



MINNESOTA STATE
Board of Trustees

AGENDA ITEM SUMMARY

NAME: Finance and Facilities Committee

DATE: November 19, 2024

TITLE: FY2025 Capital Program Recommendation

Action

Review and Discussion

This item is required by policy

PRESENTERS

Bill Maki, Vice Chancellor for Finance and Facilities

Karen Huiett, System Director, Capital Planning and Analysis

PURPOSE

To gain board approval of a recommendation for capital investment funding from the state of Minnesota during the 2025 legislative session.

BACKGROUND INFORMATION

In 2023, after a full, formal capital program development process, Minnesota State submitted a \$541.4 million capital budget request of the State of Minnesota for investment in Minnesota State college and university academic facilities for consideration during the 2024 legislative session. This request included \$200 million for Higher Education Asset Preservation and Replacement (HEAPR) and \$341.4million for design and construction of major capital projects. It included fifteen (15) projects that were part of earlier board capital bonding requests of the state, including five (5) projects that received \$17.3 million for design in prior bonding bills and nine (9) new projects. Unfortunately, no bonding bill was passed and signed into law during the 2024 legislative session.

RECOMMENDATION FOR 2025

Odd year legislative sessions primarily focus on policy and state agency operating budgets. With no bonding bill passing during the 2024 legislative session, there is an expectation that a bonding bill will also be considered during the 2025 session.

After system office facilities team review and consultation with individual institution leaders, one project has been removed from the recommended 2025 request as the project is no longer envisioned by new campus leadership and the updated comprehensive facilities plan.

Given the scope and scale of the ongoing need, the recommended capital budget request for the

2025 legislative session totals \$552.3 million that includes \$200 million for HEAPR and \$352.3 million for the design and construction of fourteen (14) individual college and university projects. The state would fund \$434.9million or 78.7% of the program and Minnesota State would be responsible for \$117.4 million or 21.3%.

In October, Minnesota Management and Budget (MMB) provided new capital building inflation rates for the 2025 session. Each capital project has been adjusted to reflect the new inflation rates and updated mid-points of construction. The mid-points of constructions have advanced at least a year due to the lack of a 2024 bonding bill. The new inflation rates are generally trending lower than anticipated in 2024 resulting in overall modest increases in cost. The overall HEAPR request remains at \$200 million as the distribution for specific projects can be fluid based on college and universities most urgent priorities.

PATH TO THE 2026 CHANCELLOR'S RECOMMENDATION

Formal capital program development is underway for the next regular bonding request for the 2026 legislative session. This process started with the board passing the capital program guidelines in May earlier this year. The strategic guidelines include:

- Prioritize Higher Education Asset Preservation and Replacement (HEAPR) by preserving and maintaining existing highly utilized academic and student support buildings.
- Facilitate fulfilling the vision of Equity 2030.
- Improve energy and operating efficiencies to reduce operating expenses.
- Create technology-enabled flexible curriculum delivery.
- Respond to workforce demand from community and industry partners.
- Enhance accessibility, environmental, health and safety compliance.

Procedural changes within the guidelines place necessary constraints within the capital program by prohibiting no net increase in academic footprint, accepting no new or additional candidates for major capital projects, and seeking full funding for design and construction in the same biennium. The combined effect of these changes created the foundation for a bold and more transparent approach to the capital budget request process.

The 2026 guidelines prioritize the stewardship and asset preservation responsibilities in the existing academic facilities and the associated growing backlog of maintenance. From here, the process aims to be better aligned with executive branches priorities and more responsive to the key drivers of change in higher education. All candidate projects will undergo a Readiness Evaluation against the foundational criteria of academic alignment, institutional space needs, and the financial position of the campus. If the project meets a minimum standard, then the project will advance to General Scoring by peers. This scoring considers how the project responds to the societal trends, economic pressures, technology, environmental stewardship, and the political realities of today.

Projects included in past requests will not be automatically included in future requests. The total FY2026 program request including both HEAPR and major capital projects will be brought to the board for consideration in Spring 2025The specific list of major capital projects will be modeled

to ensure projects can be fully delivered in 4 years (2 biennia) or less, given delivery strategies and trends in state support.

The first reading to the board of the chancellor's recommendation for the 2026 project will be in May of 2025 with approval being sought after a second reading in June of 2025. Given the timing of the 2025 legislative session and the board's schedule there may be adjustments from the first and second readings to take into account legislature action during the 2025 session.

RECOMMENDED ACTION

The Finance and Facilities Committee recommends the Board of Trustees approve the 2025 capital program recommendation as presented in **Attachment A**, specifically the projects and priorities for the 2025 legislative session, and that the chancellor be authorized to make cost and related adjustments to the request including those required by Minnesota Management and Budget. The committee further recommends that as funding is authorized and appropriated by the legislature and approved by the governor, the chancellor or the chancellor's designee be authorized to execute contracting actions necessary to deliver on the scope and intent of the projects.

Date Presented to the Finance and Facilities Committee: 11/19/24
Date Presented to the Board of Trustees: 11/20/24
Date of Implementation: 11/20/24