



## TENNESSEE HIGHER EDUCATION COMMISSION

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**REGULAR CALENDAR ITEM:** IV.A.

**MEETING DATE:** August 17, 2023  
**SUBJECT:** Financial Policies  
F4.0 – Capital Projects  
**ITEM TYPE:** Action  
**ACTION RECOMMENDATION:** Approval

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### **BACKGROUND**

THEC Financial Policies F4.0 - Capital Projects addresses the Commissions engagement and consideration of capital outlay, capital maintenance, and disclosure projects as part of its comprehensive strategic financial plan for higher education.

The proposed revisions were completed in order to comply with T.C.A § 4-15-102, approved in the 2023 legislative session. The revisions authorize the Executive Director to receive, compile, and report a list of disclosed capital projects funded from School Bonds and other sources as part of the annual capital budget reporting process. In coordination with the legislation, THEC disclosures in the annual budget will include all projects funded by sources other than state funds that are over \$10,000,000 in value, and all projects of any value utilizing TSSBA funding source. The revisions also remove the requirements for quarterly disclosures. The legislation authorizes the institutions to disclose, report, and post projects of \$10,000,000 and under, directly to the State Building Commission.

Attachment A provides a redlined version of the policy and Attachment B provides a clean version of the proposed changes.

**ATTACHMENT A: REDLINED VERSION OF PROPOSED CHANGES**

**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 capital projects from School Bonds and other Sources that are listed in the Capital Outlay and Facilities Program in the Appropriations Act, and these. These projects shall not include projects be disclosed in accordance with T.C.A § 4-15-102(e). 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

August 17, 2023

**Applicable Statute**

T.C.A. § 4-15-102, state building commission

T.C.A. § 4-15-107, state building commission

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

## ATTACHMENT B: CLEAN VERSION OF PROPOSED CHANGES

**Section Title:** Financial Policies

**Policy Title:** Capital Projects

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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.

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.

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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 capital projects from School Bonds and other Sources that are listed in the Capital Outlay and Facilities Program in the Appropriations Act. These projects shall be disclosed in accordance with T.C.A § 4-15-102(e).

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- T.C.A. § 49-7-1002, higher education funding requests
- T.C.A. § 49-8-203, capital and real estate transactions