

Section Title: Financial Policies

Policy Title: Capital Projects

Policy Number: F4.0

4.0.10 **Scope and Purpose.** As the coordinating body for higher education in Tennessee, the Commission engages with institutions and governing boards on capital investment and real estate transactions through its role to develop and approve recommendations for capital outlay and maintenance funding.

4.0.20 **Authority.** The Commission is empowered to identify, prioritize, and make recommendations and decisions upon capital investment and real estate transactions for institutions of higher education in its execution of the Master Plan, approval of institutional master plans, and oversight of the state's comprehensive strategic financial plan for higher education.

4.0.30A **Procedures.** The Commission shall identify capital investment needs and determine priorities for those investments for consideration by the Governor and the General Assembly as part of the annual appropriations act.

4.0.30B The Commission shall consider capital and infrastructure issues, as well as higher education efficiency, performance, and return on investment, as part of its comprehensive strategic financial plan for higher education.

4.0.30C The Commission reserves the right to not rank or approve projects for capital outlay or maintenance funding that are not identified in an institution's current and approved facility master plan.

4.0.30D The Commission authorizes the Executive Director to make adjustments to the capital outlay and capital maintenance recommendations as necessary on behalf of the Commission.

4.0.40A **Capital Outlay.** In accordance with funding request guidelines annually disseminated by Commission staff, the Commission shall receive a prioritized list of capital outlay projects from each governing board.

4.0.40B Commission staff shall make a recommendation to the Commission consisting of one prioritized list of projects. When reviewing projects, Commission staff may employ the assistance of external reviewers and may consider, but shall not be limited to:

- 1) State goals;
- 2) Campus master and strategic plans;
- 3) THEC Space Guidelines and facility assessments;
- 4) Program and business plans; and
- 5) External funding.

Commission staff may consider these factors differently by sector, project scope, or institutional type and mission.

- 4.0.40C The Commission shall review and approve a recommendation for the funding of capital outlay projects. The Commission's actions and a prioritized list of capital projects shall be transmitted to the Department of Finance and Administration for review and consideration in the annual appropriation request.
- 4.0.40D The Commission reserves the right to rank, not rank, alter a recommended ranking, or take any other action(s) it deems fit to advance state goals.
- 4.0.50A **Capital Maintenance.** In accordance with funding request guidelines annually disseminated by Commission staff, the Commission shall receive a prioritized list of capital maintenance projects from each governing board.
- 4.0.50B Commission staff shall make project recommendations to the Commission in accordance with a capital maintenance formula. The formula may include, but not be limited to, the age, gross Education & General (E&G) square footage, usage, and conditions of institutions' facilities.
- 4.0.50C The Commission shall review and approve a recommendation for the funding of capital maintenance projects. The Commission's actions shall be transmitted to the Department of Finance and Administration for review and consideration in the annual appropriation request.
- 4.0.60A **Disclosed Projects.** Institutions may choose to construct, demolish, maintain, renovate, or otherwise engage with capital projects funded in part by the Tennessee State School Bond Authority (TSSBA) or sources other than state appropriations.
- 4.0.60B The Commission authorizes the Executive Director to receive, compile, and report a list of disclosed projects to the Department of Finance and Administration, the Office of Legislative Budget Analysis, the State Building

Commission, the Tennessee State School Bond Authority, and any other relevant party with the Executive Director's recommendation appended.

4.0.60C The reporting of disclosed capital projects by the Executive Director should be performed at least quarterly and shall include all projects to be initiated in the following quarter with total expenditures on capital improvements exceeding \$100,000 and capital maintenance exceeding \$500,000.

The report shall include all projects that concern the use of TSSBA funds.

4.0.60D The Executive Director shall maintain a list of all disclosed projects on the Commission's website. Projects shall remain listed for two years thereafter, a period in which the projects will be eligible to receive approval from the State Building Commission. Projects not initiated within two years will be purged from the disclosed list by Commission staff and must be disclosed again in order to be initiated.

4.0.60E If an event occurs which requires a campus or unit to immediately engage in a capital project exceeding the aforementioned thresholds to avoid immediate danger to persons or property or when absolutely essential and indispensable to campus operations, the Executive Director shall report that project in the following quarterly report to the Department of Finance and Administration, the Office of Legislative Budget Analysis, the State Building Commission, the Tennessee State School Bond Authority, and any other relevant parties with any applicable notations.

Approved: April 22, 1988

Revised: January 27, 1989
July 26, 1996
July 25, 1997

Amended: April 18, 2002 (Projects Disclosure List)

Revised: April 17, 2003

Amended: November 17, 2005
November 20, 2008

Revised: May 11, 2017

Applicable Statute

T.C.A. § 49-7-132, state building commission

T.C.A. § 49-7-202, capital investment needs

T.C.A. § 49-7-1002, higher education funding requests

T.C.A. § 49-8-203, capital and real estate transactions

Section Title: Financial Policies

Policy Title: Capital ~~Projects Outlay and Capital Maintenance~~
~~Funding Recommendations~~

Policy Number: F4.0

4.0.10 **Scope and Purpose.** As the coordinating body for higher education in Tennessee, the Commission engages with institutions and governing boards on capital investment and real estate transactions through its role to develop and approve recommendations for capital outlay and maintenance funding.

~~4.0.20 **Authority.** The Commission is empowered to identify, prioritize, and make recommendations and decisions upon capital investment and real estate transactions for institutions of higher education in its execution of the Master Plan, approval of institutional master plans, and oversight of the state's comprehensive strategic financial plan for higher education.~~

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~~4.0.30A **Procedures.** The Commission shall identify capital investment needs and determine priorities for those investments for consideration by the Governor and the General Assembly as part of the annual appropriations act.~~

Comment [T01]: TCA 49-7-202(o)

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~~4.0.30B The Commission shall consider capital and infrastructure issues, as well as higher education efficiency, performance, and return on investment, as part of its comprehensive strategic financial plan for higher education.~~

Comment [T02]: TCA 49-7-202(m)

~~4.0.30C The Commission reserves the right to not rank or approve projects for capital outlay or maintenance funding that are not identified in an institution's current and approved facility master plan.~~

~~4.0.30D The Commission authorizes the Executive Director to make adjustments to the capital outlay and capital maintenance recommendations as necessary on behalf of the Commission.~~

~~4.0.40A **Capital Outlay.** In accordance with funding request guidelines annually disseminated by Commission staff, the Commission shall receive a prioritized list of capital outlay projects from each governing board.~~

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~~4.0.40B Commission staff shall make a recommendation to the Commission consisting of one prioritized list of projects. When reviewing projects, Commission staff may employ the assistance of external reviewers and may consider, but shall not be limited to:~~

- 1) State goals;
- 2) Campus master and strategic plans;
- 3) THEC Space Guidelines and facility assessments;
- 4) Program and business plans; and
- 5) External funding.

Commission staff may consider these factors differently by sector, project scope, or institutional type and mission.

4.0.40C The Commission shall review and approve a recommendation for the funding of capital outlay projects. The Commission's actions and a prioritized list of capital projects shall be transmitted to the Department of Finance and Administration for review and consideration in the annual appropriation request.

4.0.40D The Commission reserves the right to rank, not rank, alter a recommended ranking, or take any other action(s) it deems fit to advance state goals.

~~**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. Projects submitted by the two governing boards must utilize the THEC Space Planning Guidelines. Each system should also seek to partner and cooperate with other federal, state or local government entities on capital projects when it will lead to efficiencies in operations in both entities.~~

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~~4.0.20 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:~~

~~1) utilize the THEC Space Planning Guidelines to assist in evaluating the project as it relates to campus space issues;~~

~~2) use the following priorities in the order presented to establish a unified capital outlay recommendation for capital projects.~~

~~Priority 1 This priority is to address projects that are consistent with the requirements of legal or court ordered mandates.~~

~~Priority 2 This priority is to address renovation projects that directly support the teaching function.~~

~~Priority 3 This priority is to address the construction of new space that directly supports the teaching function.~~

~~Priority 4 This priority is to address the renovation of buildings that are obsolete due to age or condition.~~

~~4.0.20A 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 2-4 above:~~

- ~~1. Projects that previously received partial funding or equipment not previously funded but required to complete a capital project.~~
- ~~2. Renovations of existing space to address deteriorated physical conditions or functional deficiencies.~~
- ~~3. New construction of facilities that directly support the teaching function.~~
- ~~4. Other projects that do not directly support the teaching function.~~

~~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.~~

~~4.0.21 Amendments to State Funded Capital Outlay Projects~~

~~4.0.21A Project Substitution. On an exception basis involving unusual circumstances, each governing board may request that THEC consider a substitution for new capital outlay priorities from the time they~~

~~submit their recommendations until a minimum of two weeks prior to the end of the calendar year. THEC will consider any recommendations made and if approved will recommend the project to the Governor. The Governor will then have time to consider the revised request in his budget. Each new project or projects being substituted into the priorities may not cost more than the project or projects being replaced. Exceptions may be considered after the deadline if significant external funding for a project is received from gifts, grants, or other non-state sources.~~

~~4.0.21B — Emergency Projects. Projects of an emergency nature should be immediately transmitted to THEC when necessary to avoid immediate danger to persons or property when 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.~~

~~4.0.21C — The Executive Director of THEC may approve an amendment to the capital outlay listing on behalf of the Commission for projects that fall into either the project substitution and/or emergency projects categories. In this case THEC staff will promptly notify the THEC and governing boards, 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 capital outlay list and the effect that the project will produce in the institution's Educational and General square footage total.~~

~~4.0.50A **Capital Maintenance.** In accordance with funding request guidelines annually disseminated by Commission staff, the Commission shall receive a prioritized list of capital maintenance projects from each governing board.~~

~~4.0.50B Commission staff shall make project recommendations to the Commission in accordance with a capital maintenance formula. The formula may include, but not be limited to, the age, gross Education & General (E&G) square footage, usage, and conditions of institutions' facilities.~~

~~4.0.50C The Commission shall review and approve a recommendation for the funding of capital maintenance projects. The Commission's actions shall be transmitted to the Department of Finance and Administration for review and consideration in the annual appropriation request.~~

~~4.0.3060A **Standard Process for Disclosure of Non State Funded Capital Projects Disclosed Projects.**~~

~~4.0.30A As part of Institutions may choose to construct, demolish, maintain, renovate, or otherwise engage with the annual appropriation request~~

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~~process, each governing board shall transmit to the THEC staff a list of capital projects to be considered for funding through in part by the Tennessee State School Bond Authority (TSSBA) or sources other than state appropriations.~~

~~4.0.60B The Commission authorizes the Executive Director to receive, compile, and report a list of disclosed projects to the Department of Finance and Administration, the Office of Legislative Budget Analysis, the State Building Commission, the Tennessee State School Bond Authority, and any other relevant party with the Executive Director's recommendation appended.~~

~~4.0.60C The reporting of disclosed capital projects by the Executive Director should be performed at least quarterly and shall include all projects to be completed/initiated in the following quarter with total expenditures on capital improvements exceeding \$100,000 and capital maintenance exceeding \$500,000.~~

~~The report shall include all projects that concern the addition of new square footage to an institution or the use of TSSBA funds.~~

~~4.0.60D The Executive Director shall maintain a list of all disclosed projects on the Commission's website. Projects should remain listed until completion and for one year thereafter. Projects shall remain listed for two years thereafter, a period in which the projects will be eligible to receive approval from the State Building Commission. Projects not initiated within two years will be purged from the disclosed list by Commission staff and must be disclosed again in order to be initiated.~~

~~4.0.60E If an event occurs which requires a campus or unit to immediately engage in a capital project exceeding the aforementioned thresholds to avoid immediate danger to persons or property or when absolutely essential and indispensable to campus operations, the Executive Director shall report that project in the following quarterly report to the Department of Finance and Administration, the Office of Legislative Budget Analysis, the State Building Commission, the Tennessee State School Bond Authority, and any other relevant parties with any applicable notations.~~

~~4.0.30B 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.~~

~~4.0.30C THEC staff will review the requests and make a recommendation to the Commission.~~

~~4.0.30D The Commission's actions will be transmitted to the Department of Finance and Administration for review and disclosure in the annual budget document.~~

~~4.0.30E The disclosed projects listing submitted by each system must include the following information, consistent with capital outlay and maintenance projects: Project Name, Project Description, Funding Source; Estimated Project Cost; and the amount~~

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of square feet that will be added to the institution's current Educational and General square footage total.

4.0.30F — A disclosed project that is approved by the legislature for a particular fiscal year may remain on the list and eligible to receive approval from the SBC until the end of the following fiscal year before it will be purged from the disclosed list by THEC during the following appropriations request cycle. The governing board may again disclose this project in future budget cycles.

4.0.31 — **Amendments to Disclosed Projects**

4.0.31A — 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.

1. — 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.

4.0.31B — No further amendments will be made to the Disclosed Projects listing unless the project is:

1. — 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.

2. — 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 30 days will transpire before the project may be formally submitted to the SBC for action.

4.0.31C — 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.

4.0.31D — The Executive Director of THEC may approve an amendment to the disclosed project listing 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 THEC and governing boards, 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.

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

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~~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.~~

~~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.~~

~~4.0.60 Emergency Projects. Projects of an emergency nature should be immediately transmitted to THEC when necessary to avoid immediate danger to persons or property when 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.~~

~~Approved:~~ April 22, 1988

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