**Higher Education Capital Project Submission and Review Process**

January 26, 2012

Capital projects submitted by state institutions of higher education (IHE) to the state go through various steps in order to be approved and authorized. The following document provides the two major ways in which higher education capital projects are submitted to that state and the path in which they follow in order to begin construction.

**PROJECTS SUBMITTED THROUGH THE BIENNIAL BUDGET PROCESS**

As part of the biennial budget process, IHE will provide through their budget submission documents a list of capital projects to be considered for the upcoming budget session. The projects are focused on the next two years and are primarily state funded projects. Institutions also include non-state funded projects and additional information regarding long-term capital project plans at each campus.

* **Capital Budget Submission by Institutions:**
  + IHE submit projects, in August of each even year, that are both state and non-state funded. Projects include new construction, special repair and rehabilitation, land acquisition, overall repair and rehabilitation, leases and lease purchases.
  + For the upcoming biennium, the IHE will list projects they wish to start during the biennium.
  + If state funding is requested for a specific project, additional information is provided which includes:
    - Description of the project, space impact, cost, cost metrics, educational value of the project, breakdown of the cost of the project, relationship to the long term capital plan and funding for the project
  + For projects in the next biennium that are non-state funded, IHE normally provides a summary description since the project will not require state funds via debt service (fee replacement).
  + The capital budget submission includes long-term capital projects (10 years) that indentify potential projects that might be started beyond the upcoming biennium. There is little description provided for long term capital projects that extend beyond the upcoming biennium.
* **CHE Staff Review and Recommendation of IHE Capital Projects for the Biennium**
  + CHE staff will review the capital project requests made by the IHE for the upcoming biennium during the budget development process in the fall of each even year.
    - Review of projects includes analysis of information provided for each project, questions back to the IHE regarding the project and priority the IHE gave to each project requested.
  + Staff normally focuses on those projects that are state funded and the impact those projects will have on the overall budget recommendation by CHE for higher education.
  + Depending on the amount of overall funding for higher education, staff will determine if recommending any new capital projects would be financially viable within the larger higher education budget.
    - Staff must also consider any previously authorized (bonded) capital projects that have yet to be funded and are pending review before the CHE or the State Budget Committee.
  + As staff reviews the capital project requests, various criteria (attached) will be used to determine if the project should be considered as part of the CHE budget recommendation.
  + If staff believes new capital projects should be included in the budget recommendation, considering any previously authorized projects, those capital projects will be included in the CHE budget recommendation for higher education.
  + During the process of preparing the capital project recommendations, staff will consult with Commission members and the Budget and Fiscal Policy Committee to seek feedback regarding staff’s recommendation of projects to move forward.
  + CHE staff typically recommends only state funded projects since those projects require state authorization (bonding) or state funding. Projects without state funding have not been part of the CHE budget recommendation.
* **General Assembly Action regarding Capital Projects**
  + Based upon the recommendation from the CHE, the General Assembly may consider such capital projects to include in the budget either as authorization (bonding) and state funding for the project, or as a cash appropriation (very unlikely) for the project.
    - In some cases, capital projects not included in the CHE recommendation but submitted by - IHE may be included in the General Assembly’s version of the budget.
    - In rare cases, the General Assembly may include in the budget a capital project that was not included in the IHE capital budget submission AND NOT ever considered by the CHE during the budget recommendation process.
  + For those projects with a state funding impact, the General Assembly may include funding. However, in previous years the General Assembly has authorized (bonded) a project but has not included state funding. In some cases funding maybe provided in future biennium for projects previously authorized by the General Assembly.
  + Upon passage of the biennial budget, IHE are able to submit, through another process, projects authorized by the General Assembly for review and approval to begin construction.

**PROJECTS SUBMITTED BY THE IHE VIA REVIEW REQUIREMENTS BY LAW**

Outside of the biennial capital project submission process, a separate process exists that requires certain IHE capital projects to be reviewed, approved and authorized by several state/legislative groups before the project can begin. This process is set by law and includes thresholds for when different groups are required to review an IHE capital project.

* **Capital Project Submitted by Institutions:**
  + Throughout each year IHE will submit to the CHE as a starting point various capital projects to be consider for review and approval by the state. These projects could include:
    - State-funded and non-state funded projects
    - Previously authorized projects by the General Assembly
    - Previously recommended projects by the CHE
    - Projects not included in the CHE recommendation or not authorized by the General Assembly
    - Other projects the IHE wish to submit
    - Project types include: new construction, special repair and rehabilitation, annual repair and rehabilitation, leases, lease-purchases, land acquisition, etc.
  + Each IHE Board of Trustees reviews and approves projects submitted to the CHE. In addition, some IHE Board of Trustees have established their own review thresholds based on the cost of a project and the funding source.
  + IHE can submit capital projects for review by the state (starting with the CHE) during anytime of the year.
* **CHE Review of Capital Projects** 
  + CHE is the first state entity to start the review process of IHE capital projects submitted via state law.
    - State law requires CHE, Budget Committee, State Budget Agency, Indiana Finance Authority and the Governor (not all apply based on the type of project) to review and approve these projects once submitted by the IHE.
  + CHE staff receive IHE capital projects and begin reviewing and analyzing the project thoroughly.
    - Included with this document are the criteria staff uses to analyze IHE capital project requests.
  + For those projects that are funded with state funds, CHE has an unlimited amount of time to review the project before action is taken. For those projects that are not state funded, the CHE must review the project within 90 days of submission.
  + Internally, CHE has thresholds for projects and how they are acted upon:
    - For projects with no state funding and less than $2M, there is a staff review of the project
    - For projects with no state funding between $2M and $7.5M, the project is placed on the CHE agenda as staff expedited
    - For projects with no state funding over $7.5M, the project is placed on the full agenda for consideration.
    - Any project using state funds or mandatory student fees is placed on the full agenda for consideration.
  + As noted earlier, some projects brought before the CHE for review may have been part of the CHE budget recommendation from previous years. Other projects could include those never considered by the CHE previously or ones not recommended by the CHE in a budget recommendation.
  + CHE typically will have a presentation of the capital project during a monthly meeting and will vote to provide a favorable or unfavorable review of the project at the same meeting.
    - For those projects that are state funded or have a large financial impact, CHE will hear the project in one meeting and vote on the project in a future meeting.
    - CHE cannot vote to reject a project back to the IHE. Any action taken by the CHE on a capital project then moves the project to the next step in the review process.
* **Other Review and Approvals for IHE Capital Projects**
  + Once the CHE reviews a project (favorable or unfavorable), the project is then considered by other state/legislative entities for further consideration and approval.
  + Depending on the type of project, funding level and type of funding, the project will be considered by:
    - State Budget Committee – Advisory Recommendation or Approval (depending on funding)
    - Indiana Finance Authority – Recommendation for projects funded with debt
    - State Budget Agency – Recommendation or Approval (depending on the funding)
    - Governor – Approval
  + Included in this document is a matrix of the various project types, funding levels, type of funding and approval path the project must take before construction begins.
  + During the review and approval process, additional analysis is conducted by State Budget Committee staff, Budget Agency staff, IN Finance Authority staff and legislative staff.