

Information Concerning the Approval Process for Capital Projects

A. Overview of Capital Project Approval Process:

1. Institutional Board of Trustees approves feasibility study for project.
2. Institution prepares preliminary estimate of cost based on a feasibility study.
3. Institution identifies possible sources of funding.
4. Institution submits request for a permanent improvement project (PIP) to CHE. Agencies can not procure any construction design services until a project is fully approved. All projects exceeding \$250,000 or that have the potential to exceed that amount must go through the entire PIP approval process.

(Sometimes there is a gap of several years between the feasibility study and the request for A&E)

5. **CHE considers the PIP request. If approved, CHE submits to Budget and Control Board (B&CB) staff.**
6. B&CB staff considers request. If approved, submits to Joint Bond Review Committee (JBRC).
7. JBRC considers request. If approved, submits to the B&CB.
8. B&CB considers request. If approved, B&CB staff sends approved project form to State Engineer who assigns it a project number. Institution must follow all of the state procurement guidelines as set forth in the Manual for Planning and Execution of State Permanent Improvement Projects Part II.

(To this point, project approval has taken between 3-4 months because CHE, JBRC and B&CB meet on different schedules)

9. Institution advertises for A&E proposals (2 weeks).
10. Institution accepts proposals (2 weeks)
11. Institution evaluates proposals (2 weeks).
12. Institution prepares a "short list" of at least five bidders.
13. Institution interviews short listed firms and makes a choice.
14. Institution negotiates a contract and hires A&E for design services. At this point, better cost estimates can begin.

(To this point, approval to hire an architect has taken 6 months)

15. Architectural firm develops program, schematic design, design development and construction and bid documents. This process takes 4 to 9 months.
16. Institution receives approval to borrow funds, issue bonds, etc. from the State Treasurers Office.
17. After Construction documents are completed, the project is advertised for bid in South Carolina Business Opportunities (SCBO). This must be advertised for two weeks, then a site visit, then two more weeks for bid. Assuming an acceptable bid is given, an agency can not award until a 16 day waiting period (for potential protests) has expired.

(It takes approximately one year to get to the construction stage of the project, provided all approvals have been received and barring any complications).

18. If the lowest responsive and responsible bidder's price exceeds the funds available, then Institutions must begin at step 5 and proceed through step 17.

Institution must repeat steps 5 through 8 for any increase to the approved project budget, change in scope, a change in the source of funds, and closure once the project is

CHE approval is required near the beginning of the approval process. All Permanent Improvement Projects reviewed by CHE are forwarded with recommendations to the Joint Bond Review Committee (JBRC) and the Budget and Control Board (B&CB) which make the final determination.

B. CHE Legal Responsibility for Facilities:

The Commission is legally charged with the following responsibilities concerning facilities:

Section 59-103-55 – Making recommendations to the Governor's Office and the General Assembly concerning policies, programs, curricula, *facilities*, administration, and financing of all state-supported institutions of higher learning

Section 59-103-70 – Making reports to the Governor and the General Assembly at least annually on the status and progress of higher education with appropriate recommendations (*including capital projects*)

Section 59-103-110 – No institution is authorized to *construct or purchase any new permanent facility* at any location other than on a currently approved campus or on property immediately contiguous unless it has been approved by CHE

Section 2-47-30 – Each institution's *Comprehensive Permanent Improvement Plan (CPIP)* is to be submitted through the Commission on Higher Education to the Joint Bond Review Committee (JBRC) and the Budget and Control Board (B&CB).

Section 2-47-40 – CHE is charged with *prioritizing capital project requests* submitted to the JBRC and the B&CB.

Section 50-53-57 – Technical colleges are eligible to receive state funds for capital facilities. There is a minimum of *20% matching requirement from local funds for each new construction project*.

Section 59-101-370 - The *20% match is not required for renovations, repair, replacement, or maintenance* at the technical colleges.

C. Definitions/CHE Policy

Capital or Permanent Improvement Projects:

Permanent improvement projects are currently defined as those projects that cost **\$100,000 or more**. The definition focuses on the significance in terms of funds being spent rather than on the type of improvement being made. Projects meeting this definition and requiring CHE approval include, but are not limited to:

- acquisition of land and buildings
- new construction
- renovation, repair, maintenance,
- alteration or demolition of existing facilities
- any architectural and engineering work which is intended to result in a permanent improvement
- capital lease/purchase of any facility or construction, and
- equipment that either becomes a permanent part of a facility or does not become permanent but is included in the construction contract

Routine Repair, Replacement, and Maintenance:

Routine repair, replacement, and maintenance projects may be submitted to CHE staff at any time. The projects are approved at staff level and presented to the Commission in summary form at the next scheduled CHE meeting. However, if CHE staff believes that particular characteristics of a project require further consideration, the staff will refer that project to the full review and approval process of the Finance and Facilities Committee and the Commission.

Examples of Routine repair, replacement, and maintenance:

- roof repair/replacement
- building system modifications (HVAC, plumbing, electrical, etc.)
- interior refurbishment (without major reconfiguration or interior space)
- exterior refurbishment (waterproofing, window replacement, etc.) excluding additions beyond approximately 1,000 square feet.
- renovations up to \$500,000 that do not result in major building use change or additions beyond approximately 1,000 square feet.
- code compliance (ADA, elevator, fire, electrical, etc.)
- infrastructure modification/replacement, sewers, waterlines, steam lines, communications systems, etc.).

State Board for Technical and Comprehensive Education (SBTCE) approvals:

CHE will not accept for consideration any project from a technical college that has not first been approved by the SBTCE.

Leases:

Although there is no legislative requirement for CHE to approve leases, CHE policy requires that each new lease of \$25,000 or more, and for a term of three or more months, be submitted concurrently to CHE and the Capital Budgeting Unit of the B&CB for review and approval. Rates and terms of leases are not the purview of CHE. CHE reviews the programmatic aspects of the lease and verifies the source of funds. CHE has no purview over rates and terms, or lease-outs. The Capital Budgeting Unit will not approve a lease until it has been reviewed by CHE. After approval, the lease is submitted to JBRC and B&CB for final approval.

Sale of Property:

CHE has no legislative authority over the sale of property by an institution of higher learning. However, CHE requests that institutions notify CHE of such sales.

D. CHE's General Responsibility for Project Evaluation:

CHE does not evaluate construction costs, lease rates and terms, appraisals, environmental studies, or institutional bond capacity. Those evaluations and approvals are primarily under the purview of the State Engineers Office, the Capital Budgeting Unit, the State Treasurer, the JBRC and B&CB. CHE's review and approval is for programmatic requirements, mission requirements, service area needs, and compatibility with the institutions approved master plan. CHE also verifies private and federal sources of funding.

E. CHE staff approval levels:

1. projects of \$100,000 up to and including \$500,000, or 10% of the total budget, whichever is greater;
2. leases of \$25,000 up to and including \$100,000;
3. routine repair, replacement, and maintenance projects;
4. change in funding source;
5. revisions in scope;
6. project name changes; and,
7. project closures.

F. Additional Information on Funding Sources:

1. Institution Bonds are guaranteed by the full faith and credit of the state. Institution bonds are used for educational and general (E&G) projects. Each institution has a bonding capacity and the B&CB and State Treasurer must approve the use of institutional bonds.
2. Revenue Bonds must be secured by an institutional revenue stream. They can be used for E&G projects (tuition or fees) or for auxiliary projects (athletic or parking revenues). The B&CB and the State Treasurer must approve the use of revenue bonds.
3. Capital Improvement Bonds (CIBs) are issued by the State and the state pays the debt service on the bonds. Institution's request capital improvement bond funds in their CPIP. The Legislature determines when and how CIBs will be issues. CHE submits recommendations for CIB funding to the Legislature on behalf of the institutions.
4. Local Funds are funds received from the county or a municipality (government subdivision) allocated to an institutional project. Technical colleges receive local funds from counties in their service areas. These are usually provided through tax revenues.
5. Federal Grants are sometimes provided for capital projects. Institutions must provide documentation of the intent to award from the awarding entity to CHE, JBRC, and B&CB prior to project approval.
6. Private Funds are sometimes donated to a project by an individual or organization. Institutions must provide documentation guaranteeing the private funding to CHE, JBRC, and B&CB prior to project approval.
7. Institutionally Generated Funds may be funds set aside in a special account by the institution for use on capital projects. These may be generated by tuition, special fees, or other institutionally generated revenue. Some examples are institutional capital project funds (ICPF), renovation/reserve account funds, excess debt service, etc.

G. Projects Held, Returned, Resubmitted, or Withdrawn:

During the month of March, six capital projects were either held, returned, resubmitted, or withdrawn.

- One project was returned to the institution because of errors in the form. Project information was corrected and resubmitted.
- Two projects were returned because of problems with the funding source. Project information was corrected and resubmitted.
- One project was held pending receipt additional information. That project has not gone forward.
- One institution was asked to withdraw two projects. The institution complied and those two projects were withdrawn.