



Response to House Higher Education Committee September 1, 2020

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Interim Charge 2

Evaluate current and future capital infrastructure needs at Texas public universities, health-related institutions, and Texas State Technical Colleges in preparation for potential legislation to be considered by the 87th Legislature. Identify and evaluate alternatives to tuition revenue bonds for the State's funding of higher education capital infrastructure needs, including options for addressing deferred maintenance needs at aging campuses.

1. As a result of the pandemic, have institutions' infrastructure needs to be changed?

The rapid transition to online learning required the university to massively ramp up information technology equipment and software licenses, including the use of the campus learning management system (LMS) Desire 2 Learn (D2L)/Brightspace, and to implement a cloud-based video communications platform, Zoom, for ubiquitous video conferencing. The university has leveraged its existing authentication infrastructure to secure access to both the campus LMS and the cloud video conferencing tool.

Cloud-based video conferencing and classroom hybridization require the university to upgrade Internet egress connectivity and require upgrades to campus packet shaping hardware and the campus edge firewall. Significant time, effort, and investments have been made and continue to be made as we navigate the pandemic and its impact on the campus and our students.

Providing sufficient space to allow for CDC (Center for Disease Control) recommendations on social distancing has increased the need for larger classrooms/labs. Temporary measures, including schedule modifications, have been implemented to work

around limited classroom spaces, although these larger areas are not currently considered a long-term need requiring additional buildings.

2. How have institutions' needs changed since the 86th Legislature? Are there projects that were included in HB 2000 that are no longer needed, i.e., were funded through other means? Are there projects that were not included in HB 2000 that now are a need? If so, why?

During the 86th Legislative Session, MSU's original Tuition Revenue Bond (TRB) request that was included in the filed HB 2000 was for \$10 million for critical campus infrastructure needs. Owing to our having the smallest request among all institutions, our state representative visited with the bill author and committee chairman and received support for an increased amount for our institution if the increase was approved in the Senate. We received such support, although, unfortunately, the bill did not move forward in the Senate. Our other critical need at that time was the Bolin Science Hall Renovation and Infrastructure Improvement for \$25 million. Both of these projects continue to be needed and will be requested as a combined now \$40 million TRB request in our upcoming Legislative Appropriations Request for the 87th Session.

3. If the pandemic has changed institutional needs, are there federal funds that could qualify to help offset COVID-related changes?

CARES Act funding both for the initial institutional share and the added funds from the Strengthening Institution Program have helped with technological needs, PPE, signage, and other direct and more immediate changes. These funds will not address needed investments in campus facilities and infrastructure that are longer-term and would require more substantial investments.

4. Has the economic recession impacted borrowing costs for a potential Tuition Revenue Bond? Are there any anticipated changes to the costs of borrowing in the future, should conditions remain as they are?

The recession has improved the bond market for issuers by drastically reducing borrowing costs, as interest rates on long-term debt are at historic lows. If debt issuances are deferred, borrowing costs will likely only increase over time, and they will be coupled with rising costs of construction.

5. Are there financial or other benefits to paying for TRBs with cash rather than borrowing money?

TRBs are an important tool to finance and fund long-term capital projects and are a better option than cash for these significant campus investments for the reasons identified below.

- a. TRBs conserve current liquidity – The scarcity of cash, exacerbated by the pandemic and enrollment uncertainties, places pressure on the need for cash preservation in times of uncertainty and duress on family incomes.
 - b. TRBs help align large capital projects with the timing of benefits from those projects.
 - c. TRBs leverage future economic growth to fund projects by smoothing capital costs over multiple years, supported by a higher future revenue base.
 - d. TRBs allow current and future students to benefit from facilities improvements. If cash were required to fund these improvements, projects would have to be delayed many years to accumulate sufficient resources to fund the projects, hence precluding current students from benefitting from such campus investments.
 - e. TRBs are an investment of General Revenue (GR) in higher education, which enable universities to continue to invest in students, faculty, and staff to provide high-quality teaching and learning experiences and opportunities.
6. What kinds of longer-term impacts will we see to institutions if TRBs continue to be pushed off?
- a. Delaying TRBs will lead to increased deferred maintenance. The growing costs to address deferred maintenance will place increasing pressure on operating budgets to maintain. Minimal current maintenance will lead to higher costs of replacement in the future. And the inability to keep up with growing deferred maintenance will result in exponential repair and replacement costs.
 - b. An example of this at MSU Texas was increased costs for the completion of our TRB-funded Centennial Hall when our utility tunnels started collapsing as a result of the heavy construction traffic. These types of issues will continue to surface as TRBs continue to be pushed down the road.
 - c. Delaying TRBs will also lead to obsolescence of educational facilities that do not serve current or future students' needs due to aging buildings, facilities, equipment, and infrastructure.