



TENNESSEE HIGHER EDUCATION COMMISSION

REGULAR CALENDAR ITEM: III.

MEETING DATE: November 16, 2023
SUBJECT: 2024-25 Capital Projects Recommendations
ITEM TYPE: Action
ACTION RECOMMENDATION: Approval

BACKGROUND INFORMATION

Capital projects are broadly categorized according to project scope and funding source. State appropriations fund capital outlay projects, which consist of new construction or major renovation of existing facilities, as well as capital maintenance projects, which repair and replace systems and structures on existing facilities. The third type of capital project, referred to as a disclosed project, is distinguished by its funding source, which does not include state funding. These projects may be funded by gift funds, institutional funds, grants, or from various auxiliary functions, such as residence halls, parking, and athletics. Since a disclosed project is funded without state appropriations, an institution signals its intent to initiate the project and seek approval from the State Building Commission.

RECOMMENDATION SUMMARY

CAPITAL OUTLAY

The capital outlay recommendation for 2024-25 state appropriation totals \$861.6 million. The average 2024-25 project cost is \$80.2 million. As detailed in Attachment I, this outlay appropriation request includes three (3) projects for the Tennessee Board of Regents (TBR), totaling \$172.3 million (20% of the total appropriation), six (6) projects for the Locally Governed Institutions (LGIs), totaling \$428 million (49.7% of total), and three (3) projects for University of Tennessee (UT), totaling \$261.2 million (30.3% of total). These projects were identified and prioritized using the selection criteria endorsed by the Commission at the May 2017 quarterly meeting.

The capital outlay process for all outlay project types is focused on the Drive to 55 and ensures that projects are consistent with state and institutional goals. Projects were evaluated on their relationship to state goals and degree production, alignment with an approved Master Plan, space guidelines and facility assessments, program and business plan, and match requirements.

This year a total of \$5.5 million is recommended for planned demolitions by East Tennessee State University, Tennessee State University, University of Memphis, and University of Tennessee System, as shown in Attachment IV. Demolition projects do not qualify for maintenance funding, and institutions are encouraged to plan demolitions of buildings that are beyond their useful life to improve space efficiencies and reduce overhead.

CAPITAL MAINTENANCE

The 2024-25 recommendation for capital maintenance is \$251.5 million for 104 projects. As shown in Attachments V, VI, and VII, this includes 35 projects for TBR, totaling \$58.9 million (14.8 % of the total), 46 projects for the LGIs, totaling \$95 million (23.9 % of total), and 23 projects for the UT system, totaling \$97.7

million (24.6 % of total). The capital maintenance recommendation places an emphasis on TCAT capital maintenance projects, with a request of \$17.8 million which is itemized separately, and expanded to include all TCAT outyear maintenance projects. This total capital maintenance request will allow each system to limit increases in deferred maintenance.

Two (2) Special Initiative requests for ADA and for Safety and Security, are included in the Capital Maintenance recommendations. The Safety and Security allocations totaling \$28 million (7.1% of total) will include improvements to door hardware, cameras, fencing, and lighting. A request of \$117.4 million (29.6% of total) will substantially complete ADA program accessibility improvements for all institutions. Although all institutions have made enormous strides towards the removal of barriers, the majority (67%) of existing Educational and General (E&G) higher education buildings were constructed prior to the passage of the ADA in 1990. The work will include all types of path-of-travel accommodations from the campus site locations and parking, to ramps and building entrances, classroom and lab accommodations, restrooms, elevators, drinking fountains, and signage.

Tennessee has consistently provided funding for maintenance projects across higher education. Over the last five (5) fiscal years, capital maintenance funding has averaged \$99.7 million per year.

DISCLOSURE OF REVENUE-FUNDED PROJECTS

Disclosed projects are funded through institutional funds, the Tennessee State School Bond Authority (TSSBA), auxiliary funds, or sources other than state appropriations. For 2024-25, TBR, the LGIs, and UT are disclosing 11 revenue and TSSBA-funded projects totaling \$263.1 million. As detailed in Attachments IX and X, the disclosure sources include \$114.7 million of TSSBA funded projects (housing, athletics, parking, short-term financing), \$110 million of gift funds, \$0 of grants, \$37.75million of auxiliary funds, and \$642,000 of non-auxiliary institutional funds.