

PR 8

Office of the President
December 14, 2004

Members, Board of Trustees:

ADMINISTRATIVE REGULATION: CAPITAL PROJECT APPROVAL

Recommendation: that the Board of Trustees approve Administrative Regulation II-1.4-1 related to the approval and authorization of capital projects.

Background: Sections 45 and 164 of the Kentucky Revised Statutes establish the processes by which postsecondary education capital projects are authorized by the executive and legislative branches of state government. Administrative Regulation II-1.4-1 sets forth the Board of Trustees' approval authority for capital projects prior to their submission for authorization to state government and prior to the initiation of a project.

Action taken: Approved Disapproved Other _____

AR II-1.4-1

Policies and Procedures for the Approval of Capital Projects

I. Introduction

The purpose of this Administrative Regulation is to establish a process for approval of capital projects by the University of Kentucky Board of Trustees and submission of capital projects to the Council on Postsecondary Education and the General Assembly for authorization.

II. Definition

For the purposes of this Administrative Regulation, “Capital Project” means:

- A. the construction, reconstruction, acquisition, and structural maintenance of buildings of greater than \$400,000; or
- B. the acquisition or improvement of a building or real property of greater than \$400,000;

III. Capital Project Approval Authority

- A. The Board of Trustees or its Executive Committee shall approve:
 1. all University of Kentucky capital projects, regardless of fund source and including but not limited to capital projects of the University Hospital and affiliated corporations, prior to initiation
 2. all bond issuances for University of Kentucky capital projects.
- B. The Board of Trustees shall approve the Operating and Capital budgets prior to the start of each fiscal year.
- C. Pursuant to KRS 45.760, the General Assembly’s Capital Projects and Bond Oversight Committee shall authorize changes in capital project scope or fund source.

Prior to legislative authorization:

 1. The Board of Trustees or its Executive Committee shall approve:
 - a. scope increases to capital projects that exceed fifteen percent (15%)
 - b. changes in fund source allocation that exceed fifteen percent (15%)
 2. The President shall approve:
 - a. scope increases to capital projects that do not exceed fifteen percent (15%)
 - b. changes in fund source allocation that do not exceed fifteen percent (15%).
- D. The President shall provide to the Board of Trustees a Quarterly Capital Construction Report describing the status of ongoing capital projects

AR II-1.4-1

IV. Capital Request Approval

- A. In April of each odd-numbered year, the University of Kentucky shall submit its Six Year Capital Plan to the Capital Planning Advisory Board. This plan shall be reported to the Board of Trustees at the next meeting. A revised Six-Year Capital Plan may be submitted to the Capital Planning Advisory Board by October 1 of each odd-numbered year.
- B. The University of Kentucky is required to submit an executive budget request to the Commonwealth of Kentucky every two years. In June of each odd-numbered year, the Board of Trustees shall approve the University's Capital Request for the next biennium. Following approval by the Board of Trustees, the Request shall be submitted to the Council on Postsecondary Education. The Capital Request generally represents the first two years of the six-year Capital Plan.
- C. In November of each odd-number year, the Council on Postsecondary Education submits a biennial operating and capital recommendation to the Governor, including a list of capital projects to be authorized for each public university.
- D. Prior to a legislative session in which approval of the Commonwealth's Biennial Budget shall be considered, the President shall provide the Board of Trustees a report on the Capital Request that reflects the Council on Postsecondary Education's recommendations and any known capital project changes or additions for which the University shall seek authorization. However, as needed, the President may submit additional Capital Request changes or additions to the General Assembly during the legislative session. The President shall report the results of the legislative session to the Board of Trustees, including a list of the authorized capital projects. Capital projects that have been authorized by the General Assembly shall be submitted to the Board of Trustees for approval prior to initiation.
- E. During legislative interims, the university may submit to the General Assembly new capital projects or changes to previously authorized capital projects in which at least fifty percent (50%) of the cost is paid for using private and/or federal funds. The Board of Trustees or its Executive Committee shall approve such projects prior to submission to the Council on Postsecondary Education and the General Assembly's Capital Projects and Bond Oversight Committee for interim authorization.

V. Procedure for Requesting Board of Trustees Approval to Initiate a Project

- A. Prior to requesting Board of Trustees approval to initiate a project, the department, college, or unit shall, in consultation with the Capital Projects

AR II-1.4-1

Management Division as necessary, develop a Capital Project Plan that includes:

1. need analysis,
 2. project scope, and
 3. financial plan.
- B. The Capital Project Plan shall be submitted to the Provost or appropriate executive vice president for review. The Provost or appropriate executive vice president shall, in consultation with the Executive Vice President for Finance and Administration (EVPFA), the Office of the Treasurer (OT), and the Office of Planning, Budget, and Policy Analysis (OPBPA), make a recommendation to the President.
- C. The President shall determine whether to recommend the Capital Project to the Board of Trustees.
- D. Project scope increases or decreases and revised financial plans shall be reviewed by the EVPFA, in consultation with the OT and the OPBPA, prior to implementation.