



UTAH SYSTEM OF  
HIGHER EDUCATION

# MEMORANDUM

TAB F

March 25, 2021

## ***Policy R743, Process for Use of Dedicated Capital Project Funds***

During the 2019 Utah legislative session, the Legislature passed [S.B. 102, Higher Education Capital Facilities](#), which created a new process for funding USHE capital facilities projects. For degree-granting institutions, the legislation requires the Board to allocate appropriations to the institutions based on a funding formula comprised of six factors. For technical education institutions, the legislation requires the Board to prioritize capital projects based on institutional need. The legislation requires the Board to establish procedures for the use of appropriated “dedicated capital project funds,” which procedures are defined in the proposed Board Policy R743. The funding formula for degree-granting institutions is currently defined in [Board Policy R742, Dedicated Capital Project Allocation Formula](#).

The proposed Policy R743 creates a five-step process for degree-granting institutions to access and use dedicated capital project funds: 1. allocation of funds, 2. capital programming and cost estimation, 3. submission of requests, 4. Board review and authorization of projects, and 5. Board submission of authorized projects to the legislature.

The policy further creates a four-step process for the Board to prioritize technical college requests to use dedicated capital project funds: 1. submission of requests, 2. Board review and scoring of projects, 3. Board prioritization of projects, and 4. Board submission of authorized projects to the legislature.

The committee is asked to review and discuss this policy as part of the capital prioritization process for FY 2021-22 and ahead of policy adoption by the Board.

### **Commissioner’s Recommendation**

This is a discussion item only; no action is required.

### **Attachment**

## R743, Process for Use of Dedicated Capital Project

### Funds<sup>1</sup>

**R743-1. Purpose:** To provide the methodology and process for the use of funds appropriated by the State Legislature for dedicated capital projects.

#### R743-2. References

- 2.1. Utah Code §53B-2a-117 (Technical Colleges – Capital Development)
- 2.2. Utah Code §53B-22-201 (Capital Developments)
- 2.3. Utah Code [§ 63A, Chapter 5](#) (State Building Board)
- 2.4. Policy and Procedures [R701, Capital Facilities](#)
- 2.5. Policy and Procedures [R706, Capital Facilities Planning](#)
- 2.6. Policy and Procedures [R742, Dedicated Capital Project Allocation Formula](#)
- 2.7. Policy and Procedures [R751, Institutional Facilities Space Utilization](#)

#### R743-3. Definitions

**3.1. Capital Development:** This policy adopts the definition established in Utah Code 63A-5-104(1)(a).

**3.2. 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 or from the Board's prioritization of dedicated funds under Utah Code 53B-2a-117.

**3.3. Capital Projects Fund:** a capital project restricted fund created by 53B-22-202 and 53B-2a-118 to receive appropriations for USHE dedicated projects.

**3.4. Capital Program:** the services to define the scope and purpose of a proposed capital project as defined in 63A-5b-502

**R743-4. Dedicated Project Prioritization Process for Degree-Granting Institutions:** The Board shall annually review and authorize dedicated projects submitted by USHE institutions. The annual dedicated project prioritization process consists of five steps:

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<sup>1</sup> Draft: March 25, 2021

**4.1. Step 1 — Allocation of Funds:** By June 30 of each year, the Board shall allocate funds appropriated by the State Legislature for dedicated projects as outlined in Board Policy R742, *Dedicated Capital Project Allocation Formula*. The Board shall submit the allocation to the State of Utah Division of Finance to track individual institutional allocations within the Higher Education Capital Projects Fund.

**4.2. Step 2 — Capital Programming and Cost Estimation:** Before a dedicated capital project may be submitted for Board and legislative consideration, institutions shall create a capital program for the facility to define the scope and purpose of the facility. In collaboration with the Department of Facilities Construction and Maintenance (DFCM), the institution shall use the program to create a realistic construction budget estimate (CBE) for the project.

**4.3. Step 3 — Submission of Requests:** Institutions shall submit capital development requests for funding from dedicated project allocations to the Board for evaluation based on procedures developed annually by the Office of the Commissioner, including a submission of the capital program and the construction budget estimate. Each institution may submit one or more projects. Project costs for the combined total of all submitted projects must be less than or equal to the institutional balance in the Higher Education Capital Projects Fund after the annual Board allocation. Institutions may not submit projects to the State Building Board or the State Legislature without prior Board approval.

**4.4. Step 4 — Board Review and Authorization of Projects:** The Board annually reviews dedicated project requests and votes to authorize or deny the project. The review shall include three statutory requirements:

**4.4.1. Cost-Effective and Efficient Use of Resources:**

**4.4.1.1.** Institutions shall submit a detailed capital program and a capital budget estimate reviewed by DFCM. Institutions shall also provide the Board a narrative describing how the project economizes state and institutional resources.

**4.4.1.2.** With the assistance of DFCM and using the DFCM cost database, institutions shall compare the costs of the proposed facility with projects of like size and function and explain significant differences in comparable costs.

**4.4.1.3.** Institutions shall provide the total cost of ownership for the proposed facility, including the annual cost of operation and maintenance, the total cost of operation and maintenance over the useful life of the facility, and the total cost of capital improvements over the estimated life of the facility, and describe the funding sources for those costs.

#### **4.4.2. Consistent with Mission and Master Plan:**

**4.4.2.1.** Institutions shall demonstrate how the proposed facility will meet institutional needs and is consistent with the institution's mission.

**4.4.2.2.** Institutions shall demonstrate how the proposed facility aligns with the institutional master plan and the 5-year plan required by Board Policy R706.

#### **4.4.3. Fulfillment of a Critical Institutional Facility Need:**

**4.4.3.1.** Institutions shall demonstrate the need for the facility by providing quantifiable evidence, which may include measures of program growth, enrollment, facility obsolescence, etc.

**4.4.3.2.** Institutions shall provide current facility utilization measures and describe how the project will improve institutional space utilization, including how the improved utilization will be measured and reported to the Board.

**4.4.3.3.** Institutions shall provide current deferred maintenance information, including the dollar amount of institutional deferred maintenance and a description of how the project will affect deferred maintenance.

**4.5. Step 5 – Board Submission of Authorized of Projects:** All dedicated projects authorized by the Board shall be submitted to the State Building Board and the Governor for review and recommendation and to the State Legislature for further consideration and authorization to use allocated funds in the Higher Education Capital Projects Funds. Institutions may not spend allocated funds unless affirmatively authorized by the State Legislature and funded by the State Legislature for operation and maintenance.

**R743-5. Dedicated Project Prioritization Process for Technical Colleges:** The Board shall annually review, prioritize, and authorize dedicated projects submitted by USHE technical colleges. The annual dedicated project prioritization process consists of four steps:

**5.1. Step 1 – Submission of Requests:** Technical colleges submit capital development requests for funding from the Higher Education Capital Projects Fund to the Board based on procedures developed annually by the Office of the Commissioner. Each technical college may submit no more than one project, but the project may request funding over several years.

Institutions may not submit projects to the State Building Board or the State Legislature without prior Board approval. Requests must include the following information:

**5.1.1.** A detailed capital budget estimate reviewed by DFCM and a narrative describing how the project economizes state and institutional resources.

**5.1.2.** A demonstration of the need for the facility by providing quantifiable evidence, which may include measures of program growth, enrollment, facility obsolescence, etc.

**5.1.3.** Current facility utilization measures and a description of how the project will improve institutional space utilization, including how the improved utilization will be measured and reported to the Board.

**5.1.4.** The total cost of ownership for the proposed facility, including the annual cost of operation and maintenance, the total cost of operation and maintenance over the useful life of the facility, and the total cost of capital improvements over the estimated life of the facility.

**5.1.5.** How the proposed facility aligns with the institutional master plan and the 5-year plan required by Board Policy R706.

**5.2. Step 2 — Board Review and Scoring of Projects:** The Board annually reviews dedicated project requests to prioritize funding in the Higher Education Capital Projects Fund for technical education projects. The scoring process assigns weighted points from five statutorily required factors. Each year, prior to the review, the Board shall establish the weights for the following factors considered in the scoring:

**5.2.1. Growth and Capacity:** The Board awards up to 10 points to projects based on the gap between the calculated space need and an institution's current inventory of space. An institution's calculated space need shall be determined by multiplying an assignable square-foot per FTE standard by the projected number of FTE students (excluding online and concurrent enrollment students not using institutional facilities), faculty, or staff as appropriate for each category of space reported in the most recent USHE Space Inventory. The Board also awards up to 10 additional points for space utilization (as reported in the most recent annual space utilization submission) that exceeds USHE standards set in Board Policy R751. Twenty points are possible.

**5.2.2. Effectiveness and Support of Critical Programs:** The Board awards points based on a qualitative review of each project's support of institutional program needs. Institutions shall submit information relating to the programs that will be housed in the

proposed facility, including current enrollments, workforce demand, projected enrollments, and current capacity. Ten points are possible.

**5.2.3. Cost-Effectiveness:** The Board awards points for cost-effective projects as measured by the DFCM cost database. Ten points are possible

**5.2.4. Building Deficiencies and Life Safety Concerns:** The Board awards points to projects that replace existing facility deficiencies identified by third-party facility condition assessments or DFCM in the following four areas: life or fire-safety, structural or seismic, electrical, and mechanical. A project receives a point for each five percent of a seismic/structural or life/fire safety deficiency (up to three points) and half a point for each five percent of electrical and mechanical deficiencies (up to two points) calculated as a percentage of the current replacement value of the building as insured by the Division of Risk Management. The points are then multiplied by the percentage of the project that includes renovated or demolished square feet. Ten points are possible.

**5.2.5. Alternative Funding Sources:** The Board awards points based on evidence that non-appropriated funds are in-hand or have been committed to the institution for use toward the project's costs. Non-appropriated funds shall not create a future liability for the state, create an external property right, nor be given with an expectation of future payback. Neither student fees nor institutional funds will be counted as non-appropriated funds for purposes of awarding points. The Board will award one point for every one (1) percent of allowable alternative funds calculated as a percentage of total project costs up to a maximum of 10 points.

**5.3. Step 3 – Board Prioritization of Projects:** Based on the scoring in subsection 5.3, the Board shall rank all technical education dedicated projects and determine which projects to recommend to the Legislature for funding. The Board may prioritize multiple projects up to the amount in the Higher Education Capital Projects Fund for technical education projects. The Board may also prioritize a single project that requires funding over multiple years.

**5.4. Step 4 – Board Submission of Authorized of Projects:** All dedicated projects authorized by the Board shall be submitted to the State Building Board and the Governor for review and recommendation and to the State Legislature for further consideration and authorization to use allocated funds in the Higher Education Capital Projects Funds. Institutions may not spend allocated funds unless affirmatively authorized by the State Legislature and operation and maintenance funding is established.

**R743-6. Operation and Maintenance for Dedicated Projects:** As allowed by statute, all authorized projects may request operation and maintenance funding from the Legislature in conjunction

with dedicated capital project funding. If the Legislature does not fund the operation and maintenance for a particular project, the requesting institution must identify funds to operate and maintain the facility before construction may begin.

**R743-7. Review upon Completion of a Dedicated Project:** As required by statute, the Board shall review the costs and design of each capital project completed using dedicated capital project funds. Institutions shall submit all costs of a dedicated capital project to the Board, including but not limited to soft costs, land purchases, programming, design, and construction costs upon substantial completion. The institution shall also provide information to the Board on design decisions and elements for discussion in relation to costs of construction.