

SECTION III

PART Q POLICIES FOR SELF-FUNDED CAPITAL CONSTRUCTION

1.00 Introduction

- 1.01 The Cash Funds Fiscal Accountability Reporting Policy and Implementation Plan was established pursuant to FY 1989-90 Long Bill (S.B. 245), Footnote 34 requesting the Commission to develop recommendations on the use of cash funds for capital construction and controlled maintenance projects. This policy does not apply to any project funded wholly or in part by state moneys as defined in 24-75-302(1), C.R.S. The CCHE policy was ratified by the legislative Capital Development Committee and Joint Budget Committee during November 1989. This policy was amended July 1, 1999, to bring it into compliance with the requirements of section 23-1-106, C.R.S. The General Assembly in 2001 adopted SB01-209, which amended section 23-1-106, C.R.S. The amendments to this policy are effective August 9, 2001, following the 90-day period during which it may be subject to referendum petition pursuant to the Colorado Constitution.
- 1.02 The effect of the policy will be that certain cash-funded capital projects not exceeding \$250,000 will be exempted from legislative spending authority in the Long Bill and from Commission review for pre-expenditure approval or waiver of program planning. Section 23-1-106(5) (b), C.R.S., allows the Commission to exempt from program planning and physical planning certain projects below \$500,000 of state monies. The combined effect of both the planning and appropriation policies will permit more timely and efficient implementation of cash-funded minor space remodeling, major capital equipment purchases, and demolition projects while continuing CCHE approval and legislative fiscal oversight of more expensive capital projects.
- 1.03 The statutory revisions 23-1-106 (9) (a), C.R.S., require that the Commission review and approve any plan for a capital construction project estimated to require expenditures exceeding \$250,000 that is constructed, operated and maintained from auxiliary enterprises, student fees, research building revolving funds, or wholly endowed gifts and bequests, or a combination of such sources.
- 1.04 The statutory provisions in 23-1-106 (10), C.R.S., require that the Commission review and approve any plan for a capital construction project that is estimated to require total expenditures exceeding \$250,000 that is constructed solely from cash funds held by the institution other than those funds specified in 1.03. No Commission review or approval is required for such projects costing \$250,000 or less.
- 1.05 CCHE Tuition and Fees Policy prohibits institutions from using student fees, tuition or general fund increases to pay for academic facility construction projects.

2.00 Legislative Fiscal Oversight and Fiscal Accountability Reporting Policy

2.01 Any capital construction project with a total value of over \$500,000, except those constructed, operated and maintained from auxiliary enterprises, student fees, research building revolving funds, or wholly endowed gifts and bequests, or a combination of such sources, must be specifically appropriated by the legislature. This policy does not exempt from legislative spending authorization:

- a) any capital construction project which is conditional upon or requires expenditures of state-controlled funds for capital construction, facilities operations, and facilities maintenance; or
- b) any gift or bequest funded capital construction project which directly or indirectly involves significant ongoing expenditures for facilities operations and maintenance by the state of Colorado.

2.02 Effective September 1, 2001, and every September 1 thereafter, each institution shall submit to the Commission in an electronic format to be specified a list and description of each project for which expenditure was made during the immediately preceding fiscal year that was not subject to Commission review in 1.03 and 1.04 for the purposes of compiling the annual report required in 23-106-11, C.R.S.

2.03 The annual fiscal reporting on the cumulative impact of all prior and current cash-funded capital projects is intended to assure the General Assembly that the proposed use of cash funds:

- is prudent;
- will not endanger cash reserves; and
- will not - by themselves - lead to higher General Fund support or Student Tuition levels.

3.00 Approval Procedures for Cash-Funded Capital Projects

3.01 Governing boards currently have statutory duties for control and direction of all funds and appropriations. CCHE has statutory duties for review and approval of program and financial plans for capital construction.

- (a) The governing boards and the state-supported institutions of higher education may not authorize, or acquire, sites, or initiate any program or activity requiring capital construction for the use of state-supported institutions of higher education, regardless of the source of funding, unless it has obtained the prior approval of CCHE. This includes acquisition or utilization of real property for the use of a state-supported institution of higher education by lease, lease-purchase, purchase, gift or otherwise.
- (b) CCHE will review and approve master and program planning for all capital construction projects for institutions of higher education on state-owned or controlled land, regardless of the source of funds. No capital construction can commence except in accordance with the CCHE approved master plan, program plan, and physical plan.

- (c) Plans for any capital construction project for the use and benefit of any state-supported institution of higher education to be funded through private, foundation, or federal funds require review and approval of CCHE prior to acquisition or commencement of any such project.
- 3.02 CCHE Facility Program and Financial Plan approval policy will require governing board actions to specifically make documented findings of fact that sufficient cash funds will be available to pay the capital project costs, and that projected operating funds will not be adversely affected by the project.
- 3.03 CCHE Capital Construction Budget Instructions will require the governing board documented findings of fact in (3.02) above to be appended to each cash-funded major capital project's budget request document; and an annual fiscal report on the cumulative impact of all cash-funded major and minor capital projects for the fiscal years affected.

For fiscal reporting and review purposes:
 - a) Major capital projects exceed \$250,000;
 - b) Minor capital projects cost \$250,000 or less, but exceed Capital Outlay expenditure thresholds established in the Long Bill
- 3.04 CCHE will require a Cash-Funded Projects Capital Construction Budget Addendum to disclose the Source and Use of Funds for each major capital construction project.
- 3.05 Amended Policy implementation for FY 2001-02.