

2007-08 JCOS Formal Policies

(As adopted March 8, 2007)

POLICY NO. 1

JOINT CAPITAL OUTLAY SUBCOMMITTEE

MEMBERS, CHAIRPERSON, QUORUM, AND APPROVAL OF AGENDA ITEMS

MEMBERS

The Joint Capital Outlay Subcommittee shall consist of twenty members, including ten members from the Senate and ten members from the House of Representatives.

CHAIRS

The Joint Capital Outlay Subcommittee Chairperson shall be determined by the chamber in which the Chairperson resides and alternate between chambers every two calendar years beginning on January 1 of the operative year. For calendar years 2007 and 2008, the Chairperson shall reside in the House of Representatives. Beginning January 1, 2009, the Chairperson shall reside in the Senate. The Vice-Chairperson of the subcommittee shall be a member of the chamber in which the Chairperson of the subcommittee is not a member.

QUORUM

In order for the Joint Capital Outlay Subcommittee to take action on an agenda item, a quorum consisting of at least eleven members is required. The quorum must include at least five members of the Senate and five members of the House.

APPROVAL OF AGENDA ITEMS

Approval of an agenda item requires a favorable vote of a majority of the subcommittee.

POLICY NO. 2

JOINT CAPITAL OUTLAY SUBCOMMITTEE

STATEMENT CLARIFYING CERTAIN WORDS AND PHRASES IN THE CAPITAL
OUTLAY REVIEW PROCESS FOR STATE SUPPORTED UNIVERSITIES AND
COMMUNITY COLLEGES

In order to review a project during the capital outlay appropriating process, the Joint Capital Outlay Subcommittee has developed the following definitions intended to clarify the meaning of certain words or phrases.

SELF-LIQUIDATING

The term self-liquidating project is used in connection with non-State funded projects, (i.e., "The proposed student center will be a self-liquidating building").

Self-liquidating structures are defined as those financed with funds raised through the use of a debt instrument or other sources and which are expected to generate revenues to amortize the loan. Examples of other sources to finance structures or projects are funds derived from gifts, grants, federal funds, or institutional sources. Examples of typical self-liquidating structures might be dormitories, food service facilities, student apartments, health service facilities, student centers, stadia, all events buildings, parking facilities, theaters, auditoriums, or museums.

SELF-SUPPORTING

Self-supporting is the term that should be used when relating to or discussing a function or activity where revenue and fees are expected to cover all direct and indirect operating costs without additional transfer of any other of the school's general fund money, (i.e., "When completed the new student center will be operated as a self-supporting structure", or "because we will not be allocating administrative costs to the operation of the proposed field house, it will not be considered self-supporting").

NON-STATE FUNDED

A non-State funded project is one that uses financing other than direct capital outlay financing authorized in a capital outlay appropriations bill. Projects financed from funds appropriated in a non capital outlay appropriation bill used for construction, renovation, maintenance, or land purchases, or other capital projects are considered to be non-State funded.

USE AND FINANCING PLANS

Use and financing plan approvals are required for all capital projects which are non-State funded as specified in the annual capital outlay appropriation act or within these policies. These projects include but are not limited to, new construction, land or property acquisition, remodeling and additions, maintenance, roads, landscaping, equipment, telecommunications, utilities, and parking lots.

1. The financing plan for all non-State funded projects shall define the sources of all funds or other revenues which are to be used to pay the capital costs of the project. These costs include principal, interest, administrative fees and all other costs necessary to provide for the land acquisition, completed construction, equipping and furnishing of the project.
- 2.. The financing plan for "self-liquidating" projects which will house "self-supporting" operations shall define, in detail, the sources and estimated amounts of all funds to be used to pay all costs of operation for the project. These costs include administrative overhead salaries, maintenance and repair, utilities services, insurance and all other fixed costs involved in the operation of the project.
3. Emergencies. When health or safety concerns warrant, a project may be completed without prior approval of a use and finance statement. However, timely submission of a use and finance statement as soon as possible after the event is expected.

All utility services which are provided by the State to self-liquidating structures, or which are transmitted by means of State funded distribution systems, shall be charged against the project as follows:

1. The cost of utility services furnished by State operated facilities shall be determined by multiplying the total operating costs of the utility facilities by the ratio of the volume of "self-supporting" space to the total volume of space serviced by the utilities.
2. The capital cost of State funded supply and distribution facilities shall be amortized over a maximum 30 year period and shall be charged to self-supporting projects on the basis of the space ratio specified in paragraph 1 above.

ROUTINE MAINTENANCE

Regular or operations maintenance and preventative maintenance is carried out to preserve a part, or all of a project from failure or decline, to keep in an existing state of repair, or to return the structure to its original value. Routine maintenance does not change the purpose or program for which the building was designed. Routine maintenance shall be an obligation of the institution and may be funded with State appropriations designated for operations.

SPECIAL MAINTENANCE OR RENOVATION

Special maintenance or renovation refers to major programs intended to restore to a former condition or to complete necessary updates to satisfy program requirements without changing the purpose or program for which the facility was designed. These projects may be large enough in scope that demolition might be one of the alternatives considered in the value judgment process. Special maintenance or renovation projects may be subject to legislative review if State funds are designated for that purpose.

Financing of special maintenance or renovation projects is an obligation of the institution unless otherwise indicated in a capital outlay appropriations act(s). Substantial special maintenance or renovation projects may be eligible for partial or complete state financing if they are included in the master plan and submitted to the Department of Management and Budget as a priority item by the institution.

REMODELING OR ADDITIONS

A remodeling or addition project is one which alters the structure by increasing its value or changing its use. Expenditures for remodeling or additions shall be subject to legislative review and may be incorporated in the capital outlay bill either in lump-sum, released by formula, or by a line-item appropriation. A remodeling or addition or special maintenance project is the sum total of all separate work orders or contracts issued for labor, material and furnishings related to a certain designated existing building to complete the total project.

LAND PURCHASE

All land purchases are considered capital expenditures. Land purchases in excess of the limitation stated in the annual Capital Outlay Appropriations Act shall require authorization by the Joint Capital Outlay Subcommittee through the submission of a Use and Financing Statement.

COMPLIANCE

All audits of the Legislative Auditor General shall include a statement as to the compliance with this policy.

POLICY NO. 3
JOINT CAPITAL OUTLAY SUBCOMMITTEE
REQUIREMENTS FOR A USE AND FINANCING STATEMENT FOR STATE
SUPPORTED UNIVERSITIES AND COMMUNITY COLLEGES

All non-State funded projects costing in excess of the limitations stated in the annual Capital Outlay Appropriations Act must be approved by the Joint Capital Outlay Subcommittee. A use statement or prospectus describing the project must be submitted so that the subcommittee has a complete understanding of what is being proposed prior to an informational hearing. For the purposes of this policy, individual projects costing less than these established limitations, but are collectively designed to satisfy a single objective costing in excess of these limitations, require a use and finance statement approval as outlined in this policy and further defined in policy no. 2.

USE STATEMENT

The use statement should contain a brief description of the purpose, need, and justification for a non-State funded project. Specific information to be developed should include, but not be limited, to the following:

1. List the activities and functional spaces accommodated in the project with the approximate square foot area for each appropriate similar group or individual category.
2. When applicable, describe how the activities are being accommodated at the present time, and explain the proposed disposition of any existing facilities.
3. Explain the proposed extent of use by students, faculty or the community.
 - a. If partial instructional use is planned, estimate the percentage and furnish complete scheduling information.
 - b. If the project will be used by the general public, will it compete with other private or community facilities? If so, what is the anticipated effect?
4. Furnish an 8 1/2" x 11" campus map indicating the location of the project and describe its relationship to the long range development plan.
5. When available for new projects only, include an 8 1/2" x 11" copy of schematic floor and site plans.

FINANCING STATEMENT

The financing statement should include the following specific information:

1. Capital Investment Program - (describe in detail)

- a. State the gross estimated capital improvement or project costs including a breakdown of land, site development and demolition, construction cost, furnishings, equipment, fees, and any other special costs (specify).
- b. How was the land acquired? If purchased, what is the cost and the source of funds?
- c. Specify the source of funds for the capital costs; i.e., borrowed funds, institutional sources, gift, grant, federal funds, partial State appropriation, or any combination.
- d. If bonding or other debt service is incurred, state the source of the funds and the proposed retirement schedule. (Refer to 3. Student Fees)

2. Operating Financing Program - (describe in detail on an annual or fiscal year basis)

- a. Furnish a realistic itemized estimate of all gross revenues by major fund source and expenses expected to be generated and incurred on an annual basis.
- b. Include the basis for an estimate of revenues from each user activity that will be returned to the general fund to defray operating costs.
- c. Explain how you intend to dispose of funds generated by self-supporting activities in excess of expenditures for the project.
- d. Identify total cubic footage, gross square feet and specify the total volume of those portions of the project that will be used for self-supporting or revenue producing activities, compared to those portions used for institutional or instructional programs.

3. Student Fees

- a. If a student fee is assessed, what is its purpose and extent i.e., does it cover both capital and operating costs?
- b. Is it a dedicated portion of a student fee?
- c. If it is a specific student fee, estimate the amount per student, the FYES or headcount assumption and the gross fee allocation.
- d. Will the student fee be eliminated when the capital debt is retired? How long do you estimate the fee will be collected to meet bonding or other debt obligations? If the student fee is not eliminated, what will the revenue be dedicated for after debt retirement?

GENERAL INSTRUCTIONS

Major changes in a submittal and the distribution of all statements should be as follows:

1. Existing Facilities

- a. If a major change in the project use or financing method occurs in a project previously approved by the Joint Capital Outlay Subcommittee, an updated use and financing plan must subsequently be forwarded to the Joint Capital Outlay Subcommittee.

2. Distributions

- a. All members of the Joint Capital Outlay Subcommittee (direct the covering letter to the Chairman).
- b. Retain a record file copy at the college for examination by the Auditor General's staff.
- c. Circulate two copies to:
 - House Fiscal Agency
 - Senate Fiscal Agency
 - Department of Management and Budget, Office of the Budget

COMPLIANCE

All audits of the Legislative Auditor General shall include a statement as to the compliance with this policy.

Non compliance with this policy will result in a loss of any type of capital outlay funding for two years, and a prohibition of doing non-State funded projects of any kind, except for emergencies where health or safety concerns warrant, for a year.

JOINT CAPITAL OUTLAY SUBCOMMITTEE
PROJECT DATA SHEET
USE AND FINANCE STATEMENT

Date: _____

Agency/Institution: _____

Project Title: _____

New Project: Y or N (If revised, Date _____ of original Subcommittee approval)

Contact Person/Phone Number: _____

Professional Consultant(s)/Phone Number: _____

General Project Description (use as much space as needed):

Estimated Cost of:

1. The structure (general, mechanical, electrical, fixed equipment)..... \$ _____

2. Architectural/Engineering fees, surveys, site investigations, etc..... \$ _____

3. Services from five feet outside of the structure (sewers, utilities, water supply, etc.) \$ _____

4. Site improvements (roads, walks, grading, etc.) \$ _____

5. Telecommunications..... \$ _____

6. Furnishings (furniture, movable equipment, etc.; not considered a part of the structure nor requiring fixed mechanical and/or electrical services)..... \$ _____

7. Other (i.e., *asbestos abatement*)..... \$ _____

8. Design, construction, and bidding contingencies (%____)..... \$ _____

9. Total estimated project cost..... \$ _____

Total project cost per gross sq. ft. (1 thru 8 = 9 ÷ gross sq. ft.) \$ _____/gross sq. ft.

Total gross square feet _____

Total net square feet _____

Source(s) of Financing:

University/College Funds (please specify)

_____ \$ _____ % _____

State of Michigan Funds (please specify)

_____ \$ _____ % _____

Federal Funds (please specify)

_____ \$ _____ % _____

Private Funds (please specify)

_____ \$ _____ % _____

Student Fees/Tuition (please indicate if the source is new or existing)

_____ \$ _____ % _____

Other Funds (please specify)

_____ \$ _____ % _____

TOTAL \$ _____

Estimated Annual Operating Costs:

Year 1 \$ _____

Annually thereafter \$ _____

Operating Source(s) of Financing (please specify)

Impact of project financing on tuition (construction, site development, and operations)

Furnish an 8 1/2" x 11" campus map indicating the location of the project and describe its relationship to the long range development plan.

Estimated Completion Date: Month: _____ Year: _____

NOTE: This form must be submitted to the State for all Use and Finance Statement projects pursuant to annual appropriation act requirements and the Joint Capital Outlay Subcommittee Policies No. 2, 3, and/or 4.

POLICY NO.4
JOINT CAPITAL OUTLAY SUBCOMMITTEE
FUNDING CAMPUS UTILITY AND UTILITY DISTRIBUTION SYSTEMS FOR
STATE SUPPORTED UNIVERSITIES AND COMMUNITY COLLEGES

Except as otherwise provided by law or as jointly determined by the Joint Capital Outlay Subcommittee and the Department of Management and Budget, costs for construction of necessary utility systems at various educational institutions will be an obligation of the individual institutions and require use and financing statement approvals pursuant to Policy No. 3. The following statements constitute a definition regarding these utility and utility distribution projects.

DEFINITIONS - The following terms are used in conjunction with this policy:

1. "Utilities" refers to water, steam, hot water, gas, electric power, sanitary sewers, telephone and electronic communication systems and audiovisual systems.
2. "Supply" refers to the source of production or supply of steam, hot water or electrical generation; water wells; waste disposal plants and to main transformer substations.
3. "Distribution systems" consist of trunk mains, which serve two or more buildings (existing or potential), and branches which serve a single building. Branches generally connect a building to a trunk main.

APPROVAL REQUIREMENTS

All utility and utility distribution systems costing in excess of the limitations stated in the annual Capital Outlay Appropriations Act, require a use and finance statement pursuant to Policy No. 3. The Joint Capital Outlay Subcommittee will consider a use and finance statement for a utility or utility distribution system after the institution has contracted for, and received, an independent needs assessment study that evaluates current and future needs and analyzes potential alternatives for satisfying the utility needs of the institution. Any special studies or needs assessments will be financed by the institution proposing the project.

COMPLIANCE

All audits of the Legislative Auditor General shall include a statement as to the compliance with this policy.

POLICY NO. 5
JOINT CAPITAL OUTLAY SUBCOMMITTEE
GENERAL STATE LAND CONVEYANCE

State lands to be conveyed to other levels of government, to public organizations or to private organizations or citizens, shall be conveyed by the State Administrative Board, under the authority of an act of the Legislature.

GENERAL REQUIREMENTS

State lands conveyance shall meet the following conditions:

1. Both the agency controlling the property and the Department of Management and Budget shall certify that there is not a current or projected State use for the property.
2. The legal description of the property shall be stated in the act and shall not conflict with the description contained in the title held by the State.
3. The property shall be appraised at its highest and best use by the State Tax Commission or by an independent fee appraiser at the fair market value. It shall be sold or traded at not less than the fair market value. If it is to be sold publicly, the property shall be advertised and sold to the highest bidder, but in no case at less than the fair market value, unless otherwise provided by paragraph 4.
4. Land may be conveyed for less than fair market value when it is to be used by a local unit of government exclusively for public purposes. "Public purposes" means that the use to which the property is to be put involves government operations or employment by the general public. A program statement describing the proposed public purposes use shall be submitted to and approved by the Department of Management and Budget. Upon cessation of public use, the property shall revert to the State or the State shall be paid the prevailing fair market value.
5. When ongoing State operations are in the near proximity, and are subject to adverse effects from an incompatible use of the property, a restriction shall be placed in the deed requiring prior State approval, based on compatibility, of any program or use of the property until the State operations are terminated.
6. Transfer of the land shall be by means of a quitclaim deed approved by the Attorney General. The deed shall reserve to the State, all coal, oil, gas, and minerals excluding sand, gravel, clay, or other non-metallic minerals found on, within and under the property, unless otherwise provided by law.
7. Proceeds from the sale of State properties shall be deposited in the general fund, unless as otherwise provided by law.

8. All State land conveyances shall be by legislative act. A land conveyance (legislative bill) reported from a Standing Committee of the House or Senate, other than the Standing Committee of Appropriations, which is contrary to the provisions of items 1 through 7, shall be referred to the House or Senate Appropriations Committee for review and recommendation by the Joint Capital Outlay Subcommittee. .

COMPLIANCE

All audits of the Legislative Auditor General shall include a statement as to the compliance with this policy.

POLICY NO. 6
JOINT CAPITAL OUTLAY SUBCOMMITTEE
NOTIFICATION OF AGENCY ITEMS

GENERAL REQUIREMENTS

1. An agenda item proposed by the Department of Management and Budget, a State agency, or an institution of higher education, including a community college, as defined in Act. No 431 of the Public Acts of 1984, as amended, which requires official approval by the Joint Capital Outlay Subcommittee shall not be considered unless the appropriate written recommendation and supporting documentation is received by the Chair and Vice Chair of the Joint Capital Outlay Subcommittee, and the House and Senate Fiscal Agencies, at least 10 calendar days before the convening of the meeting of the Joint Capital Outlay Subcommittee at which that item is to be considered. This requirement may be waived upon approval of the Chairman of the Joint Capital Outlay Subcommittee.
2. Distribution:
 - a. All members of the Joint Capital Outlay Subcommittee (direct the cover letter to the Chairman).
 - b. Where appropriate, forward two copies to the House and Senate Fiscal Agencies and the Department of Management and Budget.

POLICY NO. 7
JOINT CAPITAL OUTLAY SUBCOMMITTEE
GENERAL PROJECT CRITERIA

In the process of reviewing priorities for projects wholly funded or financed by the State, or projects in which the State participates in the funding or financing, the following criteria will be utilized:

GENERAL CRITERIA

1. In all circumstances, only the first three priorities submitted annually by a university or community college will be considered when state priorities are being determined by the Joint Capital Outlay Subcommittee and the Department of Management and Budget.
2. Projects designed to renovate existing structures, when possible, are preferable and will receive a higher priority.
3. Consortium agreements between universities and community colleges will receive a higher priority providing that each institution involved in the consortium indicates in the annual budget submission that the consortium is a first priority for the institution.
4. Project proposals that include facilities for dependent child care will not receive a lower priority if that portion of the facility is self-supporting. Any revenue generated by a child care facility in excess of the operating cost of the child care facility shall be reimbursed to the State for retirement of debt associated with the financing of the project.