

Interim Charge #2: Infrastructure

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

While the pandemic has not been the impetus for any specific tuition revenue bond requests that we will bring forward to the 87th Legislature, the pandemic has resulted in changes in how we use existing space. Institutions have had to take a critical look at all facilities on their campuses to find additional spaces to provide face to face instruction to students while allowing for appropriate levels of social distancing. We are teaching classes in basketball arenas, performing arts auditoriums and stages, and other spaces that previously were used for non-teaching purposes. Small group spaces have been limited because of inability for social distancing and in some cases, spaces have been created outside for students' use.

Institutions need facilities with specialized technology to support delivery of education in hybrid and online formats. Institutions are finding that facilities for health services and mental health services are inadequate for the increased use of these services. Space usage for both classrooms and laboratories has increased as institutions have lengthened the class day to allow for increased time between classes to allow for social distancing as students and faculty enter and exit classrooms and labs and as additional sections are offered due to reduced number of usable seats in each classroom. Institutions have also had to invest in facilities upgrades to enhance safety in our facilities. This includes upgrades to air flow and filtration in facilities, installation of plexiglass barriers, and enhanced cleaning protocols.

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?

See attached spreadsheet

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

At this time we are not aware of any federal funding for higher education infrastructure needs.

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?

Borrowing costs have been volatile during this unprecedented time but are lower than pre-pandemic rates. Comparing recent transactions for the System, the interest costs are 30% lower from 2019 to bonds issued in July 2020. We expect borrowing costs to remain relatively low, but still volatile, for the foreseeable future absent any shocks to the market. Investors have been attracted to debt issued by high quality entities, but as they fill their investment books we may see spreads widen, meaning somewhat higher rates for borrowers.

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

Paying cash for projects will save the interest costs associated with borrowing which can add up to 50% to the total cost over a 20-year amortization period (i.e., \$100 million building will cost \$150 million when paid over time). The level of interest rates should be considered when making a cash vs. borrowing decision. In low interest rate environments, it can be beneficial to leave cash invested in higher returning investments and pay the interest on borrowed money, resulting in a positive arbitrage position.

6. What kinds of longer-term impacts will we see to institutions if TRBs continue to be pushed off?

The Legislature has authorized TRBs only twice in the last twenty years, in 2006 and 2015, resulting in much needed requests to meet the needs of our growing enrollments and increased technology demands. Longer term impacts of delaying investment in higher education will limit growth of institutions to have sufficient spaces to continue to increase enrollments. It will also impede institutions ability to keep up with the latest technologically advanced teaching environments. Oftentimes, it is not practical or economical to convert older classroom buildings to keep up with such advances. While remote learning or on-line classes works for some students, the in-person experiential learning allows institutions to meet the educational needs of first-generation college students or other students that perform better in the classroom setting. Having students on-campus allows the universities to connect with students and provide additional resources to drive successful outcomes. It also allows for monitoring and intervention to assist those students that are facing challenges.

