

Agenda Item: VI. C

DATE: November 17, 2005

SUBJECT: Proposed Revision to Policy Number F4.0 titled *Capital Outlay and Capital Maintenance Funding Recommendations*

ACTION RECOMMENDED: Approval

BACKGROUND INFORMATION: Attached for your review and approval is a proposed revision to the existing Tennessee Higher Education Commission Policy Number F4.0 titled *Capital Outlay and Capital Maintenance Funding Recommendations*; sub-sections 4.0.30 and 4.0.30A that address Non State Funded Capital Projects to be disclosed in the appropriation process.

The purpose of the disclosed projects process is to inform legislators of possible building projects in their respective areas. This policy review was prompted by legislative concerns over frequent additions to the disclosed project listing. A committee was established that included representatives from the Offices of the Treasurer, Comptroller, Secretary of State, Legislative Budget Office, Finance and Administration, University of Tennessee, Tennessee Board of Regents, and the Tennessee Higher Education Commission. The proposed changes are a result of the committee's review and recommendations.

Proposed revisions to THEC Policy Manual, Policy Number F4.0 titled *Capital Outlay and Capital Maintenance Funding Recommendations*, are indicated below:

The current Policy Number F4.0, sub-section 4.0.30 *Non State Funded Capital Projects* , will be deleted and replaced with the following:

4.0.30 Standard Process for Disclosure of Non State Funded Capital Projects

- As part of the annual appropriation request process, each governing board shall transmit to the THEC staff a list of capital projects to be considered for funding through the Tennessee State School Bond Authority or sources other than state appropriations.
- Due to the length of time that is involved in the budget process the two governing boards should include in their request the projects that they anticipate presenting to the State Building Commission in the upcoming two fiscal years.
- THEC staff will review the requests and make a recommendation to the Commission.
- The Commission's actions will be transmitted to the Department of Finance and Administration for review and disclosure in the annual budget document.
- The disclosed projects listing submitted by each system must include the following information: Project Name, Project Description, Funding Source; Estimated Project Cost; and the amount of square feet that will be added to the institution's current Educational and General square footage total.
- A project that is listed on an approved Disclosed Projects listing and has not received SBC approval within two years will lose its disclosed status. The governing board may again disclose this project in future budget cycles.

The current Policy Number F4.0, sub-section 4.0.30A *Amendments*, will be deleted and replaced with the following:

4.0.30A Amendments to the Disclosure Listing

- Amendments to the Disclosed Projects listing shall be transmitted to THEC staff by each governing board by March 31st of each year for consideration by the Commission at the spring quarterly meeting.
 - In April of each year THEC staff will transmit to the Department of Finance and Administration the Commission's action on amendments to the Disclosed Projects listing for review and inclusion in the Appropriations Bill.

- No further amendments will be made to the Disclosed Projects listing unless the project is:
 - of a true emergency nature to avoid immediate danger to persons or property; or unforeseen maintenance projects absolutely essential and indispensable to campus operations.
 - A project in this category will be expedited and recommended by THEC for consideration by the State Building Commission at its next regularly scheduled meeting.
 - a special opportunity project. An example of projects in this category includes the receipt of a federal grant or private donation that requires the immediate construction, renovation, or demolition of space. In addition, the requirements of the grant or donation are such that the project cannot wait for consideration in the next budget cycle.
 - Once THEC makes a recommendation for approval, a minimum of 45 days will transpire before the project may be formally submitted to the SBC for action.

Amendments Process

- A request to amend the Disclosed Projects listing shall be submitted by the president or chancellor of the governing board to THEC staff for review and approval prior to any request for action by the State Building Commission. The request shall include a letter explaining the need for the project, the amount and source of funding, and providing appropriate documentation to support the request.
- The Executive Director of THEC may approve an amendment on behalf of the Commission for projects that fall into either the emergency and/or special opportunity categories. In this case THEC staff will promptly notify the governing board, the Commissioner of Finance and Administration, the Chairs of the House and the Senate Finance Committees, the Legislative Budget Office, and members and staff of the State Building Commission of the recommended change to the project disclosure list and the effect that the project will produce in the institution's Educational and General square footage total.
- A project that is listed on an approved Disclosed Projects listing and has not received SBC approval within two years will lose its disclosed status. The governing board may again disclose this project in future budget cycles.