community colleges and specialized units (such as Medical Schools) at 10%, and Colleges of Applied Technology at 5%. • The match is only required on the first \$75 million of the total project cost. This means the maximum match required at universities would be \$18.75 million, the maximum at community colleges and specialized units would be \$7.5 million, and the maximum match possible for TCATs would be \$3.75 million. • It is acknowledged that the composition of match will vary from project to project based on factors including the location of a project, the demographics of an institution's potential donor base, the nature of the project, and the then-current economic situation. Therefore, it is THEC's intent that UT and TBR have flexibility to meet the match composition guidelines in order to respond to specific circumstances of the respective projects. It is intended that private gifts and grants be the first source of match for each project. It is noted that the source of grant funds may include federal, state, local or private sources. Should private gifts and grants be insufficient to satisfy the project match level, then institutional funds may be used as matching funds. This may include Unrestricted Education and General Funds and reserves (primarily plant funds). Institutions and systems should make every effort to maximize private gifts and grants, while minimizing the use of student fees.
Texas	Texas provides (occasionally) Tuition Revenue Bond authorization, where the state then pays the principle and interest on the bonds each biennium.
West Virginia	The West Virginia Higher Education Policy Commission issued bonds in 2010 that were funded through lottery revenues. Matching was not required, but some institutions supplemented their allocation of the bond proceeds with funds received from donations or institutional debt issuances. In 2012 the Policy Commission refunded bonds. The new bonds have the same final payment date and the total annual payments equal the amounts for the old bonds. The additional proceeds from the refunding were used to fund projects that required matching funds from the institutions. The 4 year institutions were required to match on a 50/50 basis and the 2 year institutions were required to provide 40% of the project funding. The schools used institutional funds or private donations to fund these projects.
Wisconsin	University of Wisconsin System does not have such a program. Although some individual projects have been funded by leveraging state dollars with matching gifts, each has been a unique situation.

CAPITAL BUDGET PRIORITIES
Strategic Appropriated Capital

S-I-T-G
12.47%

Strategic Appropriated Capital Priorities										
Strategic Appropriated Capital Priorities		Total Cost	Request	S-I-T-G	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
ASU	College of Nursing and Health Sciences	\$74,507,033	\$70,781,681	\$3,725,352	\$20,000,000	\$45,300,000	\$5,481,681			
NCSU	Engineering Building - Oval	\$154,000,000	\$77,000,000	\$77,000,000	\$7,000,000	\$7,000,000	\$63,000,000			
UNCC	Science Building	\$126,383,375	\$120,064,206	\$6,319,169	\$12,638,337	\$70,000,000	\$37,425,869			
UNCW	Allied Health/Human Sciences & Nursing Facility	\$70,882,635	\$67,338,504	\$3,544,132	\$7,088,264	\$42,529,581	\$17,720,659			
NCSSM	Discovery Center's Reynolds East Living/Learning Residence Hall	\$8,000,000	\$7,600,000	\$400,000	\$7,600,000					
ECU	Life Sciences and Biotechnology Bldg/Howell Sciences Renovation	\$196,985,000	\$187,135,750	\$9,849,250	\$19,698,500	\$9,849,250	\$80,000,000	\$77,588,000		
UNCG	Nursing and Instructional Building	\$131,332,000	\$124,765,400	\$6,566,600	\$13,133,200	\$78,799,200	\$32,833,000			
UNCCH	Medical Education Building-Berryhill Replacement	\$90,600,000	\$70,600,000	\$20,000,000	\$7,060,000	\$42,360,000	\$21,180,000			
NCAT	New College of Engineering Facility	\$104,374,000	\$99,155,300	\$5,218,700	\$10,437,400	\$64,000,000	\$24,717,900			
WCU	Science / STEM Facility	\$120,981,300	\$114,932,235	\$6,049,065	\$12,098,100	\$60,834,135	\$42,000,000			
WSSU	Sciences Building	\$56,688,000	\$53,853,600	\$2,834,400	\$5,668,000	\$48,185,600				
		\$1,134,733,343	\$993,226,676	\$141,506,667	\$1,242,180,100	\$468,857,766	\$324,359,109	\$77,588,000	\$993,226,676	
		<i>SITG Total Participation:</i>		12.47%	12%	47%	33%	8%		
										New Capital
										\$514,836,635
										R & R Reserve