

## **COLLEGE SAVINGS BOND PROGRAM**

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### **PLAN OF IMPLEMENTATION: PROJECTS**

#### **I. INTRODUCTION**

The College Savings Bond program offers the availability of approximately \$95 million to be expended on capital projects in the 1991-93 biennium. The actual amount available cannot be determined until the pricing of the bonds takes place because of the uncertainty of several factors including interest rates on the bonds. The amount available will be affected by the Legislative limitations placed on the principal amount of bond sales in a biennium, and the maximum annual debt service of \$8 million.

In the regular board meeting in August 1990, the State Board of Higher Education approved a list of capital projects which prioritized projects into four categories, with Category 1 having the highest funding priority. Total funding required for these projects is \$133,069,471. Projects designated in Categories 1 through 3 will be funded from the proceeds of the first, second, and third bond sales respectively. Projects in Category 4 are recommended by the State Board of Higher Education for funding from the General Improvement Fund, or from bond proceeds remaining after projects in Categories 1 through 3 have been funded. A table is provided in (Attachment 1) showing institutional requests and the SBHE approved projects for each category.

All projects are educational and general capital projects. No funds will be used in projects relating to auxiliary enterprises such as dormitories or intercollegiate athletic programs. A total of \$4,866,560 is included in this recommendation for projects directly related to vocational programs offered by colleges and universities, in accordance with Act 64 of 1981.

Institutions of higher education will recognize both monetary and intangible benefits from the implementation of this bond program. The monetary benefit derives from the present value of the bond proceeds relative to the value of the same dollars at some future bond maturity date, or a comparable usual scenario of receiving funding for a project from the General Improvement Fund. Immediate funding of an entire project instead of delaying project completion because of irregularly delivered fund increments yields less tangible benefits, too. These less tangible benefits develop from the immediate availability of resources to construct or renovate facilities or to upgrade equipment for immediate use by providing the ability to serve additional students, strengthening academic programs by providing appropriate housing for the programs, acquiring and protecting program accreditations attracting external grants and research dollars, and enhancing the public perception of successful institutions or higher education.

The funding required for all SBHE approved projects in Categories 1 through 4 are made for the following classifications of projects. Descriptions of the classifications are provided below.

Instructional Equipment	\$14,852,847
Library Holdings	\$ 6,610,917
Major Maintenance	\$26,110,676
Renovation & New Construction	\$81,495,031
Community College Loan Fund	\$ 4,000,000
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TOTAL	\$133,069,471

**CATEGORIES DESCRIPTIONS:**

The "Instructional Equipment" category provides for the purchase or replacement of instructional, clinical, and research equipment. An amount up to \$10 million of the total instructional equipment recommendation is to be funded from the proceeds of the first sale of bonds. The SBHE recommends that the balance of \$4,852,847 in Category 4 be funded from the General Improvement Fund, or from bond proceeds remaining after projects in Categories 1 through 3 have been funded.

The "Library Holdings" category provides for expansion of library holdings of books and periodicals. An amount up to \$2 million is to be funded from the proceeds of the first release of bonds. The SBHE recommends that the balance of \$4,610,917 in Category 4 be funded from the General Improvement Fund, or from bond proceeds remaining after projects in Categories 1 through 3 have been funded.

The "Major Maintenance" category provides for building improvements which enhance or preserve the value of existing educational and general buildings. An amount up to \$10 million will be funded from the proceeds of the first release of bonds. The SBHE recommends that the balance of \$16,110,676 included the Category 4 be funded from the General Improvement Fund, or from bond proceeds remaining after projects in Categories 1 through 3 have been funded. These allocations for major maintenance projects may be made based on a pro-rata share of the total recommendation for major maintenance or by a directed amount to a specific institution for the planning, engineering evaluations, and land acquisition necessary for a major campus upgrade. Descriptions of SBHE approved major maintenance projects can be found in the accompanying document, Recommendations for Major Maintenance for the 1991-93 Biennium, December 1990. This document is the joint product of State Building Services and the Arkansas Department of Higher Education. (Major Maintenance category amended July 22, 1994, by adding fourth sentence: "These allocations.....upgrade.")

The "Renovation and Construction" category includes projects to build, expand, or modernize educational and general space on the campuses of four-year institutions and their branches. Renovation includes projects such as removing and replacing building interiors, or the complete renovation of exterior walls. New construction projects will be for the construction of entire new educational and general buildings, or the construction of additional educational and general space attached to existing buildings. An amount up to \$66,802,000 for renovation and construction projects will be funded from the proceeds of the second and third release of bonds. The SBHE recommends that the

balance of \$14,693,031 be funded through the General Improvement Fund, or from bond proceeds remaining after projects in Categories 1 through 3 have been funded. A brief description of each "Renovation and Construction" project approved by the State Board of Higher Education may be found in Section II below.

The "Community College/Technical College Loan Fund" provides for low interest loans to community colleges for completion of educational and general capital projects on their campuses. An amount up to \$2 million will be funded from the proceeds of the second release of bonds for sale; an additional amount of up to \$2 million will be funded from the proceeds of the third sale of bonds. The total amount dedicated to the Community College/Technical College Loan Fund will not exceed \$4 million.

("Community College Loan Fund" was amended by Agenda Item No. 3, May 16, 1993, to read "Community College/Technical College Loan Fund.")

## **II. DESCRIPTIONS OF RECOMMENDED CAPITAL RENOVATION AND CONSTRUCTION PROJECTS**

The following descriptions of renovation and construction projects approved by the State Board of Higher Education include estimates of construction costs. Funding amounts represent the maximum amounts to be provided from the proceeds of the College Savings Bond program. Should the construction of a facility cost more than is provided, the institution would be expected to complete the project with monies acquired from other sources.

### ASUJ

Library Addition: An amount up to \$9 million is provided to expand the ASUJ library by 105,000 square feet. The expansion will house an additional 400,000 volumes, house a media center, and provide space for the media education program. This project will be funded from the proceeds of the second release of bonds.

### ATU

Dean Hall Renovation: An amount up to \$2 million is provided to renovate a series of 1947 Navy barracks which are used for general classroom space. A total interior renovation (the first since 1963), including HVAC, electrical systems, and new interiors, will accommodate nursing, art, and medical records administration programs. This project will be funded from the proceeds of the second release of bonds.

Drainage Ditch: An amount up to \$300,000 is provided to fund construction which will cover an open drainage ditch and install a drainage system to correct a safety hazard regularly cited by local Police and Fire Departments. Funds for this project are included in Category 4. The SBHE recommends that this project be funded from the General Improvement Fund, or from bond proceeds after projects in Categories 1

through 3 have been funded.

## HSU

Library/Academic Renovation: An amount up to \$2 million is provided to fund renovation of three academic buildings: Huie Library, a new 7,854 square foot pod; Arkansas Hall, the auditorium wing; and Evans Hall, a classroom building with obsolete HVAC and plumbing systems. This project will be funded from the proceeds of the second release of bonds.

## SAUM

Business/Agricultural Business Building: An amount up to \$4.3 million is provided to build a new facility to house the School of Business and the Agriculture Department (including the agricultural business program). The building will include three microcomputer labs with self-paced and remedial computer programs. This project will be funded from the proceeds of the second release of bonds.

Physical & Cultural Development Center: An amount up to \$3,830,600 is provided to construct a new facility to house the health and wellness programs, physical education classrooms, and specialized classrooms such as an exercise science laboratory. The building will also house an auxiliary gymnasium. The recommended funding is for the educational and general portion of the building; an additional \$2 million will be generated by student fees assessed by the institution to fund the auxiliary portion of the building. Funds for this project are included in Category 4. The SBHE recommends that this project be funded from the General Improvement Fund, or from bond proceeds after projects in Categories 1 through 3 have been funded.

## UAF

Chemistry/Biochemistry Research Facility: An amount up to \$7.5 million is provided to build a 40,000 square foot building to provide new chemistry facilities. Essential utility services such as fume exhaust, plumbing, electrical, lighting, temperature control, and ventilation will be addressed in the new structure. The total project cost is estimated to be approximately \$8.5 million. The university will provide the balance of \$1 million from other funds. This project will be funded from the proceeds of the second sale of bonds.

Library Addition: An amount up to \$6 million is provided for the construction of an addition to Mullins Library. Mullins was constructed in 1968 for a projected enrollment of 12,000 students and for a collection capacity of 875,000 volumes. The University's headcount enrollment is now over 14,000, and the collection size had reached 1.2 million volumes by June 1989. According to ACRL standards, Mullins' existing space is inadequate by 91,000 net assignable square feet. Four of the campus's five branch libraries are full and have been transferring portions of their collections to Mullins. This project will be funded from the proceeds of the third release of bonds.

## UA-AES

Alternative Pest Control Greenhouses: An amount up to \$1.3 million is provided for the construction of three greenhouses totaling 13,000 square feet to replace research greenhouses which were demolished in 1986. The total project cost is estimated to be

approximately \$3.2 million. The University will receive matching Federal funds. This project will be funded from the proceeds of the second release of bonds.

Poultry Center for Excellence: An amount up to \$5 million is provided to match \$20 million in Federal funds and \$10 million from private gifts to provide funding of a total project cost of \$40 million. The new facility of 150,000 square feet will house research programs to conduct research relating to industry problems and provide facilities for faculty and students. Cooperative Extension Services personnel will also be housed here. This project will be funded from the proceeds of the second release of bonds.

## UA-CES

Educational Complex: An amount up to \$3 million is provided to build a complex consisting of an Office and Conference Building to house CES faculty and a Print Shop. Previously occupied office space has been converted to the UALR Law School: CES currently occupies rented space. The rental contract specifies \$385,000 annual rent for the next two years, and \$396,000 for the next two years of the lease. The current print shop space is rented for an additional \$55,680 annually. This project will be funded from the proceeds of the third release of bonds.

## UALR

Science Complex Renovation: An amount up to \$7 million is provided for a project which, when completed, will include renovation of the Natural Sciences Building, the Chemistry Laboratory Building, the Earth Sciences Lecture Hall Building, and the Old Engineering Technology Building, a total of 190,564 square feet. The \$7 million provided will complete Phase I of the renovation. This project will be funded from the proceeds of the second release of bonds.

## UAM

Central Utilities Replacement and Energy Conservation: A total amount up to \$2.5 million is provided for renovation of UAM's underground utilities distribution system. The project will entirely replace the existing system which is 40 years old and serves 13 buildings. The new system will enhance the campus's energy efficiency. Up to \$1.5 million will be provided for this project from the proceeds of the second release of bonds. The SBHE recommends that the balance of \$1 million, included in Category 4, be funded through the General Improvement Fund or from bond proceeds after projects in Categories 1 through 3 have been funded.

Academic Space Renovation: An amount up to \$800,000 is provided to complete renovations for the Library, Harris Hall, and the Student Union. The renovations will increase usable classroom space, update building systems, and provide handicapped accessibility. Funds for this project are included in Category 4. The SBHE recommends that the project be funded from the General Improvement Fund, or from bond proceeds after projects in Categories 1 through 3 have been funded.

Forestry/Basic Sciences Laboratory Center Development: An amount up to \$200,000 is provided to furnish laboratories in the newly completed Forestry Research Wing. Funds for this project are included in Category 4. The SBHE recommends that the project be funded from the General Improvement Fund, or from bond proceeds after projects in Categories 1 through 3 have been funded.

### UAMS

Department of Anatomy Addition: An amount up to \$4.0 million is provided to construct a two-story facility of 29,140 square feet which will be attached to the current Education II Building. The new facility will house the gross anatomy lab, support facilities, the morgue, and offices and research labs for the Department of Anatomy. The additional space will accommodate the increased number of students in the College of Medicine. This project will be funded from the proceeds of the second release of bonds.

Fire & Life Safety/Emergency Room Renovation: An amount up to \$1 million is provided to fund renovation of the Emergency Room area to meet code requirements and to modernize and reconfigure the emergency treatment areas in order to meet increased patient load. Funds for this project are included in Category 4. The SBHE recommends that the project be funded from the General Improvement Fund, or from bond proceeds after projects in Categories 1 through 3 have been funded.

### UAPB

Business School Building: An amount up to \$4.3 million is provided to construct a 40,000 square foot, free standing building to house the School of Business and Management. Construction of this facility will free space in the building currently shared by the Business School and the English Department and provide room for expansion of English labs. This project will be funded from the proceeds of the second sale of bonds.

### UCA

Academic Complex: An amount up to \$7 million is provided to construct a freestanding building of 145,000 square feet to provide additional general class-room, office, and specialized instructional space. The new building will house Art, Speech, Theater and Journalism, History, Geography, and Political Science. Music and Business will be able to expand in existing buildings currently shared with these other departments. This project will be funded from the proceeds of the second release of bonds.

## ASUB

Business Technology Building: An amount up to \$1,180,000 is provided to construct a 16,900 square foot facility to house computer operations, accounting, business management, and management information systems for the Arkansas State Technical Institute. Completion of the project will allow administrative staff, faculty, and classrooms that are currently housed in mobile classrooms to have permanent facilities.

This Vocational-Technical project will be funded from the proceeds of the second release of bonds.

Abington Library Expansion: An amount up to \$430,000 is provided to expand the floor space in Abington Library by 17,904 square feet to provide additional shelving and study space for a growing student body and library collection. Funds for this project are included in Category 4. The SBHE recommends that the project be funded from the General Improvement Fund, or from bond proceeds after projects in Categories 1 through 3 have been funded.

Allied Health Building: An amount up to \$1,750,000 is provided for construction of a new facility to house sophisticated education and training in nursing, medical laboratory technology, x-ray technology, surgical assisting, and dental hygiene for the Arkansas State Technical Institute. These programs are currently housed in trailers which will be demolished at project completion. If the project is not funded, rental space will be required. Funds for this Vocational-Technical project are included in Category 4. The SBHE recommends that the project be funded from the General Improvement Fund, or from bond proceeds after projects in Categories 1 through 3 have been funded.

Physical Plant Building: An amount up to \$750,000 is provided to construct a new 15,000 square foot physical plant building to provide adequate space for plant operations. Funds for this project are included in Category 4. The SBHE recommends that the project be funded from the General Improvement Fund, or from bond proceeds after projects in Categories 1 through 3 have been funded.

## SAUE

Campus, Phase II: An amount up to \$2,767,871 is provided for completion of a new two-story classroom building by adding a third floor and a teaching auditorium. The project also includes addition of an elevator to the Administration Building to meet safety and handicapped accessibility codes. An amount up to \$1 million is to be funded from the proceeds of the third sale of bonds. The balance of \$1,767,871 is included in Category 4. The SBHE recommends that this balance be funded through the General Improvement Fund, or from bond proceeds after projects in Categories 1 through 3 have been funded.

## SAUT

Library Expansion/Administration Building Renovation: An amount up to \$1,450,000 is provided for an expansion of 27,000 square feet to the library, including study rooms with fifty reader stations, open stack area of 13,000 square feet, and space for future library acquisitions, cataloging, and shipping/receiving functions. The project also includes building access from the Administration Building, providing additional electrical service, heat and air conditioning, and plumbing systems. An amount up to \$450,000 will be funded from the proceeds of the third sale of bonds. The balance of \$1 million is included in Category 4. The SBHE recommends funding of this balance from the General Improvement Fund, or from bond proceeds after projects in Categories 1 through 3 have been funded.

Tech Engineering Building: An amount up to \$1,214,560 is provided to fund the completion of construction of a 68,635 square foot facility to house the Architectural and Building Construction program, the Avionics program, the Electronics program, and the Electromechanical, Mechanical Design, and Solar Programs. Funds for this Vocational-Technical project are included in Category 4. The SBHE recommends that this project be funded from the General Improvement Fund, or from bond proceeds after projects in Categories 1 through 3 have been funded.

## ECA

Physical Lab Addition: An amount up to \$19,100 is provided to construct additional lab space for soils morphology, cross connection and backflow prevention, asbestos abatement, water and wastewater hydraulics and pump maintenance. This Vocational-Technical project will be funded from the proceeds of the third sale of bonds.

Mobile Lab Hookup Site: An amount up to \$2,900 is provided to build a mobile unit hookup pad to provide utility service to maintain delicate equipment in the mobile lab during those times when the lab is not in service. This Vocational-Technical project will be funded from the proceeds of the third sale of bonds.

## FTA

Satellite Training Facilities: An amount up to \$250,000 is provided to construct two additional regional training facilities to meet the training needs of rural and municipal fire departments. The training centers will house basic firefighting courses, professional qualification programs and testing, specialized training courses, and weekend seminar courses. This Vocational-Technical project will be funded from the proceeds of the third sale of bonds.

Aerial Fire Truck: An amount up to \$200,000 is provided to fund the replacement of a twenty year old fire truck used in fire training. This Vocational-Technical project will be funded in two parts: an amount up to \$100,000 will be funded from the proceeds of the third sale of bonds; the SBHE recommends that the balance of \$100,000, included in Category 4, be funded from the General Improvement Fund, or from bond

proceeds after projects in Categories 1 through 3 have been funded.

Training Fires Station: An amount up to \$250,000 is provided to build a 3,900 square foot facility on the Camden site to train and house "rookie" firemen. Currently, trainees are housed in local motels at state expense. Funding for this Vocational-Technical project is included in Category 4, and the SBHE recommends funding this project from the General Improvement Fund or from the proceeds of bond sales after projects in Categories 1 through 3 have been funded.

Approved: Agenda Item No. 13  
January 24, 1991

**COLLEGE SAVINGS BOND  
COMMUNITY/TECHNICAL COLLEGE REVOLVING LOAN FUND  
APPLICATION CRITERIA**

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1. Low interest loans are offered to community and technical colleges for the purpose of funding educational and general capital projects, including administrative, classroom, and laboratory equipment; major maintenance; and construction or renovation. Funds for initial loans will be provided from the proceeds of the sale of College Savings Bonds, Series 1993, as authorized by Act 683 of 1989, as amended. These loans will be repaid by the borrowing institutions into a Revolving Loan Repayment Fund that will provide funds for subsequent loans to state supported community and technical colleges. **Loans from either source will not be made to support auxiliary functions, nor will they be made to refinance previously completed projects. Loan funds may not be used to reimburse the institution for expenditures predating loan approval.**
2. Loans must be approved by the State Board of Higher Education (SBHE) for specified projects.
3. To assure the tax free status of the investors' earnings, the requirements established April 8, 1991, in the Instructions issued with the Requisition form for the College Savings Bond program, will apply to projects financed through the loan fund.
4. Institutions will issue vouchers for payment directly to vendors for the approved project; institutions may **not** issue vouchers to themselves in anticipation of project expenses or as reimbursement for previously completed projects. If institutions are completing the approved project using in-house labor, loan funds may be used only to pay the materials vendor.
5. The projects undertaken with initial loans from the College Savings Bond fund must be completed within three years of June 29, 1993.
6. The interest rate for each loan will be established at the time of the State Board's approval of the loan, and will be fixed at the yield rate of the one-year U.S. Treasury Bill, as published on the third Thursday of the month preceding the State Board meeting. **(Board resolution in Agenda Item No. 7, February 2, 1995, amended this section to eliminate the addition of sliding-scale margin based on the term of the loan.)**
7. In general, the maximum term of a loan will be established according to the size of the loan and the purpose for which the loan was authorized, with consideration given to the expected useful life of the goods purchased with the loan proceeds. For instance, loans for most administrative and classroom equipment (such as personal computers) would have a maximum term of 5 years; loans for more sophisticated equipment such as larger computer systems or utility networks would have a

maximum term of 7 to 10 years; loans for deferred major maintenance and for construction or renovation projects would have a maximum term of 15 years.

8. Initially, because of anticipated demand for funds from this source, the total amount loaned to an eligible institution from this source may not exceed \$250,000. Depending on the availability of funds as the program matures, this limitation may change. **(Loan limit removed by Board resolution, Agenda Item No. 24, October 21, 1994, provided other criteria are met and funds are available.)**
9. Institutions must submit applications for the loan no later than 45 days before the next following regular meeting of the SBHE. These applications must be made on the forms provided by the Department for this purpose **with a copy of the institutional board's resolution authorizing the loan request.**
10. Applications for loans for construction and/or renovation projects should be accompanied by a copy of the engineer or architect's project budget guidelines.

Criteria for loan approval will include, but are not limited to, the following:

- a. The institution's current debt service requirements; total annual debt service (including that for the loan, if approved) may not exceed 25% of annual student tuition and fee revenue or, if local millage is pledged against the loan, the millage income must equal no less than 120% of total annual debt service.
  - b. Feasibility of and need for the proposed project in the context of the educational and general mission of the institution.
  - c. Estimated project completion date.
  - d. Availability of loan funds.
12. Upon approval of the loan by the State Board, the institution must sign a Certificate of Indebtedness specifying a payout schedule and asserting the commitment of the institutional board to budget and allocate the sums necessary to make the payments agreed upon in the Certificate of Indebtedness. The payout schedule will include a closing fee plus an annual service fee assessed by Arkansas Development Finance Authority as agreed upon by the Department and the Authority and specified in the closing document(s). The Certificate of Indebtedness will provide for penalties for late payments. No penalties will be assessed for early retirement of the debt.
  13. Loan funds will be disbursed for Board-approved projects only after the approval of a College Savings Bond Program Requisition.
    - a. For major maintenance and construction/renovation projects, institutions should submit a Requisition for the entire amount of the loan to the Department of Higher Education at the start of the project. Vouchers payable to the contractor would then be presented to State Building Services and the Department of Finance and Administration. State Building Services will forward copies of the

vouchers after they have approved payment. This procedure will permit institutions to meet the statutory requirement (A.C.A. 19-4-1411) limiting the time allowed between the contractor's submission of a pay request to the architect and the contractors receiving payment.

- b. For all other projects, Requisitions and vouchers should be submitted to the Department of Higher Education for payment from the College Savings Bond Community/Technical College Revolving Loan Fund.
14. Interest liability will be accrued from the date the voucher is expensed by the Department of Finance and Administration, and will be charged only on that portion of the loan that has actually been drawn by the institution.
  15. Debt service payments must be made according to the schedule agreed upon prior to the State Board's approval of the loan, and should be made payable to the Revolving Loan Repayment Fund, care of Arkansas Development Finance Authority. Penalties will be assessed for late payment of loans as described in the Certificate of Indebtedness.

## ALLOCATION OF COLLEGE SAVINGS BOND FUNDS

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The Arkansas Higher Education Technology and Facility Improvement Act (Act 1282 of 2005) from Governor Huckabee's legislative initiative authorized the Arkansas Higher Education Coordinating Board, in consultation with the Arkansas Development Finance Authority, to refer to the voters a request for the authority to issue up to \$250 million in college savings bonds for the improvement of technology and facilities in higher education. Approximately \$100 million of the issue is to be used to refund/recall existing bonds. The remaining \$150 million is to be allocated to the public institutions of higher education in Arkansas.

Subsequently, Governor Huckabee, in a letter to the members of the Coordinating Board, requested that the bond proceeds be divided by distributing \$50 million, or one-third of the proceeds, among the two-year colleges. He further requested that the first \$10 million of the remaining \$100 million be allocated for connection to the e-Corridor for the ten universities and the medical sciences campus with the balance of the funds distributed to the universities and their entities. These executive guidelines have been followed in the recommended distribution of the anticipated bond proceeds. The Coordinating Board's policy of funding students without regard to the institution they attend was used as the basis for structuring the recommended distribution of the funds among the schools within the two groups.

Institutional requests submitted in May 2005 total more than \$651 million, which was more than four times the funds available for distribution. The number of projects requested and the high cost of some of the priority projects created a challenge for an equitable distribution. Therefore, it is important to note that these recommendations are for funding allocated to an institution or a system. The specific distributions of the funds to projects within an institution or system are to be at the discretion of the institution or system and submitted to ADHE by mid-August to be included in the allocation of funds.

It is the philosophy of the Coordinating Board, and ADHE staff, that the best decisions about which projects are the most critical to a system or an institution can be made by those who have the most knowledge and information regarding the priority needs of their institutions. Institutions should designate the projects to be funded from their allocations and the portion of their funds allocated to each project. Systems are asked to designate the institutions that are to receive funds as well as the projects for each entity.

Previous allocations of funds from earlier college savings bond programs are irrelevant since the funding recommendations are based upon the current enrollments and the current need of institutions for space. Funding received from the General Improvement Fund also has no relevance to this distribution.

## Factors Considered in the Allocation of Funds

This distribution of funds to institutions has taken into consideration the fall 2004 on-campus enrollment; the latest annualized FTE enrollment which includes the spring of 2005; the Facilities Condition Index (FCI) for existing facilities; the space needed to accommodate the latest enrollment as determined by two space allocation models; and the institutions' utilization of their debt service capacity.

An institution's existing square footage was reduced by the square footage with a FCI of 80% or greater because facilities with an FCI of 80% or greater are usually not suitable for use. To determine whether an institution needed additional space, or had excess space for their current enrollment, the adjusted actual square footage was divided by the square footage needed as determined by two space allocation models developed for that purpose.

The latest reported debt service and revenues from tuition and fees were used to determine the percent of the debt service capacity being utilized. Debt service capacity was determined by taking 25% of the reported tuition and fee income. The source of the debt service and revenue from tuition and fees was the last "actual" 17 series reports or, if available, the latest bond feasibility request from the institution.

Since fall on-campus FTE enrollment generally represents an institution's maximum space need, it provided the initial student FTE for the distribution of funds. However, the proceeds for this bond issue are not limited to need for space or maintenance of existing space but include technology infrastructure upgrades. Off-campus and distance learning classes often have a greater technology cost associated with their delivery to students in terms of equipment maintenance and technical support staff. Therefore, the FTE enrollment used for funding allocation is the fall 2004 on-campus FTE plus one-half the difference in that enrollment and the annualized total FTE enrollment including off-campus classes.

**Universities:** Institutions whose adjusted actual square footage is greater than the space model-determined need would receive a smaller allocation than if they had a need for additional square footage. Institutions with a smaller percent of debt service capacity being utilized would receive a smaller allocation of funds than institutions whose percent of debt service capacity exceeded the average.

After the Governor's requested initial allocations, the remaining funds were divided equally among the institutions on the basis of the institutions' adjusted FTE enrollment. The adjustments for ratio of actual space to the space model-generated need and for the percent above or below the average percent of debt service capacity being utilized were made to the FTE enrollments. The resulting weighted FTE enrollments were used to make the preliminary allocations of the balance of the funds. The resulting preliminary allocations were compared to institutions' requests and rounding adjustments were made in light of the expressed needs of the institutions and Coordinating Board priorities.

**Colleges:** The distribution of funds to colleges is based on an economy-of- scale concept. The preliminary basis for the allocation decisions was to provide \$2,100 for the first 500 adjusted FTE enrollment up to the amount requested by an institution. The next allocation was based on \$1,700 for the next 1,000 adjusted FTE enrollment, up to the actual adjusted FTE enrollment, or the funds needed for an institution's top priority projects. The remaining funds were distributed equally among the FTE of schools with more than 1,500 FTE students. These preliminary allocations were rounded and adjusted by comparing the funding to the institution's priority requests and AHECB priorities.

Approved: Agenda Item No. 3  
July 29, 2005