

BOARD OF TRUSTEES OF THE NEBRASKA STATE COLLEGES
ITEMS FOR DISCUSSION AND ACTION\FISCAL, FACILITIES AND AUDIT

ACTION: **Approve Transfer of Capital Improvement Fee Funds from the System Office to the Colleges**

The Colleges assess a Capital Improvement Fee (CIF) of \$12.00 per credit hour. The funds are remitted to the central CIF account and revenues are tracked by the Colleges. The first priority use of the funds is debt service requirements that are a part of the bonds issued by the Facilities Corporation. The debt service is prorated annually among the Colleges based on overall collections using a three-year rolling average. For the FY23 debt, the debt is prorated using the FY20-FY22 revenues. CIF funds remaining after debt service requirements are available to support other capital improvement projects for State buildings, including planning costs for the projects. When the Board approves an allocation for a project, the funds are transferred to the College and tracked in a separate account. Any unused funds must be returned to the central CIF account or can be re-purposed for another project with approval from the Board.

The System Office CIF account receives all interest earnings on the CIF funds held centrally. The System Office fund is used to pay billings related to financial advisor services, audits for the Facilities Corporation, bond counsel and arbitrage calculation services. The System CIF fund has grown to \$938,000. As stated, the account is used to pay administrative expenses and serves as a buffer for cash flows needed for debt service. When the account grows beyond what is deemed necessary for these purposes, a portion of the fund may be redistributed to the Colleges. Given overall stable credit hour production and growing interest earnings, it is recommended to reduce the fund to \$750,000 at this time. This would allow for a \$188,000 distribution to the Colleges based on the three-year rolling revenue average. The fund will be allowed to grow to \$1.0M dollars moving forward and reassessed at that time. The following is the recommended distribution to the College's CIF accounts:

CIF Revenues FY20 TO FY22

	<u>CSC</u>	<u>PSC</u>	<u>WSC</u>	<u>TOTAL</u>
FY20	\$665,597	522,160	\$1,144,302	\$2,335,060
FY21	\$652,960	\$496,560	\$1,240,038	\$2,389,559
FY22	<u>\$661,496</u>	<u>\$488,716</u>	<u>\$1,256,463</u>	<u>\$2,406,674</u>
Total	\$1,983,053	\$1,507,436	\$3,640,804	\$7,131,293
 Revenue 3-Year Average	\$661,018	\$502,479	\$1,213,601	\$2,377,098

% Share	27.81%	21.14%	51.05%	
CIF Allocation	\$52,279	\$39,740	\$95,981	\$188,000

This action will move \$52,279 to the CSC account, \$39,740 to the PSC account and \$95,981 to the WSC account. The balance remaining in the System account will be \$750,000.

The System Office recommends approval of the Transfer of Capital Improvement Fee Funds from System Office to Colleges.