



July 25, 2019

USHE – Revision of Policy R741, *Non-dedicated Capital Project Prioritization Process* and elimination of R741, Appendix A: *Analysis of Mission and Role Projects*

Regent Policy R741, *Non-dedicated Capital Project Prioritization Process* describes the methodology and process for prioritization of system-wide, state-funded, non-dedicated capital development projects. The current policy includes a detailed appendix, R741, Appendix A: *Analysis of Mission and Role Projects* describing the complex calculations, definitions, and instructions for calculating institutional space need.

A recent audit of the Regents' prioritization process recommends updating and revising the underlying calculations of space need contained in Policy R741 and Appendix A. The Regents' Capital Facilities Subcommittee met in July to review the audit recommendations and recommends the following changes to Policy R741 to improve the calculation of institutional space need:

- Replace the current calculation of need based on "Space Standards" detailed in Appendix A with a calculation of need based on assignable square feet per FTE.
- The assignable square feet per FTE calculations will be made based on industry standards and will differentiate between institutional mission and institutional size.
- The new calculation of need will continue to receive up to 50 points in the prioritization process.
- Student FTE calculations will exclude online and concurrent enrollment FTE.

In addition to the proposed policy changes, the Commissioner's Office also recommends deleting R741, Appendix A: *Analysis of Mission and Role Projects*.

Commissioner's Recommendations

The Commissioner recommends the Regents incorporate the proposed changes to Policy R741, *Non-dedicated Capital Project Prioritization Process* effective immediately and delete Appendix A to Policy R741, *Analysis of Mission and Role Projects*.

Attachment

R741, Nondedicated Capital Project Prioritization Process¹

R741-1. Purpose: To provide the methodology and process for prioritization of system-wide, state-funded, nondedicated capital development project needs for presentation to the Governor and State Legislature for funding.

R741-2. References

- 2.1. Utah Code §53B-1-103 (Establishment of State Board of Regents -- Powers, duties, and authority)
- 2.2. Utah Code §53B-22-201 (Capital Developments)
- 2.3. Utah Code §53B-20-101 (Property of Institutions to Vest in State Board)
- 2.4. Utah Code § 63A, Chapter 5 (State Building Board)
- 2.5. Policy and Procedures R701, Capital Facilities
- 2.6. Policy and Procedures R702, Non-State Funded Property
- 2.7. Policy and Procedures R703, Acquisition of Real Property
- 2.8. Policy and Procedures R706, Capital Facilities Master Planning
- 2.9. Policy and Procedures R751, Institutional Facilities Space Utilization

R741-3 Definitions

- 3.1. **Capital Development:** This policy adopts the definition established in Utah Code 63A-5-104(1)(a).
- 3.2. **Non-Appropriated Funds:** Contributions such as donations to capital projects from sources other than appropriations of the State Legislature. Student fees are not considered non-appropriated funds for purposes of this policy.
- 3.3. **State Funded Project:** A capital development project submitted by an institution of Higher Education requiring appropriations of the State Legislature to fund the design, construction, and/or operations and maintenance.
- 3.4. **Dedicated Project:** a capital development project for which state funds from an institution's formulaic allocation under Utah Code 53B-22-201 are requested or used.
- 3.5. **Nondedicated Project:** a capital development project for which state funds from a source other than an institution's allocation under Utah Code 53B-22-201 are requested or used.

¹ Amended May 20, 2011, September 13, 2013, November 14, 2014, May 17, 2019, and August 2, 2019.

R741-4. Nondedicated Project Prioritization Process - The Board of Regents shall annually review and prioritize nondedicated projects submitted by USHE institutions. The annual nondedicated project prioritization process consists of five (5) fundamental steps:

4.1. Step 1 – Establishment of Priority Guidelines: At the beginning of each year’s capital development project prioritization process, the Board shall adopt priority guidelines pertaining to the most pressing and critical capital needs for the Utah System of Higher Education not funded through dedicated projects. These priorities, though not binding, are designed to guide the subsequent use of Regents’ Priority Points (Step 4).

4.2. Step 2 – Submission of Requests: Institutions submit their highest priority capital development needs to the Office of the Commissioner of Higher Education for evaluation. Each institution may submit up to one project per year and shall review the institution’s allocation for dedicated projects prior to deciding to submit a nondedicated project. Institutions may not submit project requests directly to the State Building Board or the State Legislature.

4.3. Step 3 – Quantitative Analysis and Scoring of Needs: The Office of the Commissioner reviews institutional state funded projects and assigns up to 80 points for each project in three areas: Needs Analysis, Facility Condition, and Utilization.

4.4. Step 4 – Regent Points and Prioritization of Projects: The Capital Facilities Committee of the Board of Regents meets annually to review state funded projects and the quantitative scoring by the Office of the Commissioner. The Committee allocates up to 25 Regents’ Priority Points to the projects and submits a recommendation for the prioritization of state funded projects to the full Board of Regents, which adopts or amends the recommendation and takes final action.

4.5. Step 5 – Regent Submission of Prioritized of Projects: The Board of Regents submits finalized priorities to the State Building Board, the Governor, and the State Legislature for further consideration and funding. State statute limits the number of building requests the Regents may submit as follows:

- 4.5.1** 1 Project if legislative funding for dedicated projects equals \$100 million or more
- 4.5.2** 2 Projects if legislative funding for dedicated projects is between \$50 million and \$100 million
- 4.5.3** 3 Projects if legislative funding for dedicated projects equals less than \$50 million

R741-5. Needs Analysis Points: Institutions receive up to 50 points for the calculated need of a nondedicated project based on an institution’s existing space inventory (including projects approved for construction) and assignable square feet per FTE space standards. Assignable square feet per FTE space standards shall be based on industry best-practices and shall differentiate between institutional mission and institutional size measured by student FTE enrollment. Student FTE calculations shall exclude online and concurrent enrollment FTE. Institutions receive points for nondedicated projects where the institution has less assignable square feet per FTE than the space standards in a particular space category prorated for the percent of the project that space category occupies. Classroom and teaching laboratory space shall receive more weight than other space categories.

R741-6. Facility Condition Assessment Points – Facility condition assessment points apply to projects designed to resolve issues that pose a disruption in daily operations or that pose serious life safety threats. These points can be awarded to projects designed to resolve issues where there is substantiated legal and/or life threatening liability; where facilities are threatened with immediate loss of function due to natural disaster; where closure is imminent because of violations of legal/safety/other requirements; or

similar circumstances. These Facility Condition Assessment points can be applied only under the following circumstances:

6.1. Associated liability and imminent loss of function - Points may be awarded where the institution has substantiated by documentation from a qualified engineer, fire marshal, attorney, or other qualified professional that a very significant legal and/or health/life safety risk is being solved by completion of the proposed project. "Very significant" is defined as, "the realistic estimate of the liability exceeds the cost of the project," as determined by the Commissioner's Office with assistance from an external consultant or the Utah Division of Facilities Construction and Management, and funded by the submitting institution. Also, these points may be awarded if there is a substantiation of the threatened, imminent loss of the function should the project not be authorized, as is the case when natural disasters have destroyed a particular academic building or code violations cause the structure to be closed. Points awarded range from zero to 15 per project based upon the severity of liability or loss of function as determined above.

6.2. Buildings that can no longer function for the purpose designed may be considered for "Facility Condition Points" as recommended by the Office of the Commissioner. Points may be awarded in instances where aging facilities do not pose a safety hazard but lack appropriate size, mechanical/electrical capacity or technology upgrades to accommodate modern instructional resources. The Commissioner's Office should award points in this category only in exceptional circumstances and should strongly consider the impact of institutional actions that led to the existing condition. Points awarded range from zero to 15 per project based on the severity of liability or loss of function as determined above.

6.3. An institution may receive a maximum of 15 Points awarded under both 6.1 and 6.2, and those points are then adjusted proportionate to size of the deficient buildings relative to the total square footage of the requested facility.

R741-7. Utilization Points: Institutions receive up to 15 points for the utilization of classroom facilities on main campuses during the Fall semester as reported in the annual USHE Utilization Report required by R751, *Institutional Facilities Space Utilization*. Points are assigned as follows:

7.1. Weekly Room Utilization Rate (RUR) – An institution receives 10 points if it meets or exceeds the RUR standard set by the Board in R751 for Fall semester main campus classrooms. Institutions not meeting the adopted Regent standard receive a proportionate share of the 10 points based on the reported RUR score.

7.2. Seat Occupancy Rate (SOR) – An institution receives 5 points if it meets or exceeds the SOR standard set by the Board in R751 for Fall semester main campus classrooms. Institutions not meeting the adopted Regent standard receive a proportionate share of the 5 points based on the reported SOR score.

R741-8. Major Infrastructure Points: The Office of the Commissioner, in consultation with the Division of Facilities Construction and Management, may award points for major infrastructure projects that address critical life safety, fire and seismic deficiencies and the need to preserve and repair critical infrastructure such as utilities. Such projects do not receive Needs Analysis, Utilization, or Facility Condition points. Up to 60 points can be applied based on the degree of severity of need as follows:

8.1. Imminent Nonfunctionality – Where circumstances exist that pose imminent nonfunctionality threats to the facility or the campus, points in the range of 41-60 can be assigned. To be considered for this level of support the project must be the institution's top priority.

8.2. Operational but Seriously Deficient – Facilities in this condition can qualify for points in the range of 21-40.

8.3. Operational but Deficient – Facilities in this condition can qualify for points in the range of 1-20.

R741-9. Regents' Priority Points – The Capital Facilities Committee of the Board of Regents may award up to 25 additional points per nondedicated project based on priority guidelines adopted by the Board of Regents for the current prioritization cycle. These points are designed to position institutions to further develop and enhance their assigned missions and roles, and should be used in a consistent manner that enables USHE institutions to pursue strategic and long-term capital development planning while also providing the means to respond to external time-sensitive factors.

R741.10 Final Priority Ranking – After the Regents Priority Points are added to the “Scoring Points,” the projects are recommended by the Regents for funding in the resulting rank order, with the project having the highest point total being the highest-ranked project.

R741.11 Operation and Maintenance Costs (O & M): The estimated O & M costs for each facility and the source of funding those costs will be listed for each facility on the priority list and will be approved by the Regents as part of the approval process for construction or acquisition of each facility. In prioritizing nondedicated projects, the Regents will consider the magnitude of future O & M obligations and the potential impact of approval on other components of the operating budget. The goal of the Regents is that future annual state funded O & M costs on approved new facilities should not represent a disproportionate share of new ongoing appropriated state tax funds.

R741.12. Projects Funded from Non-State Appropriated Funds – Proposals from institutions for approval of capital development projects to be financed by non-state appropriated funds are subject to the approval process outlined in Policy R702, *Non-State Funded Projects*.

R741.13. Land Bank Acquisition Requests – Requests for purchase of land from funds to be appropriated by the state Legislature for future use of an institution must be reviewed and approved by the Board of Regents. In reviewing such requests, the Board shall use the guidelines in Policy R703, *Acquisition of Real Property* and shall ensure that the request is consistent with the institutional master plan (see Policy R706, *Capital Facilities Master Planning*).