SHEEO

STATE HIGHER EDUCATION EXECUTIVE OFFICERS ASSOCIATION

SHEF

STATE HIGHER EDUCATION FINANCE

2021

ISSUE BRIEF:

STATE CAPITAL APPROPRIATIONS FOR PUBLIC HIGHER EDUCATION FISCAL YEARS 2020 AND 2021

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INTRODUCTION

Capital appropriations are an important but often forgotten component of the public contribution to funding higher education. These appropriations, which are allocated separately from general operating appropriations to institutions, are used for a wide range of purposes, including the construction of new buildings, major renovations of existing facilities, the purchase of new equipment, and information technology. In fiscal year 2021, nearly $13 billion was appropriated for capital projects at public institutions, representing 11.6% of the total state contribution to higher education.[1] This amount was more than the amount states appropriated to research, agricultural extension, medical schools, and hospitals (RAM) (10.0%), and state financial aid programs for students attending public institutions (8.8%).[2]

Given the amount of capital appropriations relative to the total state contribution to higher education, it is not surprising that capital funding and its allocation processes are frequent topics of discussion in the field and among the SHEEO membership. However, when compared to general operating support and state financial aid programs, there is very little information on public capital appropriations. For over two decades, there have been calls from the field for comparable, longitudinal data on capital appropriations.[3] In an effort to fulfill this data need, SHEEO has started collecting information on total capital appropriations as part of the annual State Higher Education Finance (SHEF) data collection. This issue brief highlights the mandatory and optional data elements that SHEEO is now collecting annually and provides an initial snapshot of the first two years of data.

The collection of these data comes at an important time. Higher education institutions are recovering from the COVID-19 pandemic, which saw unprecedented shifts away from the use of physical space to remote learning environments and declining enrollments. Even before the pandemic, many campuses experienced multiple years of declining enrollment,[4] and demographic projections show that there will be fewer high school graduates by the end of the decade.[5] Consequently, states will likely be evaluating their utilization of current physical space and the need for new space in the coming years. These evaluations will influence the need for and the type of capital projects that receive funding. Even if enrollment remains close to current levels, there will likely be strong demand for renovating an aging infrastructure and repurposing existing space for modern educational needs. New construction that replaces existing facilities could become more common, as the field has long had concerns about aging and inadequate higher education facilities.[6] In short, the demand for capital spending is not likely to subside in the near future.

1. This amount excludes capital appropriations in Wisconsin.
2. The RAM and financial aid appropriations are from the SHEF report and represent final actual appropriations amounts, while the capital amounts represent budgeted appropriations. Please see the limitations section on page 4 for more details about this distinction.
3. Manns, D. A., & Opp, R. (2001). A fifty-state assessment of capital needs for public higher education: Policy objectives. *Facilities Manager, 17*(4), 39,42-44,46-49; Manns, D. A., & Katsinas, S. G. (2006). Capital budgeting practices in public higher education. *Facilities Manager, 22*(1), 36–42; Harris, D., Manns, D., & Katsinas, S. (2012). A study of state tax appropriations for capital needs in US public higher education. *Facilities Manager, 28*(2), 24-29.
4. State Higher Education Executive Officers Association. (2022). *State higher education finance: FY 2021*. shef.sheeo.org
5. Grawe, N.D. (2018). *Demographics and the demand for higher education.* Johns Hopkins Press.
6. Rush, S. C., & S. L. Johnson (1989). *The decaying American campus: A ticking time bomb.* Association of Higher Education Facilities Officers & National Association of College and Business Officers.

DATA ELEMENTS

To better understand capital funding for public institutions, SHEEO began collecting new data elements related to capital appropriations with the fiscal year 2021 SHEF data collection. These data elements were designed to collect information on total capital appropriations as well as how states intended to fund their capital projects and the types of projects being funded starting in 2020. The data elements and their definitions are below.[7]

MANDATORY DATA ELEMENT

- **Total public capital appropriations:** Total state support allocated for higher education capital projects at public institutions. This data element was mandatory and was provided by 49 states and Washington, D.C., during the initial collection.

OPTIONAL DATA ELEMENTS[8]

SOURCES

- **Debt-financed capital appropriations:** The allocation of total state postsecondary capital appropriations paid for through debt financing instruments, including any origination fees associated with the debt financing.
- **Cash-financed capital appropriations:** The allocation of total state postsecondary capital appropriations paid for with state cash funds.

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- **Capital appropriations for new construction:** The allocation of total state postsecondary capital appropriations used for the construction of new buildings and structures. Data providers used their state's legal definition for new construction.
- **Capital appropriations for renovations and improvements to existing facilities:** The allocation of total state postsecondary capital appropriations used for significant renovations or improvements to existing facilities or structures. Data providers used their state's legal definition for improvements or renovations to existing facilities or structures.
- **Capital appropriations for equipment:** The allocation of total state postsecondary capital appropriations used for capital equipment purchases. Data providers used their state's legal definition for capital equipment acquisitions.
- **Appropriations for other capital projects:** Any capital appropriations that cannot be attributed to capital appropriations for new construction, renovations and improvements, or equipment.

7. For more information on the SHEF data definitions, please visit shef.sheeo.org/data-definitions
8. Of the 49 states that provided capital appropriations data, 32 further provided sources of capital appropriations and 33 provided uses.

LIMITATIONS

Collecting data on capital appropriations comes with many challenges, and the data shared here have important limitations. First, in contrast to general operating support, for which states provide a base level of support each year, annual capital appropriations are project dependent and are typically expended over a multiyear period. This distinction means that capital appropriations are very different from appropriations for general operating support and financial aid programs. For instance, a $1 million reduction in general operating support would require institutions to offset this reduction with increases in other revenue sources or reduce costs. A $1 million change in capital appropriations could simply reflect that the projects selected for funding in a given year were less expensive than the previous year. The project-driven nature of capital projects means that the two years of data presented in this brief may not be representative of broader trends or even a typical year of state contributions for higher education capital projects.

Second, the appropriation amounts represent what a state has budgeted to spend on capital projects for the fiscal year and do not represent actual expenditure amounts. In this regard, the capital appropriations data presented here are more comparable to data on projected appropriations from the Grapevine report rather than the actual final appropriation data reported in SHEF.[9] The Illinois state spotlight below provides additional context on why the distinction between appropriations and expenditures is important.

Third, states with biennial budgets are often not able to determine the year in which the appropriation should be associated. This is particularly challenging with debt-financed capital projects, as states want to issue debt in a manner and time that minimizes borrowing costs. Consequently, it is not always easy to allocate appropriation amounts across both budget years. Total capital appropriations were evenly divided across the two budget years for the four states that do not have separate appropriations for each biennial budget year. While not ideal, this approach follows previous efforts to collect capital appropriations data.[10]

STATE SPOTLIGHT: ILLINOIS

Illinois' capital appropriations data highlight the challenges of reporting annual appropriation amounts for multiyear capital programs. In fiscal year 2019, Illinois enacted and appropriated funds for a substantial, multiyear, multi-project capital program called Rebuild Illinois. Each year, only a portion of the appropriation will be released to start new projects, while other projects continue. As a result, each fiscal year's appropriation contains reappropriations from previous years, making the capital appropriation reported here much larger than the amount to be spent or released in 2021.

9. We explored collecting annual expenditure amounts for capital projects, but ultimately determined that the burden placed on data providers to collect this level of data was much greater than the benefits these data would provide. Please visit the SHEF website for more information on the Grapevine data shef.sheeo.org/grapevine.

10. Manns, D. A., & Katsinas, S. G. (2006). Capital budgeting practices in public higher education. *Facilities Manager, 22*(1), 36–42.

TOTAL PUBLIC CAPITAL APPROPRIATIONS

Table 1 shows that not all states appropriate funds for capital projects every year. Of the 49 states that provided data, six (Alabama, Delaware, Louisiana, Maine, New Jersey, and Oklahoma) and Washington, D.C., did not appropriate funding for capital projects in fiscal years 2020 or 2021. Alaska, Mississippi, Missouri, and North Dakota appropriated funds for capital projects in 2020 but had no capital appropriations in 2021. Conversely, Michigan and Wyoming appropriated funds for capital projects in 2021 but not in 2020.

While these two years of data only provide a snapshot of how changes in capital appropriations are correlated with the total state higher education contribution, the relationship looks to be relatively weak.[11] In 15 states, capital appropriations and total state support increased or decreased in the same direction. Conversely, capital appropriations moved in the opposite direction from the total state contribution in 23 states (i.e., capital appropriations increased while the total state contribution decreased or vice versa).[12] However, additional years of data are needed to draw any conclusions about the relationship between capital appropriations and other state higher education funding.

When compared to the total state higher education contribution, capital appropriations tended to be more volatile (i.e., larger percentage increases or decreases between 2020 and 2021). Of the 43 states reporting capital appropriations in either year, 29 experienced greater volatility in capital appropriations, 10 states experienced greater volatility in total state support, and four states reported no volatility in capital appropriations due to biennial budget reporting.[13] The range of volatility was also greater for capital appropriations. The largest change in total state support occurred in Vermont, with a 75.3% increase in funding. Conversely, seven states had increases in capital appropriations of more than 50% and 10 states had decreases in capital appropriations of greater than 50%.[14]

11. All data are presented in current dollars and not adjusted for inflation.
12. These counts exclude the six states that did not have capital appropriations in either fiscal year and the five states that reported equal capital appropriations in both years.
13. Percentage change values could not be calculated for Michigan and Wyoming due to $0 in capital appropriations in 2020; however, both states are counted as states with greater volatility in capital appropriations. Additionally, West Virginia reported equal capital appropriations across both fiscal years but is not a biennial budget state and is included in the states experiencing greater volatility in the total state higher education contribution count.
14. These counts include Alaska, Michigan, Mississippi, Missouri, North Dakota, and Wyoming, which appropriated funds for capital projects in either 2020 or 2021 but had $0 in capital appropriations the other year.

TABLE 1

TOTAL PUBLIC CAPITAL APPROPRIATIONS AND TOTAL STATE CONTRIBUTION TO PUBLIC HIGHER EDUCATION BY STATE, FY 2020-2021 (UNADJUSTED DOLLARS)

	TOTAL PUBLIC CAPITAL APPROPRIATIONS		TOTAL STATE SUPPORT		TOTAL STATE CONTRIBUTION TO HIGHER EDUCATION (CAPITAL + STATE SUPPORT)	
	2020	2021	2020	2021	2020	2021
ALABAMA	$-	$-	$1,824,918,723	$1,774,016,160	$1,824,918,723	$1,774,016,160
ALASKA	$5,000,000	$-	$323,851,074	$314,447,436	$328,851,074	$314,447,436
ARIZONA	$61,145,900	$60,680,400	$1,035,866,858	$1,091,754,176	$1,097,012,758	$1,152,434,576
ARKANSAS	$8,759,696	$10,971,446	$1,000,552,352	$1,000,459,616	$1,009,312,048	$1,011,431,062
CALIFORNIA	$1,421,482,000	$956,706,809	$16,066,267,248	$16,961,760,835	$17,487,749,248	$17,918,467,644
COLORADO	$134,250,156	$65,457,460	$1,101,396,190	$1,058,517,654	$1,235,646,346	$1,123,975,114
CONNECTICUT	$281,589,766	$264,146,318	$1,261,214,915	$1,360,769,588	$1,542,804,681	$1,624,915,906
DELAWARE	$-	$-	$273,866,517	$306,060,730	$273,866,517	$306,060,730
FLORIDA	$162,524,721	$151,350,885	$5,253,104,735	$5,396,797,926	$5,415,629,456	$5,548,148,811
GEORGIA	$367,255,000	$300,190,000	$3,740,487,716	$3,574,288,222	$4,107,742,716	$3,874,478,222
HAWAII	$236,521,000	$109,896,000	$773,706,801	$807,859,174	$1,010,227,801	$917,755,174
IDAHO	$22,619,357	$21,183,658	$525,462,987	$540,164,737	$548,082,344	$561,348,395
ILLINOIS	$2,876,934,866	$3,053,163,589	$4,325,823,030	$4,593,200,425	$7,202,757,896	$7,646,364,014
INDIANA	$188,775,191	$201,483,090	$1,753,498,820	$1,705,189,308	$1,942,274,011	$1,906,672,398
IOWA	$19,500,000	$16,525,000	$801,849,516	$802,231,804	$821,349,516	$818,756,804
KANSAS	$45,865,250	$42,862,500	$842,971,356	$933,058,981	$888,836,606	$975,921,481
KENTUCKY	$20,000,000	$22,016,000	$1,074,502,800	$1,108,577,579	$1,094,502,800	$1,130,593,579
LOUISIANA	$-	$-	$1,204,826,855	$1,214,932,367	$1,204,826,855	$1,214,932,367
MAINE	$-	$-	$316,698,928	$334,410,791	$316,698,928	$334,410,791
MARYLAND	$281,120,000	$278,523,000	$2,149,697,892	$2,148,002,427	$2,430,817,892	$2,426,525,427
MASSACHUSETTS	$144,829,680	$147,726,274	$1,699,062,364	$1,788,031,750	$1,843,892,044	$1,935,758,024
MICHIGAN	$-	$188,245,100	$1,966,473,115	$2,087,667,469	$1,966,473,115	$2,275,912,569
MINNESOTA	$83,134,500	$83,134,500	$1,717,923,084	$2,146,350,170	$1,801,057,584	$2,229,484,670
MISSISSIPPI	$14,500,000	$-	$958,009,886	$1,070,110,841	$972,509,886	$1,070,110,841
MISSOURI	$5,900,000	$-	$1,037,259,360	$1,084,454,578	$1,043,159,360	$1,084,454,578
MONTANA	$17,900,000	$17,900,000	$259,606,602	$303,548,653	$277,506,602	$321,448,653
NEBRASKA	$21,739,000	$19,371,600	$780,544,162	$819,936,679	$802,283,162	$839,308,279
NEVADA	$60,714,766	$60,714,766	$802,465,835	$656,011,790	$863,180,601	$716,726,556
NEW HAMPSHIRE	$12,145,816	$6,501,976	$151,954,329	$187,280,630	$164,100,145	$193,782,606
NEW JERSEY	$-	$-	$2,615,687,874	$2,314,929,774	$2,615,687,874	$2,314,929,774
NEW MEXICO	$25,814,350	$53,909,869	$921,992,393	$892,811,492	$947,806,743	$946,721,361
NEW YORK	$1,076,600,000	$1,631,000,000	$5,862,458,400	$5,552,801,762	$6,939,058,400	$7,183,801,762
NORTH CAROLINA	$104,057,580	$130,942,786	$4,021,588,736	$4,103,709,875	$4,125,646,316	$4,234,652,661
NORTH DAKOTA	$100,000,000	$-	$374,159,941	$377,871,558	$474,159,941	$377,871,558
OHIO	$241,691,250	$243,360,487	$2,207,723,168	$2,532,607,902	$2,449,414,418	$2,775,968,389
OKLAHOMA	$-	$-	$795,604,108	$746,784,033	$795,604,108	$746,784,033
OREGON	$130,017,500	$130,017,500	$967,590,623	$1,025,793,828	$1,097,608,123	$1,155,811,328
PENNSYLVANIA	$5,033,299,000	$48,869,000	$1,819,068,402	$1,857,056,019	$6,852,367,402	$1,905,925,019
RHODE ISLAND	$58,519,458	$25,470,483	$187,549,018	$223,023,229	$246,068,476	$248,493,712
SOUTH CAROLINA	$119,240,256	$1,500,000	$1,146,037,695	$1,299,697,198	$1,265,277,951	$1,301,197,198
SOUTH DAKOTA	$6,000,000	$70,484,388	$271,576,083	$269,671,621	$277,576,083	$340,156,009
TENNESSEE	$213,511,300	$93,522,500	$2,089,010,119	$2,096,584,553	$2,302,521,419	$2,190,107,053
TEXAS	$2,048,505,383	$2,095,842,472	$7,832,424,363	$8,425,672,802	$9,880,929,746	$10,521,515,274
UTAH	$231,115,000	$358,448,100	$1,215,088,346	$1,217,267,008	$1,446,203,346	$1,575,715,108
VERMONT	$3,100,000	$3,500,000	$103,944,161	$182,261,538	$107,044,161	$185,761,538
VIRGINIA	$742,118,759	$1,228,577,146	$2,391,912,551	$2,387,218,087	$3,134,031,310	$3,615,795,233
WASHINGTON	$571,479,500	$622,450,000	$2,170,304,532	$2,469,519,263	$2,741,784,032	$3,091,969,263
WEST VIRGINIA	$20,000,000	$20,000,000	$515,720,975	$515,290,922	$535,720,975	$535,290,922
WISCONSIN			$1,549,554,580	$1,678,961,320	N/A	N/A
WYOMING	$-	$29,190,107	$380,918,384	$503,995,839	$380,918,384	$533,185,946
U.S.	**$17,219,276,001**	**$12,865,835,209**	**$94,463,778,502**	**$97,843,422,119**	**$111,683,054,503**	**$110,709,257,328**
D.C.	$-	$-	$112,564,217	$154,179,239	$112,564,217	$154,179,239

NOTES:

1. Public capital appropriations are state support allocated for higher education capital projects. Capital projects often include new construction, significant renovations and improvements of existing buildings, major maintenance, land purchases, acquisitions of existing structures, equipment, and information technology systems. State funding for operations and routine maintenance that does not meet the definition of a capital project, tuition revenue bonds, and other sources of institutional revenue that do not originate from the state are excluded.
2. State support to public higher education is the sum of tax appropriations, non-tax support, non-appropriated support, endowment, previous appropriations, and other support net of return and multiyear appropriations, non-credit appropriations, independent and out-of-state financial aid, and independent operating. State support includes federal stimulus funds.
3. The U.S. calculation does not include the District of Columbia.
4. Total public capital appropriations is a recently required component of the SHEF data collection. Data are not currently available for years prior to 2020.
5. States with biennial budgets split their public capital appropriations, reporting half in each fiscal year of the budget cycle.
6. Wisconsin appropriated state dollars to public capital appropriations that are not reported in this table due to their budgeting cycle.
7. Fiscal year 2021 capital appropriations for Illinois include reappropriated funds from previous years. Additionally, these appropriated funds are intended to be used over 6 years (fiscal years 2021-2027).

SOURCE: State Higher Education Executive Officers Association

SOURCES OF CAPITAL APPROPRIATIONS

Cash financing and debt financing are the two primary methods states use to pay for capital projects. Debt financing, also known as pay-as-you-use, is the dominant method for financing state capital projects across all budget categories.[15] By using long-term debt, states spread the cost of a project over many years. Cash financing, also known as pay-as-you go, requires states to use current year revenue from the general fund or other special purpose funds to finance capital projects. Cash financing requires states to allocate the full amount needed for a project in the year the appropriation is made. Economic theory suggests that the ideal capital financing policy is to issue debt during economic downturns when tax revenues fail to meet current expenditures and use cash financing during economic boom times when tax revenues exceed expectations. Using debt financing in this countercyclical fashion may also provide a stimulus to state economies during recessionary periods. Moreover, this complementary method of funding capital projects can preserve debt capacity and lead to more stable capital spending.[16]

The sources of capital appropriations data elements were an optional part of the data collection this year, but as *Table 2* shows, 32 states provided information on the portion of appropriations that were financed through debt instruments and financed with cash resources.[17] In general, states were more reliant on debt financing. Seventeen states in fiscal year 2020 and 18 states in 2021 funded the majority of capital appropriations through debt instruments. Conversely, 11 states relied primarily on cash financing in 2020 and 10 states in 2021.

The primary source of funding for capital appropriations tended to stay the same across both fiscal years. The 11 states that funded the entire amount of capital appropriations through debt financing in 2020 did so again in 2021. This trend also held for cash financing with the six states relying entirely on cash financing in both 2020 and 2021. However, there were exceptions to this trend: Rhode Island and Tennessee relied primarily on cash financing in 2020 but shifted to a greater reliance on debt financing in 2021. North Carolina, on the other hand, relied primarily on debt financing in 2020 but then primarily on cash financing in 2021.

15. Wang, W., Hou, Y., & Duncome, W. (2007). Determinants of pay-as-you-go financing of capital projects: Evidence from the states. *Public Budgeting & Finance, 27*(4), 18-42.

16. Wang, W., Hou, Y., Duncombe, W. (2013). Appendix: Pay-as-you-go financing and its impact on capital outlay volatility. In *State Government Budget Stabilization* (pp. 248-272). Springer.

17. Of these 32 states, Alaska and North Dakota only appropriated funds for capital projects in 2020, and Michigan and Wyoming only appropriated capital funds in 2021. Florida and New York had capital appropriations in both fiscal years but were unable to provide a breakdown of sources for the full amount of capital appropriations.

TABLE 2

SOURCES OF PUBLIC CAPITAL APPROPRIATIONS BY STATE, FY 2020-2021 (UNADJUSTED DOLLARS)

	DEBT-FINANCED		CASH-FINANCED		TOTAL PUBLIC CAPITAL APPROPRIATIONS	
	2020	2021	2020	2021	2020	2021
ALASKA	0.0%	0.0%	100.0%	0.0%	$5,000,000	$-
ARIZONA	100.0%	100.0%	0.0%	0.0%	$61,145,900	$60,680,400
ARKANSAS	0.0%	0.0%	100.0%	100.0%	$8,759,696	$10,971,446
CALIFORNIA	100.0%	100.0%	0.0%	0.0%	$1,421,482,000	$956,706,809
FLORIDA	5.1%	7.0%	1.8%	0.0%	$162,524,721	$151,350,885
GEORGIA	100.0%	100.0%	0.0%	0.0%	$367,255,000	$300,190,000
HAWAII	100.0%	100.0%	0.0%	0.0%	$236,521,000	$109,896,000
INDIANA	86.1%	94.2%	13.9%	5.8%	$188,775,191	$201,483,090
IOWA	0.0%	0.0%	100.0%	100.0%	$19,500,000	$16,525,000
KANSAS	4.1%	4.3%	95.9%	95.7%	$45,865,250	$42,862,500
KENTUCKY	100.0%	100.0%	0.0%	0.0%	$20,000,000	$22,016,000
MASSACHUSETTS	100.0%	100.0%	0.0%	0.0%	$144,829,680	$147,726,274
MICHIGAN	0.0%	100.0%	0.0%	0.0%	$-	$188,245,100
MINNESOTA	100.0%	100.0%	0.0%	0.0%	$83,134,500	$83,134,500
MONTANA	62.2%	62.2%	37.8%	37.8%	$17,900,000	$17,900,000
NEBRASKA	0.0%	0.0%	100.0%	100.0%	$21,739,000	$19,371,600
NEW MEXICO	91.6%	98.8%	8.4%	1.2%	$25,814,350	$53,909,869
NEW YORK	63.8%	58.0%	0.0%	0.0%	$1,076,600,000	$1,631,000,000
NORTH CAROLINA	81.3%	40.0%	18.7%	60.0%	$104,057,580	$130,942,786
NORTH DAKOTA	100.0%	0.0%	0.0%	0.0%	$100,000,000	$-
OHIO	100.0%	100.0%	0.0%	0.0%	$241,691,250	$243,360,487
OREGON	100.0%	100.0%	0.0%	0.0%	$130,017,500	$130,017,500
PENNSYLVANIA	100.0%	100.0%	0.0%	0.0%	$5,033,299,000	$48,869,000
RHODE ISLAND	36.8%	63.8%	63.2%	36.2%	$58,519,458	$25,470,483
SOUTH CAROLINA	0.0%	0.0%	100.0%	100.0%	$119,240,256	$1,500,000
TENNESSEE	16.0%	58.4%	84.0%	41.6%	$213,511,300	$93,522,500
UTAH	0.0%	0.0%	100.0%	100.0%	$231,115,000	$358,448,100
VERMONT	32.3%	42.9%	67.7%	57.1%	$3,100,000	$3,500,000
VIRGINIA	100.0%	100.0%	0.0%	0.0%	$742,118,759	$1,228,577,146
WASHINGTON	55.6%	57.3%	44.4%	42.7%	$571,479,500	$622,450,000
WEST VIRGINIA	0.0%	0.0%	100.0%	100.0%	$20,000,000	$20,000,000
WYOMING	0.0%	0.0%	0.0%	100.0%	$-	$29,190,107

NOTES:

1. Public capital appropriations are state support allocated for higher education capital projects. Capital projects often include new construction, significant renovations and improvements of existing buildings, major maintenance, land purchases, acquisitions of existing structures, equipment, and information technology systems. State funding for operations and routine maintenance that does not meet the definition of a capital project, tuition revenue bonds, and other sources of institutional revenue that do not originate from the state are excluded.
2. The U.S. calculation does not include the District of Columbia.
3. Total public capital appropriations is a recently required component of the SHEF data collection. Data are not currently available for years prior to 2020.
4. States with biennial budgets split their public capital appropriations, reporting half in each fiscal year of the budget cycle.
5. Florida and New York provided partial data regarding sources of capital appropriations in fiscal years 2020 and 2021.
6. Wisconsin appropriated state dollars to public capital appropriations that are not reported in this table due to their budgeting cycle.
7. Colorado, Connecticut, Idaho, Illinois, Maryland, Mississippi, Missouri, Nevada, New Hampshire, South Dakota, and Texas reported total public capital appropriations for fiscal years 2020 and 2021 but did not report a breakout of sources and are excluded from this table.
8. Alabama, Delaware, Louisana, Maine, New Jersey, Oklahoma, and Washington, D.C., reported zero dollars in public capital appropriations for fiscal years 2020 and 2021 and are excluded from this table.

SOURCE: State Higher Education Executive Officers Association

USES OF CAPITAL APPROPRIATIONS

Like the debt and cash financing data elements, the uses of capital appropriations were optional elements during the data collection. As *Table 3* shows, 33 states were able to provide information on the types of projects for which capital appropriations were allocated.[18] Each state has its own rules and definitions for what constitutes a capital project. While there are many commonalities across states in these requirements for uses like new construction, there is also a wide range of items that qualify for capital funding. For example, most states consider the purchase of new equipment to be a capital expenditure, but each state has unique minimum price and longevity thresholds that must be met for the equipment purchase to be considered a capital expense.[19]

Capital appropriations allocated for renovations and improvements to existing facilities was the most common use, with 12 states allocating a plurality of capital appropriations to this category in 2020 and 16 states in 2021. New construction was the second most common use, with 11 states allocating the majority of capital appropriations to this category in 2020 and eight states in 2021. States allocated the smallest portion of capital appropriations for new equipment, and 24 states did not provide appropriations for equipment purchases in either fiscal year.

The data presented in *Table 3* show that the uses of capital appropriations vary based on the projects that are funded each year. While the allocation of capital appropriations did not vary in six states[20]—including Arizona and Iowa, which dedicated the full appropriations amount for new construction in both years—20 states did have changes in the use categories across the two years.[21] Some of these changes were very small in percentage point terms, such as in Florida where appropriations for new construction declined one-tenth of a percentage point and appropriations for renovating existing facilities increased one-tenth percentage point. Other states had sizable changes across use categories. South Carolina, for example, went from appropriations for projects in each use category in 2020 to only appropriating funds for new construction projects in 2021.

18. These 33 states are the same states that were able to provide debt and cash financing information, with the addition of New Hampshire; however, New Hampshire and New York were only able to provide information on a portion of capital appropriations. Florida was able to provide a full breakdown of capital appropriation uses and is included in the counts in this paragraph.
19. National Association of State Budget Officers. (2014). Capital budgeting in the states. www.nasbo.org/mainsite/reports-data/capital-budgeting-in-the-states
20. This count excludes three biennial budget states (Minnesota, Montana, and Oregon), which reported no change in use categories due to the even distribution of data across both fiscal years.
21. This count excludes the four states (Alaska, Michigan, North Dakota, and Wyoming) that had capital appropriations in one but not both fiscal years.

TABLE 3

USES OF PUBLIC CAPITAL APPROPRIATIONS BY STATE, FY 2020-2021 (UNADJUSTED DOLLARS)

	NEW CONSTRUCTION		RENOVATIONS AND IMPROVEMENTS		EQUIPMENT		OTHER CAPITAL PROJECTS		TOTAL PUBLIC CAPITAL APPROPRIATIONS	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
ALASKA	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	$5,000,000	$-
ARIZONA	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	$61,145,900	$60,680,400
ARKANSAS	58.8%	6.9%	41.2%	93.1%	0.0%	0.0%	0.0%	0.0%	$8,759,696	$10,971,446
CALIFORNIA	54.2%	27.3%	30.2%	61.6%	0.0%	0.0%	15.6%	11.2%	$1,421,482,000	$956,706,809
FLORIDA	81.0%	80.9%	19.0%	19.1%	0.0%	0.0%	0.0%	0.0%	$162,524,721	$151,350,885
GEORGIA	67.4%	41.7%	24.7%	42.9%	4.9%	10.7%	3.0%	4.7%	$367,255,000	$300,190,000
HAWAII	3.1%	5.5%	88.3%	90.2%	0.0%	0.0%	8.6%	4.4%	$236,521,000	$109,896,000
INDIANA	0.0%	0.0%	13.9%	5.8%	0.0%	0.0%	86.1%	94.2%	$188,775,191	$201,483,090
IOWA	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	$19,500,000	$16,525,000
KANSAS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	$45,865,250	$42,862,500
KENTUCKY	0.0%	13.7%	0.0%	63.6%	0.0%	22.7%	100.0%	0.0%	$20,000,000	$22,016,000
MASSACHUSETTS	34.8%	34.8%	64.0%	64.0%	0.0%	0.0%	1.1%	1.1%	$144,829,680	$147,726,274
MICHIGAN	0.0%	43.5%	0.0%	56.5%	0.0%	0.0%	0.0%	0.0%	$-	$188,245,100
MINNESOTA	9.8%	9.8%	89.3%	89.3%	0.0%	0.0%	1.0%	1.0%	$83,134,500	$83,134,500
MONTANA	87.3%	87.3%	12.7%	12.7%	0.0%	0.0%	0.0%	0.0%	$17,900,000	$17,900,000
NEBRASKA	36.4%	28.7%	63.6%	71.3%	0.0%	0.0%	0.0%	0.0%	$21,739,000	$19,371,600
NEW HAMPSHIRE	0.0%	0.0%	15.7%	27.4%	1.3%	2.5%	0.0%	0.0%	$12,145,816	$6,501,976
NEW MEXICO	19.4%	8.8%	71.8%	85.3%	8.9%	5.9%	0.0%	0.0%	$25,814,350	$53,909,869
NEW YORK	0.0%	12.3%	63.8%	45.7%	0.0%	0.0%	0.0%	0.0%	$1,076,600,000	$1,631,000,000
NORTH CAROLINA	48.3%	30.6%	51.7%	44.1%	0.0%	0.0%	0.0%	25.3%	$104,057,580	$130,942,786
NORTH DAKOTA	56.0%	0.0%	44.0%	0.0%	0.0%	0.0%	0.0%	0.0%	$100,000,000	$-
OHIO	1.4%	12.4%	81.4%	69.9%	1.7%	1.6%	15.5%	16.1%	$241,691,250	$243,360,487
OREGON	2.9%	2.9%	94.8%	94.8%	2.3%	2.3%	0.0%	0.0%	$130,017,500	$130,017,500
PENNSYLVANIA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	$5,033,299,000	$48,869,000
RHODE ISLAND	0.0%	8.4%	12.7%	38.8%	0.0%	0.0%	87.3%	52.8%	$58,519,458	$25,470,483
SOUTH CAROLINA	28.1%	100.0%	60.4%	0.0%	10.9%	0.0%	0.6%	0.0%	$119,240,256	$1,500,000
TENNESSEE	62.7%	58.4%	2.7%	0.0%	0.0%	0.0%	34.7%	41.6%	$213,511,300	$93,522,500
UTAH	67.1%	57.0%	32.9%	43.0%	0.0%	0.0%	0.0%	0.0%	$231,115,000	$358,448,100
VERMONT	0.0%	0.0%	67.7%	57.1%	0.0%	0.0%	32.3%	42.9%	$3,100,000	$3,500,000
VIRGINIA	63.1%	32.9%	36.9%	63.5%	0.0%	3.6%	0.0%	0.0%	$742,118,759	$1,228,577,146
WASHINGTON	33.5%	61.4%	65.0%	38.2%	1.5%	0.4%	0.0%	0.0%	$571,479,500	$622,450,000
WEST VIRGINIA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%	$20,000,000	$20,000,000
WYOMING	0.0%	42.3%	0.0%	57.7%	0.0%	0.0%	0.0%	0.0%	$-	$29,190,107

NOTES:

1. Public capital appropriations are state support allocated for higher education capital projects. Capital projects often include new construction, significant renovations and improvements of existing buildings, major maintenance, land purchases, acquisitions of existing structures, equipment, and information technology systems. State funding for operations and routine maintenance that does not meet the definition of a capital project, tuition revenue bonds, and other sources of institutional revenue that do not originate from the state are excluded.
2. The U.S. calculation does not include the District of Columbia.
3. Total public capital appropriations is a recently required component of the SHEF data collection. Data are not currently available for years prior to 2020.
4. States with biennial budgets split their public capital appropriations, reporting half in each fiscal year of the budget cycle.
5. Fiscal year 2021 uses of public capital appropriations for Massachusetts are estimates.
6. New Hampshire and New York provided partial data regarding sources of capital appropriations in fiscal years 2020 and 2021.
7. Wisconsin appropriated state dollars to public capital appropriations that are not reported in this table due to their budgeting cycle.
8. Colorado, Connecticut, Idaho, Illinois, Maryland, Mississippi, Missouri, Nevada, South Dakota, and Texas reported total public capital appropriations for fiscal years 2020 and 2021 but did not report a breakout of uses and are excluded from this table.
9. Alabama, Delaware, Louisana, Maine, New Jersey, Oklahoma, and Washington, D.C., reported zero dollars in public capital appropriations for fiscal years 2020 and 2021 and are excluded from this table.

SOURCE: State Higher Education Executive Officers Association

CONCLUSION

This issue brief provides a snapshot of state capital appropriations for fiscal years 2020 and 2021. The data show that capital appropriations tend to be more volatile than the rest of state support, to which they are only loosely correlated. While states rely more heavily on debt financing for capital appropriations, cash funds are also an important source of funding. These data also show that states use capital appropriations to fund a variety of projects and that these uses change based on the projects funded each year.

The collection of capital appropriations data fills an important information gap in the field, and longitudinal data will provide greater insight into an under-studied component of public higher education finance. As more years of data become available, the types and sophistication of analysis will broaden and provide a deeper understanding of state capital appropriations.

The State Higher Education Executive Officers Association (SHEEO) serves the executives of statewide governing, policy, and coordinating boards of postsecondary education and their staffs. Founded in 1954, SHEEO promotes an environment that values higher education and its role in ensuring the equitable education of all Americans, regardless of race/ethnicity, gender, or socioeconomic factors. Together with its members, SHEEO aims to achieve this vision by equipping state higher education executive officers and their staffs with the tools to effectively advance the value of higher education, promoting public policies and academic practices that enable all Americans to achieve success in the 21st century, and serving as an advocate for state higher education leadership. For more information, visit sheeo.org.

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