

Ohio Board of Regents

**Guidelines for Preparing
FY 2011-FY 2016 Capital Plans**

**Last Revised:
February 11, 2011**

Guidelines for Preparing FY 2011-FY 2016 Capital Plans

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I. INTRODUCTION

This document provides the revised Ohio Board of Regents (OBR) guidelines to prepare FY 2011-2016 Capital Requests. Campuses, in response to our guidance released in February 2010, have submitted most of the information needed for OBR's capital request to the Office of Budget and Management (OBM). **The primary goal of these revised guidelines is to request additional details about campus capital plans for the FY 2011-2016 period.** Please see Sections VIII and IX for further details.

As noted in our February 2010 guidelines, beginning this cycle, OBR will provide debt service allocations as available **Major Renovations** funds instead of **Capital Component** funds. This change reflects our continuing emphasis on the use of state capital funds for renovations or building replacements that do not result in the addition of new space. Consistent with past practice, a campus should provide a detailed request for each individual project receiving Major Renovations funds.

Beginning in the FY 2013-2018 planning cycle, OBR expects to implement a revised capital funding policy. This revised policy would preserve the current decentralized funding model but add a more robust review of six-year capital plans and project requests. Section VII provides our initial thoughts about this revised policy. We anticipate future capital consultations will include agenda items dedicated to discussing our proposed changes.

It is our understanding that most campuses have already completed their internal capital plans for the FY 2011-2016 period. Therefore, responses to these guidelines, including any amendments to previously submitted HEI project forms, are due by **March 11, 2011.**

In anticipation of our capital policy revision, **all state colleges and universities should submit a six-year capital plan for this planning cycle.** Please contact James Nargang, OBR Director of Capital Development, if you have any questions or concerns about this requirement.

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**II. OVERVIEW: THE FUNDAMENTAL RATIONALE OF THE STATE'S CAPITAL
FUNDING SYSTEM**

Ohio's higher education capital funding system, as established by Ohio Administrative Code 3333-1-31, provides campuses with state capital support through a formula that determines each campus's share of available debt service equivalent. Campus shares are determined by a formula that gives equal weight to the volume of educational activity on a campus and the age of campus academic facilities. The educational activity is principally credit instruction, but job-related noncredit instruction and sponsored research are also recognized. The age of facilities is measured by tabulating the number of square feet of Instructional and General space that is at least twenty years old, with space older than twenty years being weighted more heavily.

From a campus's share of this formula allocation, we subtract an amount equal to the debt service the state will pay for the new capital appropriations made to the campus. We anticipate the debt service cost will be about seven percent of the amount of the appropriation for twenty years. For example, under this revised formula, the debt service equivalent of a \$1,000,000 capital appropriation will equal about \$77,000 per year for the next twenty years¹. (This calculation will be periodically updated to reflect any changes in the maturity or rates paid for bonds sold by the state.) When the result of that subtraction is negative, the difference is deducted from a campus's State Share of Instruction allocation. When the result of the subtraction is positive, the difference is appropriated to the campus through a line item in the subsequent operating budget.

In this system, the state continues to provide its support for capital investments at our campuses. However, campuses have a new responsibility as well, since they are required to pay for those investments. We believe that this responsibility is an empowering one. Since campuses assume responsibility for "financing" their improvements, their decisions have a new legitimacy. Now those who are in the best position to judge the true value of capital improvements on a campus (the Board of Trustees and the officers they appoint) are the ones who have the principal voice in deciding what will be built.

Prior to the adoption of the current funding policy, the state often rejected more than half of the total amount requested by campuses. Since adoption of the current policy, OBR staff has included nearly every dollar requested that would be subject to this new policy.

The allocation of debt service equivalent and the deduction for "debt service" begin one year after the capital bill has become effective. As we begin a new capital cycle, we look forward to the next operating biennium, which we anticipate will have a debt service equivalent appropriation reflecting eight rounds of support, from capital appropriations made in 1996, 1998, 2000, 2002, 2005², 2006, 2008, and anticipated in 2011/2012.

¹ In earlier capital cycles, 10 percent of the appropriation had been deducted for 15 years. This deduction equaled debt service payments for 15-year bonds sold at 5%, which was the maturity and interest rate of bonds that were sold at that time by the state. The state has since shifted the terms of its bonds to 20 years, and interest rates have been around 4.5 percent. Therefore, the deduction has been revised to reflect the new maturity dates and interest rate.

² The FY 05-06 capital bill was delayed by seven months and was not passed until early 2005.

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III. EXCEPTIONS TO THE POLICY OF CAMPUS FINANCIAL RESPONSIBILITY

Not all capital appropriations are subject to OBR's current policy. Special purpose funding, which includes allocations for Basic Renovations and Instructional & Data Processing Equipment, are exempt from the policy.

In addition, the "space shortage" policy remains in place. As currently implemented, certain campuses whose current square footage (including square footage funded by previous capital appropriations but not yet constructed) is substantially less than the statewide average, relative to the amount of activity on the campus, may be exempted from responsibility for some or all of the cost of new construction. Campus responsibility for the cost of construction grows as the campus square footage begins to approach statewide norms.

SPACE SHORTAGE DECISION GUIDELINES

(Subject to availability of funds)

<u>Space Shortage Threshold</u>	<u>Campus Share of Cost</u>	<u>State Share of Cost</u>
Up to 70%	0%	100%
70-80%	20%	80%
80-90%	40%	60%
90% & over	100%	0%

OBR will continue to exercise its judgment in implementing this policy, giving priority consideration to situations in which the shortage is most serious. Because it is likely we will not be able to finance everything we would like through a new capital bill (see the paragraphs immediately following) we will be selective in our use of the space shortage policy.

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IV. LIMITATIONS ON THE STATE'S DEBT CAPACITY, AND RELATED MATTERS

Since the early 1980's, the state has embraced a policy of limiting debt service payments to five percent or less of the state's annual revenue. This policy became a constitutional requirement by the state's electors in November of 1999. This constitutional requirement, along with a recent decision by the Ohio Public Facilities Commission to sell bonds with 20 year maturities, provides a strong signal of fiscal conservatism to bond markets. The markets continue to respond with favorable ratings for the state's debt. This in turn has provided the state with significant savings in interest costs.

Over the past 10 years, the State of Ohio has placed a heavy emphasis on the facility needs of primary and secondary education. OBR anticipates the K-12 school facilities plan will continue during the FY 2011-2012 capital biennium. The original funding proposal included a combination of tobacco settlement funds, direct General Revenue Fund (GRF) capital appropriations, and state bonds. Direct GRF capital appropriations and tobacco settlement funds are no longer available for capital appropriations. As a result, the state has funded a significant share of this ambitious plan with state bonds.

OBR believes the current K-12 school facilities plan will continue to be a burden on state debt capacity. Therefore, we believe state capital funding for higher education will continue to compete for scarce state bond resources.

Flexibility Option

Recognizing the limits of the state's debt capacity to fund all identified needs at our campuses, OBM implemented a new policy in FY 2007–2008 that offered flexibility to each campus regarding the use of Basic Renovations and Instructional & Data Processing Equipment allocations. For the first time, campuses could request amounts less than their Basic Renovations allocations in favor of increased capital appropriations or, conversely, request a lower amount for their capital appropriations in favor of additional Basic Renovations or Instructional & Data Processing Equipment funding.

As currently implemented, if a campus chooses to exceed its debt service equivalent allocation under the flexibility option, the funds would come from either: 1) the Basic Renovations or Instructional and Data Processing Equipment allocation, which is considered free from debt service; or 2) a request in excess of the debt service allocation, resulting in a debt service charge greater than the formula allocation. If a campus chooses to exceed its Basic Renovations or Instructional and Data Processing Equipment, the funds would come from either: 1) shifting existing formula allocations of either the Basic Renovations or Instructional & Data Processing Equipment; or 2) the campuses debt service allocation.

The FY 2011-2016 Guidelines anticipate the flexibility option will be available to campuses this planning cycle.

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V. IMPLICATIONS OF THE CAPITAL FUNDING SYSTEM FOR CAMPUS CAPITAL PLANS

OBR's capital funding system provides incentives for a very different approach to the development of campus capital plans. As a reminder, here are some ideas to consider.

Campuses should plan carefully before committing to a construction appropriation.

Thoughtful prior planning is absolutely necessary. Campuses should take the time to consider whether there are less expensive alternatives to meeting their facilities needs. Can utilization of existing facilities be improved? This might be done through more effective scheduling of current classrooms or laboratories. Alternatively, it might require the renovation of existing space to allow it to be used more effectively.

There are consulting firms that offer advice on such matters or some campuses have the required analytical capacities on their own staffs. It is not important who does the analysis, but it is very important that the analysis be done to ensure a campus understands its facilities needs before beginning the architectural work on a project. OBR would support the use of a state capital appropriation to pay for the work of outside consultants to answer these questions.

There is a second aspect to the advice to do good planning first. In most cases, campuses that request funding for a major project should seek a modest appropriation for architectural planning one biennium before it seeks a construction appropriation. The reason for this is that deductions are taken from campus debt service allocations in the year following the capital appropriation, even if the appropriation is not spent for several years.

The general rule for campuses to follow is this: do not seek any capital appropriation that is subject to a debt service deduction unless it seems highly likely the appropriation can be obligated in the biennium for which the funding is requested. In the past, we have identified several cases in which plans requiring a substantial over-commitment of a campus's debt service allocation could be implemented without significant delay within the amounts provided by the formula simply by delaying the timing of the construction appropriations to the biennium in which contracts were likely to be let. In this system, as in life, time is money.

Consider alternative ways of financing equipment purchases.

The capital funding system matches the payments made from a campus's debt service allocation to the debt service obligation the state incurs by selling bonds to finance the project. Ohio now sells its bonds for 20-year terms. Campuses may seek funding for substantial amounts of equipment as part of their own requests (either as a component of a construction project or as a separate line), but they should consider alternative methods of financing the purchase that would not create a 20-year obligation. These alternatives might include expenditures of "unspent" formula allocations appropriated in the operating bill or local debt structured to be retired during the useful life of the equipment.

Keep in mind the operating budget implications of your capital plans.

There are times when a campus must expand its facilities significantly if it is to accomplish

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its mission more effectively, but the benefit of expansion must be weighed against its cost. Not only does a major new construction project generate a substantial debt service deduction, it also creates a series of longstanding operating budget commitments for utilities, building upkeep, and staffing. These commitments might be justified by the improvements or expansion in service that they permit. Nevertheless, a prudent campus will create these commitments very cautiously.

It is important to remember that a change in the instructional subsidy formula for plant operation and maintenance costs means the construction of additional square footage no longer leads to an increase in state operating support. While campuses will receive plant support on the basis of the higher of two calculations (one based on activity and the other based on square footage), the square footage used in those calculations will not include new construction funded in the 1996 or later capital bills.

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**VI. THE USE OF STATE CAPITAL APPROPRIATIONS BY STATE COLLEGES AND
UNIVERSITIES**

General Rule

State capital appropriations provided to state colleges and universities through OBR's capital process – which includes Major Renovations, Basic Renovations, and Instructional Equipment formulas – are generally intended to be used for Educational and General (E&G) purposes. These purposes include facilities and facility infrastructure that are used for or enable instruction, academic support, plant operations and maintenance, student services, institutional support, public service, and research.

Auxiliary operations, such as residence and dining halls, bookstores, parking garages, student recreation centers or unions, intercollegiate athletic facilities, hotels, hospitals and the like, are expected to be self-financed from user fees, private gifts, or other sources of funds. Portions of auxiliary facilities used for E&G purposes may be supported by state funds, provided such use is documented to OBR in the campus' capital request and the portion funded by the state is roughly proportionate to the portion of the facility used for E&G purposes.

Exceptions to the Rule

Exceptions to this general rule are expected to be rare, and will be reviewed on a case by case basis. The conditions under which such approval may be granted include instances where a campus has experienced a significant and unpredictable loss of auxiliary facilities that threatens campus viability, or for purposes related to public health or safety. In addition, this rule does not apply to state capital appropriations that are provided outside of the OBR-approved process. So-called "community projects" or other legislative additions to OBR's capital recommendations will be subject to whatever provisions the legislature establishes in making the appropriation.

Basic Renovations

Please refer to Appendix A, Use of Basic Renovations Guidance, regarding the recommended uses of Basic Renovations funds.

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VII. THE CONTINUING NEED FOR SUBMISSION OF CAPITAL PLANS

With OBR's decentralization of state capital funding decisions to the campus level, one might reasonably wonder why there is a continuing need for a capital plan submission. It is a fair question. Several reasons remain for requiring the submission of a plan.

The formal process has not changed.

OBR continues to make recommendations to the Governor and the General Assembly, capital bills are still enacted with specific projects listed for each campus, state bonds are still sold to finance those projects, and a debt service appropriation still appears in the operating bill to retire the bonds. Those involved in each step of the process reasonably require an understanding of the projects campuses are planning, the reasons those projects are needed, and the larger context in which specific project decisions are being made. Legislators should not be asked to vote for a capital bill if information on the projects contained in the bill is unavailable. The capital plan is the most opportune vehicle for sharing with state government the thinking of a campus about its capital needs and its strategy for addressing those needs.

The state wants to know how campuses are exercising their capital responsibilities.

Since the state has given campuses the authority and responsibility for capital decisions, it wants to know how campuses are approaching their responsibilities. Campuses, in turn, have an obligation to update the state on how they are approaching their responsibility.

- **New Construction.** If a campus is proposing new construction, the state wants to know why the campus believes the new facility is necessary. Is it to replace existing space? If so, what consideration has been given to rehabilitating that space rather than constructing new? Is it to expand the physical plant? Why is expansion of the physical plant necessary? What thought has been given to better utilization of existing space as an alternative? What plans have been made to deal with the operating costs of running a larger plant? **In order to ensure that existing facilities receive proper attention, we expect that campuses will use their state capital appropriations to renovate, repair, or replace existing space. All requests to add net new space will require the approval of the Chancellor, who may request additional information or justification.**
- **Maintaining the Physical Plant.** While some campuses must plan for new facilities, every campus must ensure that their current physical plant is kept safe, functional, and preserved for future use. Older campuses have a particular challenge. Their needs are recognized through the aged space portion of the debt service allocation. **All request overviews should include a summary of the approach a campus is taking to preserve the investment in their facilities.**

As mentioned in the Introduction, OBR is considering implementation of a revised capital funding policy for the FY 2013-2018 planning period. This revised policy would focus greater attention on campus long-range plans and the eligibility of projects for state capital support.

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Currently, campuses are allowed to request funds for any project eligible to receive state capital funds. A revised funding policy would qualify each project request for state support before recommending approval by the Chancellor. The qualification process will likely follow these steps –

- First, each campus would develop and present a campus master plan or present the current campus master plan to OBR. The plan would be reviewed by OBR staff and approved by the Chancellor.
- Second, OBR would confirm that a facility request appears on the approved campus master plan.
- Third, OBR would ensure a confirmed facility request, when completed, will not exceed net campus requirements.
- Fourth, OBR would score all projects that do not exceed net campus requirements using predetermined criteria. A project request would have to exceed a minimum point threshold to receive approval.

We will begin our dialogue with campuses about a revised capital funding policy during the current planning cycle. Specific to a revised policy, campuses should anticipate the following conversations with OBR staff over the next 12 months –

- Development of space factors and standards that OBR would use to determine the amount of available space needed by category at each campus.
- Establishment of a process for campus master plan approval by the Chancellor.
- Determining the criteria OBR would use to score projects that qualify for state support and the minimum point threshold for approval.

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VIII. CAPITAL REQUEST

As mentioned in the Introduction, **all state colleges and universities should submit a six-year capital plan for this planning cycle.** The outline for a capital request is as follows:

- I. Capital Plan Overview
This is a narrative overview of an institution's capital request.
- II. Implementation of HB 251 Energy Master Plans
An outline of specific energy projects and best practices an institution is implementing to meet HB 251 goals.
- III. Six-Year Capital Program
A table showing all E&G capital projects planned AND the funding sources (state, local, and other sources.) for each.
- IV. State Funded Capital Request Summary
A table of capital project requests for state funding by biennium in priority order.
- V. Proposed State Capital Flexibility
A table showing how a campus will exercise the option to reallocate FY 2011-2012 formula amounts.
- VI. HEI Capital Project Requests
See Section X for more details
- VII. Enrollment Projections
Provide an estimate of the expected student population each year over the six-year period.
- VIII. Other campus data relevant to the request
Other relevant enrollment, program, or campus information as you deem appropriate.

Campuses are required to submit individual project requests for first biennium projects only. In lieu of submitting individual project requests for the 2nd and 3^d biennia, a campus may use the Capital Request Overview, with a brief description and total cost estimate for each project, to satisfy the reporting requirement.

Campuses that responded to our February 2010 guidance should only need to provide items I, II, and VII (and item VIII if a campus chooses to do so). Items III through VI are only required if a campus capital plan has changed since February 2010. Campuses that did not respond to our initial guidance for this planning period should submit items I through VII (and item VIII if a campus chooses to do so). The forms for items III through V are available for download in Excel format on the OBR Capital Planning web page.

Section I - Capital Plan Overview: In general, a six-year capital plan should be derived from

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a strategic planning process and/or a longer term facilities plan. The plan should describe what capital investments an institution anticipates making during the six-year planning horizon to achieve the longer term facilities objectives of the institution. A capital plan should reflect the TOTAL capital investments anticipated in E&G space, regardless of funding source, so that those who plan, those who implement projects, and those who provide funding may all have a thorough and complete view of the institution's objectives and priorities.

As requested during the last planning cycle, each institution should present a total biennial capital plan, which will include projects to be funded by state as well as non-state funds for FY 2011-2012. Insight into the institution's longer-term objectives, its total capital needs, investment priorities, and funding opportunities and options should continue to receive consideration. Better decisions are made in the context of a long-term set of needs.

The capital plan overview is the first and perhaps the most important element of the capital plan submitted by each institution. In essence, the overview is a **comprehensive narrative statement** that pulls together and clearly describes what the institution plans to invest and why. It is much more than a simple listing of projects because it describes the rationale behind the development of that listing.

Where technical colleges share campuses with university branches, a joint planning statement, approved by both institutions, should be submitted. This statement should outline the planning process that was followed to develop the shared plan.

Section II – Implementation of HB 251 Energy Master Plans: As stated in the approved HB 251 Energy Efficiency and Conservation Guidelines, the evaluation and consideration of best practices related to energy efficiency and conservation provides the opportunity for learning and a basis for continuous improvement measures. Each campus should outline the specific energy savings projects and best practices that have been and will be implemented to meet the following HB 251 goals –

- A 20% reduction in on- and off-campus building energy consumption by FY 2014 as compared to FY 2004.
- For projects with construction costs over \$100,000, exceed ASHRAE 90.1.2004 (as referenced in the current building code) by 20% for new construction projects and 15% for renovation and other projects.
- Reducing the energy consumption for leased space over 20,000 sq ft.

Section III - Six-Year Capital Program: This is a table which depicts the overall capital program planned by the institution for the six-year planning cycle, FY 2011-2016.

Section IV - State Funded Capital Request Summary: This table requests a listing IN PRIORITY ORDER of project requests for which Major Renovations funds will be requested. The amount requested will equal the net Major Renovations allocation in the

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Proposed Flexibility table.

Section V – Proposed State Capital Flexibility: A campus will complete this table if exercising the option to transfer formula allocations between Major Renovations, Basic Renovations, and Instructional and Data Processing Equipment. OBR staff will confirm the amount each campus intends to transfer between these allocations prior to the Chancellor's approval.

If a campus will not exercise the flexibility option, please provide narrative in Section I confirming there will be no transfers between formula allocations.

Section VII - Enrollment Projections: All plans will include enrollment data and forecasts. If the rationale backing a request is enrollment driven, it is expected the campus will provide a complete analysis of enrollment data to support the request.

Section VIII - Other Information: We welcome any other information you think is necessary for us to better understand your project request or requests. This information is especially welcome for projects that are unique or extraordinary for a campus of your size or mission.

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IX. CAPITAL PLAN FORMAT - ORGANIZATION FOR SUBMISSION

OBR urges campuses to submit their capital plan electronically as a PDF formatted document.

The minimum submission from a campus should include the following:

- I. Capital Plan Overview
- II. Implementation of HB 251 Energy Master Plans
- VII. Enrollment Projections
- VIII. Other Campus Data Relevant to Request (Optional)

Campuses that have yet to provide a six-year capital plan for this cycle or have made changes to a previously submitted six-year capital plan should submit the following:

- I. Capital Plan Overview
- II. Implementation of HB 251 Energy Master Plans
- III. Six-Year Capital Program
- IV. State Funded Capital Request Summary
- V. Proposed State Capital Flexibility
- VI. HEI Capital Project Requests
- VII. Enrollment Projections
- VIII. Other Campus Data Relevant to Request (Optional)

Campuses should use a standard 8½" by 11" document size for their capital plan submission. For supplemental materials, campuses can use the original document size.

Please send submittals to James Nargang at jnargang@regents.state.oh.us

Questions? Contact James at (614) 752-9472.

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X. FILLING IN HEI PROJECT REQUEST FORMS

Campuses are required to submit individual project requests electronically through HEI. This feature simplifies the process of submitting, revising, reviewing, and analyzing campus requests for state capital appropriations.

A request form for each project should be submitted for each of the three biennia ***unless you wish to exercise the option to simply list proposed projects for the second and third biennia***. DO NOT submit project requests for

- a. Reappropriating funds.
- b. Instructional equipment normally acquired through the statewide equipment appropriation.
- c. The Basic Renovations formula amount after additions or deductions that follow the flexibility option.

The project request form is a web based form. If longer project description and/or justification narrative is needed, supplemental sheets may be necessary. Supplements should be referred to on the project request forms.

The HEI Project Request Form

A Capital Planning Liaison has been appointed at each public institution. The Capital Planning Liaison is the only person who can determine who may submit the HEI capital projects request form for that institution. A list of Capital Planning Liaisons is available at:

[http://qry.regents.state.oh.us/cgi-pub/hotlink?\\$people_page?@PAGE=%22capital%20planning%20liaison%22](http://qry.regents.state.oh.us/cgi-pub/hotlink?$people_page?@PAGE=%22capital%20planning%20liaison%22)

Definitions and instructions for completing the HEI capital projects request form and a secure link to the request form are located at:

<http://regents.ohio.gov/hei/datasubdoc/financial/cptlplangfiles.php>

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APPENDIX A

USE OF BASIC RENOVATIONS GUIDANCE

Basic Renovations money will be recommended and allocated by applying the established formula; some Basic Renovations funds will be allocated to each campus. **No project request form should be submitted for Basic Renovations.**

The intent of the Basic Renovations distribution is to provide funding that addresses common problems for campus buildings, utilities and grounds. These problems include items such as the replacement of failing equipment, roofs, and underground utilities or the refurbishment of roadways, walkways and building envelopes. The construction of new buildings or building additions is not considered a basic renovation³.

Movable equipment and furnishings, which are clearly incidental to and an integral part of a renovation project, are eligible for funding. However, basic renovation projects which consist essentially of movable equipment or furnishings are not eligible. Basic Renovations funds may be used for mandated environmental abatement initiatives, (i.e. asbestos abatement and lead paint) or to address disability access for your campus (i.e., Americans with Disabilities Act).

Basic Renovations funds are intended for smaller scope projects when flexibility in determining the most effective and efficient use of the funds is required. Where necessary, projects with similar scope or location may be combined in order to minimize the project oversight and maximize the funds devoted to construction.

A typical basic renovation project is a campus renewal project that addresses: 1) one or more building system components and/or a comprehensive renovation of a small portion of an E&G building; or 2) a component of campus infrastructure. Examples of projects typically funded can include (but are not limited to):

Building Systems	Elevators, HVAC, electrical, plumbing, voice and data lines
Health and Safety	Fire monitoring and suppression systems, fume hoods, alarms panels, asbestos, chemical storage
Infrastructure	Tunnels, power distribution systems, steam and chilled water distribution, roads, retaining walls, drainage, grounds, pedestrian and bike ways
Building Envelope	Windows, masonry, walls, foundation, basement slab, ceiling, roof, finishes
Disabled Access	Accessibility for mobility, visual and hearing disabilities

The scope of a basic renovation project can include more than one system component (e.g. HVAC and fume hoods, utility tunnel repairs and enhancing the power distribution system).

³ These guidelines do not apply to any of the Basic Renovations funds that a campus has allocated for major capital projects or Instructional and Data Processing Equipment.

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However, projects should be limited to a small portion of building components, a small portion of a building, or a critical portion of campus infrastructure.

The definition of a small capital project will depend on the unique characteristics of each campus and the proposed project. As a general rule, it is recommended that campuses consider Major Renovations funds for projects with a total project cost greater than 50% of the building's replacement value or if the project extensively improves campus infrastructure.

Exceptions to the Accepted Uses of Basic Renovations Funds

Section VI - the Use of State Capital Appropriations by State Colleges and Universities details how state capital appropriations provided to state colleges and universities through the OBR capital recommendations process shall be used. This section also details the exceptions to the accepted uses of allocated capital funds for Educational and General (E&G) facilities.

Following the exceptions policy outlined in Section VI, a campus is allowed, in extraordinary circumstances, to request the use of Basic Renovations funds for auxiliary facilities. Requests will be reviewed by OBR staff on a case-by-case basis and are expected to be rare. The conditions under which such approval may be granted include instances where a campus has experienced a significant and unpredictable loss of auxiliary facilities that threatens campus viability, or for purposes related to public health and safety.

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APPENDIX B

GENERAL DEFINITIONS

So that persons compiling six-year capital plans at each institution may work with the same standards, definitions of basic terms are set forth below. As is so often the case, definitions cannot be absolutely precise and all encompassing. Nevertheless, these should be helpful.

1. CAPITAL ASSET: A physical resource, which includes land, improvements to land, buildings, additions to buildings, and equipment with a minimum expected life of five years. The resource is capitalized and recorded as a part of an institution's investment in plant fund.

2. CAPITAL IMPROVEMENT: The expenditure of funds to acquire or improve a capital asset which will increase the investment in plant value of an institution by an equal or greater sum, and which has a useful life or which will extend the useful life of an existing capital asset five years or more. Capital improvements include the purchase and installation of fixed or movable equipment or the acquisition, construction, reconstruction, renovation or improvement of real property, including land and buildings or appurtenances thereto.

3. PROPERTY (OR SITE) ACQUISITION: The acquisition of land and/or structures. A net gain in space used for instructional purposes may result.

4. PROPERTY DEVELOPMENT: Clearance and demolition to prepare for construction of structures and improvements to land such as grading, draining, and landscaping.

5. RENOVATION: A capital improvement to an existing fixed asset. A renovation project may relate to utilities or to buildings. If space is reconfigured as part of the project, a net addition in assignable space may result, but normally the added space will be minimal. For a renovation project, movable equipment and furnishings may be included only if incidental to the renovation work; a project scope consisting predominantly of furniture or movable equipment replacement is not considered renovation. Constructing a new building or addition is not considered a renovation project.

6. NEW BUILDING CONSTRUCTION: Construction of a new, freestanding facility or structure or the addition to an existing facility or structure. New building construction may be the replacement of space, in which case the project is accompanied by a concomitant razing or elimination of space or it may be a net addition of facilities.

7. SPACE PLANNING GUIDELINES: Guidelines published in 1974 by the Ohio Board of Regents for two-year or four-year institutions. These guidelines are not considered a significant factor in capital budget decisions. However, campuses may still find them useful in helping assess the need for additional space. Please contact the Capital Planning office if you need a copy of the guidelines.

8. UTILITIES: Includes water, sanitary and storm drainage, electric, natural gas, telephone,

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data communications, steam, chilled water lines and related facilities as well as exterior lighting systems for parking lots, parking structures, roadways, and sidewalks.

9. MAINTENANCE: An expenditure to repair or preserve a capital facility which does not extend the useful life of the capital asset by five years or more, or which may need to be performed more frequently than once every five years, or which is not capitalized by adding to the institution's Investment in Plant Fund. Capital appropriations may not be used to fund a project which has as its principal purpose maintenance or repair. A capital project may include some maintenance-type expenditures so long as such expenditures are a small proportion of the total project. For example, repainting a facility is a maintenance task; however, repainting may be included as part of a renovation project so long as it is an incidental feature of the project.

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APPENDIX C

DESCRIPTION OF TYPES OF CAPITAL PROJECTS

A variety of capital investment options exist to accomplish educational objectives. Obviously, the lowest cost options are preferred. The classes of capital projects which should be considered are:

1. RENOVATING existing facilities. Renovation (see definition above) may be less costly than building a brand new facility. Costs to renovate a facility should be carefully estimated and compared to costs for constructing a replacement facility. In most cases, it is expected that renovation is more cost effective, yet such is not always the situation. No significant space addition results.
2. REPLACING existing facilities. By definition, replacement is building new with a concomitant offsetting of space by demolition or other means. A replacement may be larger or smaller than the facility being replaced. In either case, the net result is no significant addition to or reduction of space.
3. ADDING TO an existing facility. This implies a net addition of space and a thorough review of needs and program requirements is in order.
4. ADDING NEW facility. Normally even more costly than adding to an existing facility, a new, additional building deserves careful analysis as to needs and costs. A significant addition of space will result.

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