

Agenda Item: II.D.

DATE: November 18, 2010

SUBJECT: Special Capital Appropriation for Community Colleges and Technology Centers

ACTION RECOMMENDED: Information

BACKGROUND INFORMATION: As part of the 2010 Appropriations Bill (Public Chapter 1108), the General Assembly appropriated \$120 million for capital construction at Tennessee's community colleges and technology centers. The appropriation is intended to recognize that the Complete College Tennessee Act of 2010 encourages greater enrollments at community colleges and technology centers. Yet, student capacity at many institutions in these two sectors is constrained. The law requires the Tennessee Board of Regents (TBR) to develop a capital outlay program to identify, prioritize and fund projects that addresses several criteria, primarily building instructional capacity. These criteria are subject to the approval of THEC and the State Building Commission.

At its fall 2010 board meeting, TBR approved program criteria that will be used to identify projects to receive funding. The program criteria were subsequently approved by interim action by Dr. Rhoda on October 12, 2010 and by the State Building Commission on October 14, 2010. TBR has identified two projects at the TTCs that have already been approved by THEC and the SBC – new academic buildings at the TTC Elizabethton and the TTC Dickson (Clarksville location).

Each community college submitted projects to TBR for consideration which are included in the materials for information. The community college projects that are identified under the criteria will be presented to TBR at its December 2nd quarterly meeting, and then to THEC and the SBC for approval.

Tennessee Board of Regents

Community College Special Capital Outlay Program Criteria

The goal of the Community College Special Capital Outlay Program is to make higher education more accessible and help reduce capacity constraints in the community college system. The basis of this program is established in the Complete College Tennessee Act. The direction given by the legislation to forgo the approved capital outlay request list not only eliminates the ranking but the current requests as submitted. The criteria for evaluating potential projects is the result of the analysis of the requirements of the legislation that will allow projects to be submitted, analyzed and prioritized with equal consideration given to all projects while meeting the intent of the legislation.

To complete this goal for a system wide program, consideration needs to be given to projections that will address the immediate shortfall with some allowance for future expansion. By analyzing the historical data for the growth of the college and comparing that with the past and current census information, it should be feasible to project the future needs of each college with a consistent system wide plan. Using a 3 year projection for growth beyond the THEC Space Guidelines for current needs campuses will be able to meet their current shortfall and will be able to grow on a projected basis. This “right sizing” should allow funding for more projects. Emphasis should be placed on the main campus or sites that are currently identified in the campus master plan. The lack of recent capital outlay funding along with the substantial increases in enrollment at existing sites makes it difficult to defend the position of starting a new offsite program.

Any new satellite locations will need to be approved by TBR academics and THEC prior to consideration for the funding. These sites would also require a “business plan” to show the market, programs, growth as well as the financial information describing the viability of the site.

The program requires institutions to leverage financial contributions from non-state sources. By using matching funds this will allow for more projects to share the limited state funds available in this program. Therefore a minimum match equal to 15% of the project is required. Emphasis will be given to cash contributions, with additional consideration given to projects that exceed the 15% match when ranking the projects. Consideration will be given for non cash contributions such as land and equipment. Contributions will only be considered when they are directly associated with the criteria for the project. Emphasis will be placed on land that is currently identified in the campus master plan and will be valued based on appraisal for only the property necessary to complete the proposed project. The project request will require a schedule to describe when all the contributions will be received by the campus. This schedule will also be considered in developing the project ranking. However, if the project has been approved and the schedule has not been met, then the project will be reevaluated and the next qualified project will be considered for approval. Once a project is complete any residual funds will be used for other potential projects.

Provide an overview of the project proposed including:

- How the project serves more students
- How the project corresponds with the Complete College Tennessee Act
- How this project fits within your Strategic Master Plan and the Physical Master Plan

Provide the criteria required in the following five areas for projects to be considered and evaluated for this program.

1. Build additional instructional capacity in areas that are experiencing sustained high enrollment growth

- Site (main campus or satellite) FTE, HC & % for the previous 5 years
- Site (main campus or satellite) FTE, HC & % for the next 3 years
new site – show data for all affected sites.
- Current demographics of the area served by the above for potential students
- Impact on the area, including other educational facilities in the area
- Collaboration planned with universities, community colleges and TTC's

2. Build additional instructional capacity in locations where current instructional and related student support capacity has been stressed or exhausted

- Analysis of existing space based on the THEC Space Guidelines
new site – show FTE, HC and THEC Space Guidelines for all affected sites
- Show projected needs utilizing the completed THEC Space Guidelines analysis
- Academic programs for this project
- Architectural program with size and function of spaces

3. Provide for construction of academic classrooms, classlabs, and other facilities needed to support academic instruction

- Show need for additions in Academic space towards increasing graduates
- Identify Classrooms and Classlabs and required academic support
- A "Business Plan" such as THEC form "FP" Financial Projections Form and form "PJ" Program Performance and Justification Form

4. Promote innovation by use of technology-based delivery systems to provide instruction to students who do not have easy access to on-ground instruction

- Describe how Technology Based Delivery systems in the facility can increase student access and the estimated number of additional students to be served

5. Leverage financial contributions from non-state sources to fund a substantial portion of the project cost

- Describe the sources of the 15% minimum contribution
- Describe the sources of funds above the 15% match
- Define timeline for securing contributions
- If contribution timeline is not met, the project will be reassessed based on next priority

Challenge Grant – To provide additional Technology Based Capacity in existing facilities

A portion of the appropriation may be set aside to fund innovative technology based delivery systems. The grant may be used in existing facilities that are owned or leased by the campus.

The following items will be considered for the evaluation of the grant:

- The match criteria will apply to this Challenge Grant
- Use of technology to provide instruction to students that do not have access to on-ground instruction
- Number and type of students that are targeted and the type of programs
- Equipment, infrastructure and facilities required
- Cost to implement, operate and maintain the program

Item 4. From the TennCare reserve.

Item 5. From the reserve for revenue fluctuations established by Tennessee Code Annotated, Section 9-4-211.

SECTION 71.

(a) The provisions of this section are contingent upon determination by the Commissioner of Finance and Administration that a 2010 or 2011 U.S. public law, rule, or policy provides additional federal aid to the state through continuation of an enhanced federal medical assistance percentage (FMAP) in the Medicaid program. Before establishing the appropriations made in this section, the commissioner in writing shall notify the Speakers of the Senate and House of Representatives and the Chairs of the Finance, Ways and Means committees of the Senate and House of Representatives, the Director of the Office of Legislative Budget Analysis, and the Executive Director of the Fiscal Review Committee.

(b) Contingent upon the availability of such federal aid revenue, the Commissioner of Finance and Administration is authorized to reduce the TennCare appropriation made in Section 1 of this act, to increase the estimate of federal aid to the TennCare program made in Section 4 of this act, to establish the following non-recurring appropriations, to allocate the appropriations to the appropriate organizational units and agencies, and to adjust federal aid and other departmental revenues accordingly:

Item 1. The appropriation to the TennCare program in Section 1, Title III-26, of this act is reduced by \$341,600,000 (non-recurring reduction) or, alternatively, is reduced by such lower amount of such federal aid revenue as may be actually provided to the State of Tennessee, and in addition to the appropriation of federal aid to the TennCare program in Section 4, Title III-25, there hereby is appropriated the sum of \$341,600,000 (non-recurring) or, alternatively, there is appropriated a sum equal to such lower amount of such federal aid revenue as may be actually provided to the State of Tennessee, from federal aid revenue.

Item 2.

(A) Community College Special Capital Outlay Appropriation. The General Assembly recognizes that the Complete College Tennessee Act of 2010 (Public Chapter 3 of the Extraordinary Session of 2010) encourages increasing numbers of Tennesseans to access public higher education, particularly through the community college system. Further, the General Assembly recognizes that the capacity to serve increasing numbers of Tennesseans through the existing community college system is constrained at certain campuses. It is the intent of this item to address the most compelling of these capacity constraints through a targeted capital outlay program. There is hereby appropriated the sum of \$120,000,000 (non-recurring) for purposes of implementing a capital outlay program to increase the capacity of Tennessee community colleges to serve Tennesseans. Notwithstanding the existing capital outlay priority list approved by the Board of Regents or the existing capital outlay priority list approved by the Tennessee Higher Education Commission, the Board of

Regents is directed to develop a targeted capital outlay program that identifies, prioritizes, and funds projects that: (1) build additional instructional capacity in areas that are experiencing sustained high enrollment growth; (2) build additional instructional capacity in locations where current instructional and related student support capacity has been stressed or exhausted; (3) provide for construction of academic classrooms, class labs, and other facilities needed to support academic instruction; (4) promote innovation by use of technology-based delivery systems to provide instruction to students who do not have easy access to on-ground instruction; and (5) leverage financial contributions from non-state sources to fund a substantial portion of the project cost, and such contributions from non-state sources hereby are appropriated for the capital outlay projects.

The capital outlay program developed and approved by the Board of Regents pursuant to this item shall be subject to the approval of the Tennessee Higher Education Commission and the State Building Commission. Consideration of this program by the Tennessee Higher Education Commission and the State Building Commission shall be limited to whether the program addresses the criteria stated above.

Notwithstanding other provisions of this section to the contrary, if the continuation of the enhanced federal medical assistance percentage (FMAP) is not authorized in the Medicaid program by October 1, 2010, there hereby is appropriated the sum of \$12,000,000 (non-recurring) for partial implementation of the community college special capital outlay program, and in this event, the reserve for revenue fluctuations at June 30, 2011, as designated in Section 47, Item 2, is decreased by \$12,000,000.

(B) Notwithstanding any provision of this item to the contrary, the Board of Regents is authorized to utilize an amount not to exceed thirty percent of the funds appropriated by this item for high priority technology centers. Notwithstanding other provisions of this section to the contrary, if the continuation of the enhanced federal medical assistance percentage (FMAP) is not authorized in the Medicaid program by October 1, 2010, there hereby is appropriated the sum of \$16,000,000 (non-recurring) for high priority technology centers, and in this event, the reserve for revenue fluctuations at June 30, 2011, as designated in Section 47, Item 2, is decreased by \$16,000,000.

Item 3. To the Department of Economic and Community Development for capital outlay, the sum of \$9,600,000 (non-recurring) for the West Tennessee Mega-Site industrial infrastructure project.

Item 4. To the TennCare program for grants to critical access hospitals the sum of \$10,000,000 (non-recurring) to address un-reimbursed costs of services provided. It is the legislative intent that such grants be made as soon as practical after July 1, 2010, and shall be allocated pro rata based upon the ratio of uncompensated care to total facility revenue for each critical access hospital as reported in the most recent joint annual report available prior to such distribution of such grants.

Community College Special Capital Outlay Program Proposed Projects

| Institution | Institution Priority | Project | State Funds Requested |
|-----------------------------|-------------------------|---|--------------------------|
| Chattanooga | 1 | Olan Mills Acquisition | \$11,300,000 |
| Chattanooga | 2 | Marion County Satellite | 5,200,000 |
| Cleveland | 1 | On Campus Building Renovation | 2,000,000 |
| Columbia | 1 | Williamson County Campus | 30,000,000 |
| Dyersburg | 1 | Covington Campus Expansion | 12,000,000 |
| Jackson | 1 | Nursing and Allied Health Building | 26,650,000 |
| Motlow | 1 | Smyrna Campus Expansion | 7,614,000 |
| Nashville | 1 | Clarksville Satellite Campus | 7,083,000 |
| Nashville | 2 | Antioch Satellite Campus | 7,079,000 |
| Northeast | 1 | Technology Education Building | 6,000,000 |
| Pellissippi | 1 | Magnavox Building Acquisition | 8,500,000 |
| Roane | 1 | Oak Ridge Health, Science and Technology | 14,100,000 |
| Southwest | 1 | Nursing, Biotechnology, and Life Sciences | 8,422,000 |
| Volunteer | 1 | On Campus Allied Health Building | 8,590,000 |
| Walters | 1 | Greene County Expansion | 15,900,000 |
| Walters | 2 | Sevier County Campus Addition | 6,750,000 |
| Walters | 3 | Claiborne County Campus | 2,700,000 |
| 17 Proposed Projects | | | \$179,888,000 |

Notes:

- In addition to the requested state funds, a minimum match of 15% non-state funds is required.
- TBR will complete project evaluations by November 30 and approve the final list of projects by December 2.

Technology Center Special Capital Outlay Program Projects

| Institution | Project | Cost |
|------------------|--|--------------|
| TTC Elizabethton | Campus Consilidation | \$16,000,000 |
| TTC Dickson | Clarksville Industrial Training Facility | \$16,000,000 |

Note:

- Projects were approved at the October 14, 2010 State Building Commission meeting