



Commonwealth of Massachusetts
Executive Office for
Administration and Finance

Financing Higher Education Capital Projects

**Leveraging Fair Share to Transform Our Public Higher
Education Campuses**

Reflects BRIGHT Act as filed in January 2025



Transforming Our Public Higher Education Campuses

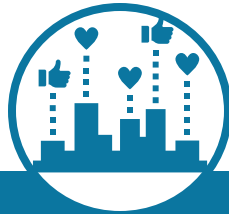
House 1 Proposal



The BRIGHT Act: An Act to Build Resilient Infrastructure to Generate Higher Education Transformation



- Securitize \$125M in Fair Share annually
- Will unlock ~\$2.5B in Special Obligation bonds over 10 years
- Mirrors successful CTF strategy
- No impact on General Obligation credits or debt capacity



- Up to \$2.5B for UMass, community colleges & state universities to:
- Address deferred maintenance
- Modernize and decarbonize facilities
- Construct major capital projects
- Breathing new life into proven programs



- Up to \$500M for:
- Converting surplus property to housing
- Modernization projects, like labs
- CTE collaboration
- Student mental health, wellness, safety
- Master plans
- Technology
- Workforce Skills Capital Grants



- Policy proposals to:
- Expand ability of MSCBA to borrow for wider range of projects
- Allow DCAMM to dispose of surplus HE property
- Exempt smaller projects from certified study requirement



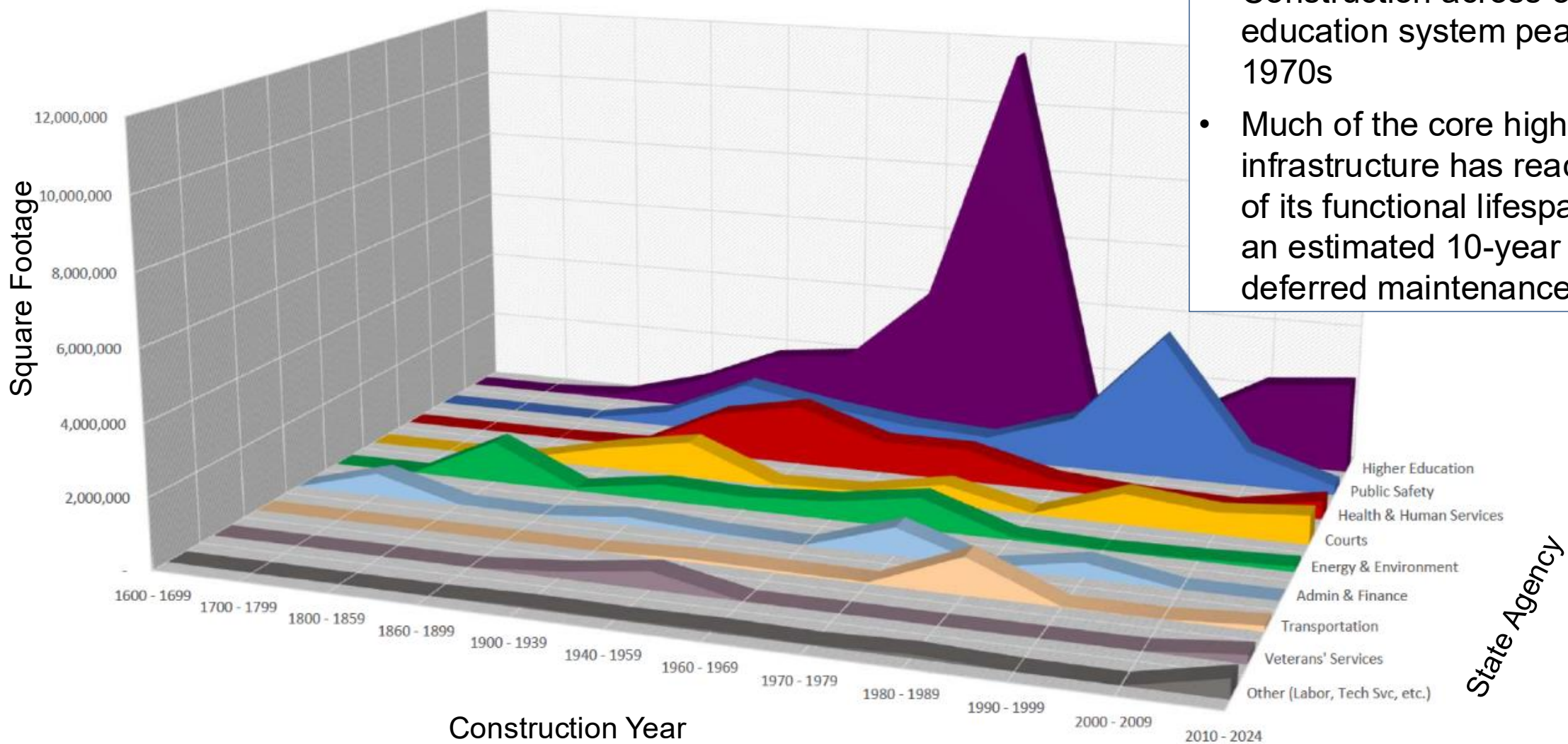
The Challenge

Mounting deferred maintenance, decarbonization and modernization costs across our public higher education campuses in a constrained funding environment.



Aging Infrastructure Resulting in Deferred Maintenance

Square Footage Construction By Year In State-Owned Public Infrastructure



Takeaways

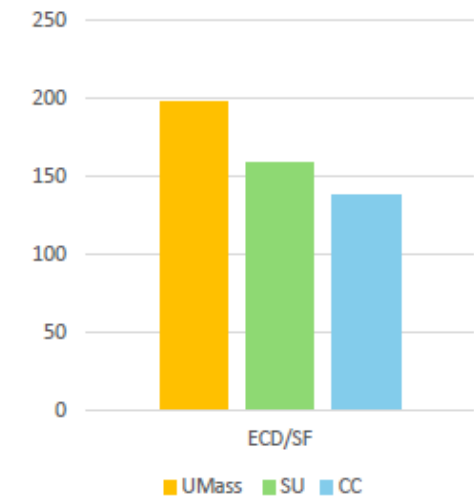
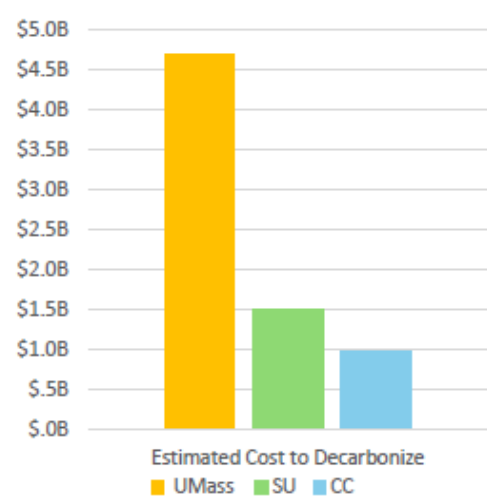
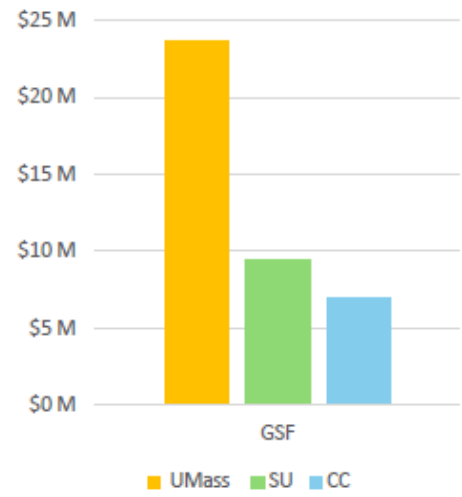
- Construction across our higher education system peaked in the 1970s
- Much of the core higher ed infrastructure has reached the end of its functional lifespan resulting in an estimated 10-year backlog of deferred maintenance of >\$5.6B



Significant Decarbonization Investments Needed to Meet Climate Goals

	GSF w/ Authorities	% of total GSF	Estimated Cost to Decarbonize(ECD) ***	ECD % of total	ECD/SF	2023 Tones CO2
HE Community Colleges (15)	6,999,156	17%	\$1.0B	14%	139	13,937
HE State Universities (9)	9,414,382	23%	\$1.5B	21%	159	46,169
HE University of Massachussets (5)	23,717,460	59%	\$4.7B	66%	198	225,009
Grand Total	40,130,998		\$7.2B			285,115

- Higher education facilities represent:
 - Nearly half the state’s building portfolio and
 - 2/3 of carbon emissions from state buildings
- Meeting the Commonwealth’s climate goal of a 95% emissions reduction by 2050 requires decarbonizing higher ed campuses, given their significant share of state-owned buildings
- The estimated cost of decarbonizing public higher education buildings = \$7.2 B across both state-owned and authority-owned campuses (40 million GSF total)



***Estimated cost to decarbonize numbers are in 2024 dollars and include residence hall information for SU and UMass.



Modernizing Facilities To Meet the Demands of Today and Tomorrow

Public Higher Education institutions identified a wide-range of overdue modernization needs, including:

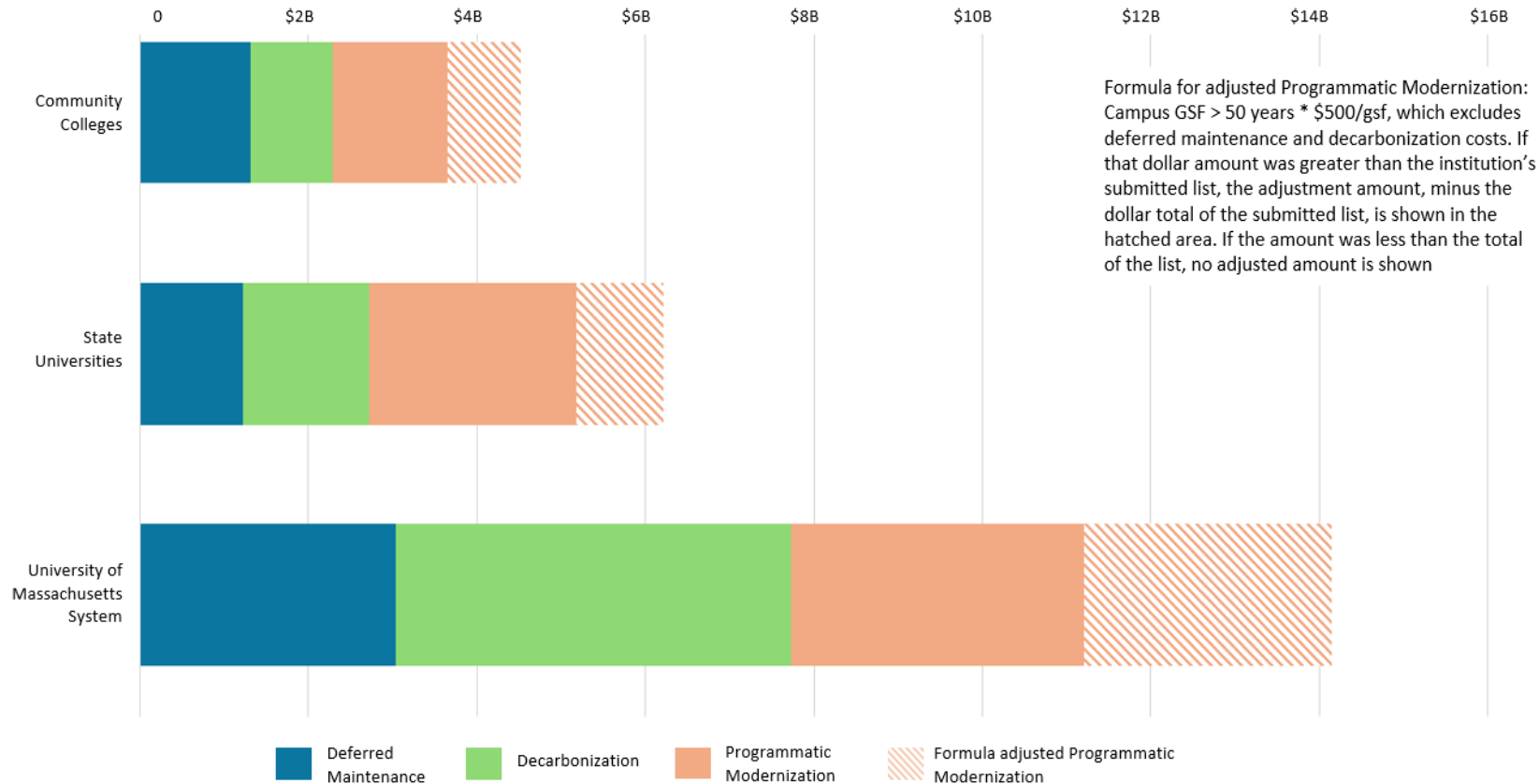
- Renovations and new construction to align campus facilities with current academic and workforce needs
- Updating laboratories, classrooms, and student spaces to support modern teaching methods, research, and student services
- Examples:
 - **Modernizing instructional spaces**, especially **teaching labs**
 - **Enhancing student life facilities** (residential, athletics, amenities) for **recruitment & retention**
 - **Expanding workforce development capacity** (STEM, Nursing, Cyber)
 - **Upgrading academic support & affinity spaces**
 - **Right-sizing and adapting for hybrid learning & work**

Approach to sizing modernization need

The cost of programmatic modernization was estimated by taking lists from institutions and the capital plans adopted by the UMass Board of Trustees and then adjusting for consistency across campuses and sectors by DCAMM's application of standard construction cost metrics to campus square footage.

Cost of Mounting Capital Needs

Projected Capital Need By Sector



- DCAMM's estimated total need across the system: ~\$25 B
- The cost of addressing capital needs are escalating for many reasons:
 - Rising material costs
 - Construction labor shortages
 - Climate mandates
 - Building code updates
 - Increased regulatory demands



Traditional Funding Sources Are Insufficient to Meet Need

- State capital funding for higher education historically relies on general obligation (GO) bonds in the Capital Investment Plan (CIP)
 - **CIP growth is constrained** by statutory & administrative policies designed to ensure debt burden remains affordable
 - On average, the CIP only grows by \$125 M per year; with **FY26 growth only \$110 M**
- The 2008 bond bill addressed decades of deferred maintenance and marked the first major construction efforts on several campuses since the 1970s
- Even with that infusion of funding, need continues to outpace available resources. Practically, this has meant:
 - A **\$30M project cap** that limits the ability to deliver large-scale improvements
 - The FY25 CIP has **no funding for new higher education capital projects**
 - The **Major Capital Projects program** – which supports transformative investments -- is **currently unfunded** for new rounds
- Without future funding, the \$25B in documented capital needs will only continue to grow
 - Exacerbated by changing federal landscape



Expanding the Pie

Leveraging Fair Share to unlock critical new capital resources



The Solution

- Our proposal uses 2 complementary pieces of legislation to meet higher education capital needs:
 - **House 1 budget proposal to leverage \$125 M in Fair Share for special obligation bonds**, and
 - **The BRIGHT Act, which includes authorizations and policy proposals that translate new funding into action**
 - Infuses new resources into proven programs that address deferred maintenance, modernize and decarbonize facilities, and construct major capital projects
 - Provides resources for new labs, classrooms and training facilities that meet the needs of today's research and applied learning method
 - Enables improvements to facilities for student health, mental health, wellness, and safety
 - Creates thousands of construction-related jobs
- Once both pieces pass, campuses will feel initial impact quickly
 - Smaller accelerated infrastructure or lab modernization projects can be done in 2 years
 - Larger major capital projects may take 4-5 years

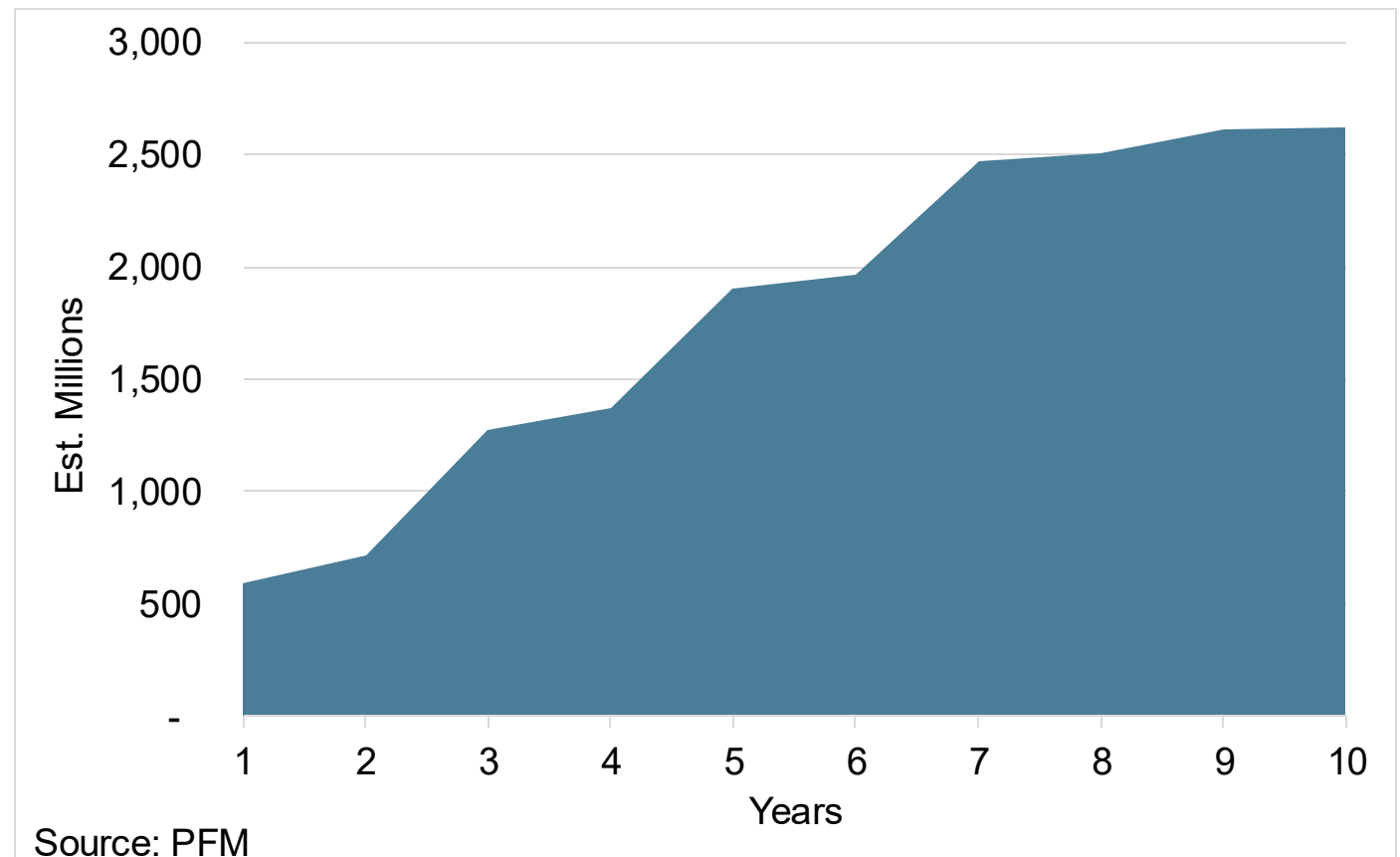


Leveraging Fair Share Revenues to Expand the Pie

Working Group analysis confirmed viability of leveraging Fair Share:

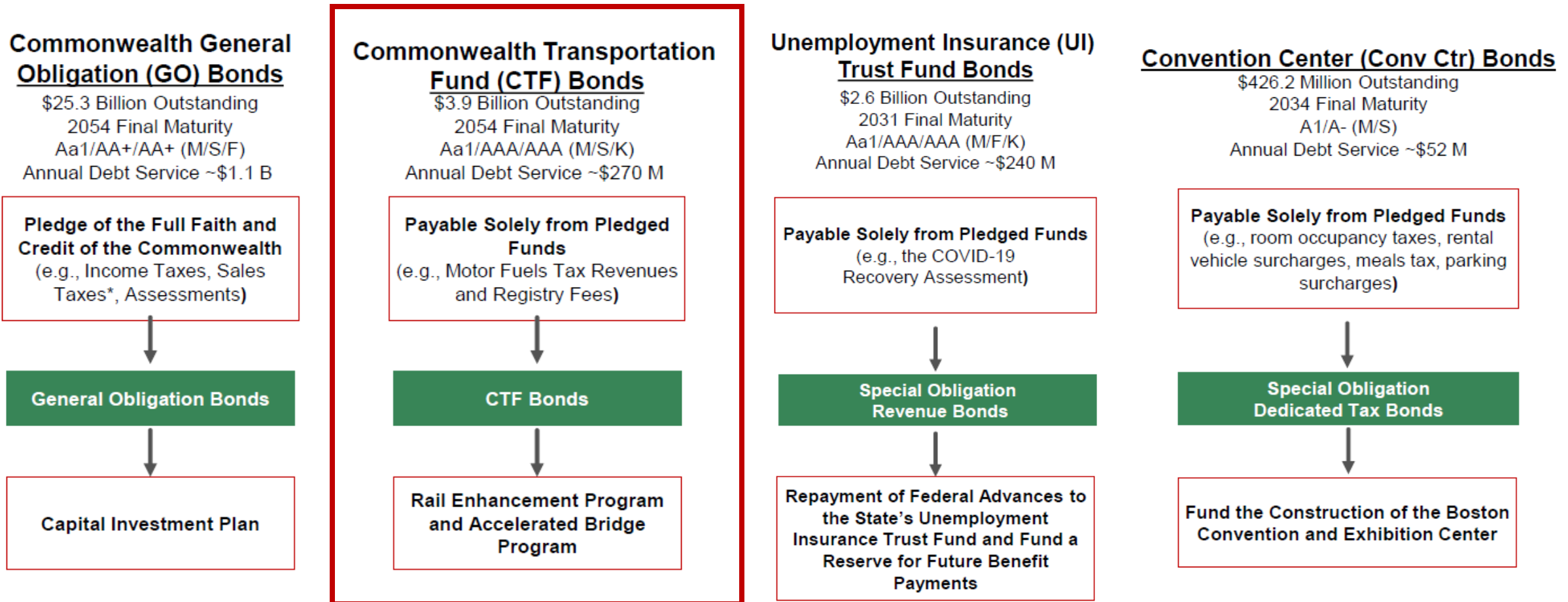
- **Consistent** with constitutional dedication of those resources
- **Amount of Fair Share needed (\$125M) relatively small** compared to overall size of revenue collections
- Like with CTF, would **create significant debt coverage** without impacting use of remaining Fair Share funds
- External consultants confirmed \$125M in Fair Share **expected to generate ~\$2.5B** in special obligation bonds
- Amounts not needed for debt service can be used for **debt defeasance** – reducing HE operating budgets and, therefore, upward pressure on student fees and costs

Model of Total Cumulative Funding Unlocked Over 10 Fiscal Years, Based on Fair Share Pledge Assumption and Current Market Conditions



Building on Successful Prior Models

- The Commonwealth has a **history of creating alternative credit structures**
- Alternative credit structures **reduce state's reliance on General Obligation (GO) bonds**
- Innovative credit options **help facilitate more strategic funding** for specific projects



An Informed Approach: Higher Education Capital Working Group

The **Higher Education Capital Working Group**

(established in FY25 GAA, Section 196) was charged with sizing the problem & recommending solutions.

Working Group included members from:

- Relevant state agencies (A&F, EOE, DCAMM, OCIR)
- Legislators from the Joint Committees for Higher Education and Bonding
- Designees of the public higher education sectors in Massachusetts
- And other stakeholders

Completed report before March 1, 2025 deadline to align with legislative calendar. Full report [here](#).

Higher Education Capital Working Group



FINAL REPORT

January 21, 2025



The BRIGHT Act

Putting new resources to work to transform our public higher education infrastructure



The BRIGHT Act: Authorizations (\$3 B in total)

- **\$2.5 billion for the University of Massachusetts system, state universities and community colleges** to address deferred maintenance, decarbonize and modernize facilities, construct major capital projects, and manage land and buildings to meet institutional goals.
- **\$500 M for targeted funding for other initiatives**, including:
 - **\$100 M** in planning costs for disposition/acquisition of land & buildings to support **housing development**
 - **\$170 M for smaller modernization projects**, such as:
 - Renovating and modernizing labs
 - Expanding collaborations between community colleges and secondary schools
 - Upgrading facilities related to student health, mental health, wellness, and safety
 - **\$30 M for development of campus master plans** to align investments with long-term goals and ensure optimal use of new resources
 - **\$20 M for technology projects**, including online and hybrid workspaces & shared enterprise systems
 - **\$100 M** for the **Workforce Skills Capital** grant program to support its continued success
 - **\$80 M** for decarbonization plans



The BRIGHT Act: Policy Proposals

- **Massachusetts State College Building Authority:**

- Expands MSCBA's authority to issue bonds for project at community colleges
- Allows MSCBA to undertake non-revenue-generating projects (e.g. academic and administrative buildings, campus infrastructure, energy efficiency, and decarbonization)
- Requires A&F approval for MSCBA projects and Commonwealth-guaranteed contracts
- Allows DCAMM to delegate structural or mechanical projects under \$10 M to the MSCBA

- **Surplus Property Disposition:**

- Authorizes DCAMM to dispose of surplus property from higher education institutions at the request of the Chancellor or President for redevelopment
- Establishes a special revenue fund for proceeds from higher education property dispositions
- Funds may be used for transaction costs or capital projects, subject to A&F approval

- **Study Exemption:**

- Exempts building projects under \$500,000 from the statutory certified study requirement
- Removes outdated language related to designer requirements