

**Agenda Item:** II.B.

**DATE:** April 17, 2003

**SUBJECT:** Revised Policy on Capital Outlay and Capital Maintenance  
Funding Recommendations

**ACTION RECOMMENDED:** Approval

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**BACKGROUND INFORMATION:** Attached for your review and approval is the proposed revision of two existing Commission Policies. Policy F4.0 entitled *Facilities and Capital Outlay* and policy F4.0.40 entitled *Capital Programs - Disclosed Projects* are revised and proposed to be combined into the policy entitled *Capital Outlay and Capital Maintenance Funding Recommendations*. The revised policy, if approved, will become Commission Policy F.4.0. Input regarding the policy revision was sought and received from the staff of each governing board prior to this meeting and the proposed revision reflects the governing boards' staff input.

The proposed revised policy will be discussed in detail at the Commission meeting.

**Section Title:** Financing Policies

**Policy Title:** Capital Outlay and Capital Maintenance Funding Recommendations

**Policy Number:** F4.0

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**4.0.10**

**Introduction** – Each year, pursuant to T.C.A. 49-7-202, the Tennessee Higher Education Commission staff will transmit to both governing boards capital outlay and capital maintenance funding request guidelines, which include Department of Finance and Administration requirements. In accordance with the guidelines, each governing board will submit their requested capital outlay and capital maintenance projects in numerical priority beginning with the number 1 and listing subsequent projects in progressive numeral order. The project information included for each request must address the proposed source or sources of funding. THEC staff will review the requests and make a recommendation to the Commission regarding the governing boards’ capital outlay and maintenance requests. The Commission’s actions then will be transmitted to the Department of Finance and Administration for review and consideration in the annual appropriation request. All appropriation recommendations for capital outlay and capital maintenance projects will be distributed between the two governing boards in a fair and equitable manner.

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**State Funded Capital Outlay Projects** – This category includes all new construction and renovation projects that utilize state funding in whole or in part. The overall goal of the capital outlay program is to provide physical facilities to enable each institution to provide a quality educational atmosphere, to fulfill their role and mission. The Commission staff will use the following priorities in the order presented to establish a unified capital outlay recommendation for capital projects:

**Priority 1** – The first priority is to address essential projects that are of an emergency nature to avoid immediate danger to the life and property of students and staff. Projects at this priority level also include recovery from the aftermath of extensive damages to one or more buildings. These projects will be recommended before all other projects.

**Priority 2** – This priority is to address projects that are consistent with the requirements of legal or court-ordered mandates.

**Priority 3** - This priority is to address renovation projects that directly support the teaching function.

**Priority 4** – This priority is to address the construction of new space that directly supports the teaching function.

**Priority 5** - This priority is to address the renovation of buildings that are obsolete due to age or condition.

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**Priority Criteria** - THEC staff will utilize the following criteria in priority order to establish a unified capital outlay recommendation for capital projects related to Priorities 3-5 above:

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(1) Equipment not previously funded but required to complete a capital project.

(2) Renovations of existing space to address deteriorated physical conditions or functional deficiencies.

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(3) New construction of facilities that directly support the teaching function.

(4) Other projects that do not directly support the teaching function.

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**4.0.20B**

**Priority Order** - The priority order that each governing board assigns to its recommended projects will be maintained unless the Commission determines that a critical need would not be addressed by doing so.

**4.0.30**

**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. These are projects the boards anticipate presenting to the State Building Commission during the upcoming fiscal year. 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 disclosure in the annual budget document.

**4.0.30A Amendments**– Occasionally the project disclosure list may require amendment to accommodate unforeseen developments in the governing boards’ project listing. Requests to amend the disclosure list shall be submitted by 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 signed by the president or chancellor of the governing board explaining the need for the project, the amount and source of funding, and providing appropriate documentation to support the request. Upon the Executive Director’s approval of the amendment on behalf of the Commission, THEC staff shall promptly notify the governing board, the Commissioner of Finance and Administration, and members and staff of the State Building Commission of the recommended change to the project disclosure list.

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**4.0.40 Capital Maintenance Projects** - Each governing boards' list of requested capital maintenance projects must be submitted to the THEC staff in priority order by project which reflects their capital maintenance needs. THEC staff will make a recommendation to the Commission for each governing boards’ capital maintenance request based upon the governing boards’ priorities. The Commission’s actions will be transmitted to the Department of Finance and Administration for review and consideration in the annual appropriation request.

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**4.0.50** The Executive Director is authorized to make appropriate adjustments to the capital outlay and capital maintenance recommendations as necessary on behalf of the Commission.

Approved: April 22, 1988  
Revised: January 27, 1989  
Revised: July 26, 1996  
Revised: July 25, 1997  
Amended April 18, 2002 (Projects Disclosure List)  
Pending April 17, 2003