FLORIDA BOARD OF GOVERNORS
NOTICE OF PROPOSED REGULATION

DATE: March 27, 2020

REGULATION NUMBER AND TITLE: 14.003, Fixed Capital Outlay Projects – University Budgeting Procedures

SUMMARY:

Board Regulation 14.003, Fixed Capital Outlay Projects, is proposed to address both the 2019 SB 190 changes and in response to the Crowe Huron Business Process Review.

Highlights:

- **Requires each university board to trustees to approve the fixed capital outlay (FCO) budget.**
- **Defines the use of Education & General operating funds to be used for FCO projects.**
- **Defines minor and major carryforward projects and sets limitations in accordance with SB 190**
- **Provides guidance on the inclusion of state appropriated and non-appropriated projects' inclusion in FCO budgets.**
- **Provides guidance on amending the FCO budget.**

FULL TEXT OF THE REGULATION IS INCLUDED WITH THIS NOTICE.

AUTHORITY TO PROPOSE REGULATION(S): Article IX, Section 7, Florida Constitution, Board of Governors Regulation Development Procedure dated March 25, 2020

THE BOARD OF GOVERNORS' OFFICIAL INITIATING THE PROPOSED REGULATION: Tim Jones, Vice Chancellor Finance and Administration

COMMENTS REGARDING THE PROPOSED REGULATION SHOULD BE SUBMITTED WITHIN 14 DAYS OF THE DATE OF THIS NOTICE TO THE CONTACT PERSON IDENTIFIED BELOW. The comments must identify the regulation on which you are commenting:

General Counsel, Board of Governors, State University System, 325 W. Gaines Street, Suite 1614, Tallahassee, Florida 32399, (850) 245-0466 (phone), (850) 245-9685 (fax), or generalcounsel@flbog.edu.

14.003 Fixed Capital Outlay Projects – University Budgeting Procedures

(1) Each university will prepare an annual Fixed Capital Outlay (FCO) Budget for all Fixed Capital Outlay (FCO) Projects in accordance with the instructions, guidelines, and standard formats provided by the Chancellor for those FCO Projects as defined in Board Regulation 14.001. The FCO Budget must be approved by both the university board of trustees and the Board of Governors. Such approval remains in effect for the life of the FCO Projects. The annual FCO Budget must include all FCO Projects, including previously approved projects which have not yet been completed.

(2) FCO Projects shall be listed by category or categories in the University FCO Budget as follows:

FCO Budget Categories

a. Education & General (E&G) Operating Projects – This category is consolidated, and includes all FCO Projects 1) funded from current year E&G operating funds; and 2) which meet the university's criteria for capitalization. No individual project in this category shall exceed $1,000,000. Allowable uses include only those Plant Operations and Maintenance ("PO&M") projects which meet the definition of a Capital Asset as found in Board Regulation 9.001, and may only include 1) maintenance, repair, renovation, remodeling, and demolition of existing educational facilities and existing general site improvements; and 2) new campus infrastructure needed to maintain or improve campus code compliance, related to identified ADA, environmental health and safety, security or sanitation concerns.

   This category must be budgeted as a single identical line in both the operating and FCO budget for purposes of Board of Governors approval. Boards of Trustees may adopt policies requiring more detailed line item budgeting at the local level, including a requirement that plant operations and maintenance be specified to distinguish between PO&M expenses and PO&M Capital Assets.

b. Minor Carryforward (CF) Projects – This category is consolidated and includes all FCO Projects with a cost less than $2 million funded from E&G CF funds. No individual FCO project in this category shall exceed $2,000,000. Allowable uses include maintenance, repair, renovation, remodeling, and demolition of existing educational facilities and existing general site improvements (E&G campus real property improvements), as well as replacement of facilities less than 10,000 gross square feet. This

category must be budgeted as a single identical line in both the carry forward and FCO Budget.

c. Major Carryforward (CF) Projects are FCO Projects funded in whole or in part from CF funds, where the total individual FCO Project cost exceeds $2 million. Allowable uses include the following:

   i. Completion of a Public Education Capital Outlay (PECO) project that has received a state appropriation and is included on the Board's incomplete project list.
   ii. A renovation, repair, or maintenance project with a total cost between $2 million and $5 million.
   iii. A remodeling or infrastructure project, including a developmental research school, with a total cost between $2 million and $10 million.
   iv. Repair or replacement of facilities due to damage caused by a natural disaster.

d. State Appropriated Projects includes all FCO Projects using funds originally appropriated as FCO funds by the State of Florida, notwithstanding the criteria provided in Board Regulation 14.001. These funds should never be included in the university operating budget. Examples include PECO and Capital Improvement Trust Fund (CITF).

e. Non-Appropriated Projects includes all FCO Projects that have not directly or indirectly used funds appropriated by the State. Examples of such funding sources would include housing revenue bonds, parking revenue bonds, private donations, federal grants, insurance proceeds, and athletic revenues.

(3) For the purpose of this regulation, Fixed Capital Outlay (FCO) Projects do not apply to those projects acquired, constructed, and owned by a Direct Support Organization or under a Public Private Partnership; the requirements for those projects are addressed in either the Debt Management Guidelines or the Public Private Partnership Guidelines.

(4) The FCO Budget may be amended, subject to use of only the categories authorized in section (2), as follows:

a. E&G Operating Projects - must be approved by the board of trustees or designee.

b. Minor CF Projects – must be approved by the board of trustees or designee.

c. Major CF Projects –Individual new projects greater than $2 million and increases to individual existing projects greater than $2 million require Board of Governors approval.

d. State Appropriated Projects – Individual new projects greater than $5 million and increases to existing individual projects greater than $5 million require Board of Governors approval.

e. Non-Appropriated Projects – All new projects greater than $5 million and increases to existing projects greater than $5 million require Board of Governors approval.

(5) FCO Project spending will be reported annually at the end of the fiscal year at the project detail level, in the format specified by the Chancellor.

Authority: Section 7(d), Art. IX, Fla. Const., History–New June __, 2020