



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
STATE BUDGET OFFICE
LANSING

ROBERT L. EMERSON
DIRECTOR

August 6, 2010

BUDGET LETTER -- CAPITAL OUTLAY

TO: University and Community College Presidents

**Fiscal Year 2012 Capital Outlay Budget Information
Due Date: December 3, 2010**

Michigan universities and community colleges may submit a capital outlay project request for state cost participation in fiscal year 2012. Together with this request and pursuant to Section 242 (2) of 1984 Public Act 431, universities and community colleges are required to have on file with the State Budget Office, a Five-Year Capital Outlay Plan. Submission of this Five-Year Capital Outlay Plan is required regardless of whether a fiscal year 2012 capital outlay project request is submitted. No capital outlay project request will be considered for funding without its inclusion in a corresponding Five-Year Capital Outlay Plan.

Five-Year Capital Outlay Plan

The Five-Year Capital Outlay Plan should be revised as appropriate, and approved annually by the institution's governing body. The Five-Year Capital Outlay Plan is to evaluate all capital priorities in light of current programming efforts, anticipated programming changes, and the current capital base. At a minimum, the Five-Year Capital Outlay Plan should cover fiscal year 2012 through fiscal year 2016. It is to include both self-funded projects, and those in which state cost participation is requested. The State Budget Office, working with Facilities Administration in the Department of Technology, Management and Budget, has developed a set of minimum criteria the comprehensive planning documents are to incorporate. These criteria are listed in Attachment "A" and remain largely unchanged from fiscal year 2011.

Capital Project Request

A university or community college request for a capital project that is submitted will be carefully reviewed and evaluated, and balanced against other competing capital outlay and statewide budget priorities for inclusion in the Executive Budget Recommendation.

Pursuant to State Budget Office policy, only projects addressing specific academic or research needs will be supported. In addition, those projects which demonstrate significant return on investment in terms of economic development and job growth will be given priority consideration. Preference will also be given to those projects that creatively re-adapt, re-use, or renovate existing facilities in order to utilize embedded infrastructure, improve energy efficiency and promote re-investment in core campus facilities. Single projects to renovate and/or construct multiple, independent facilities will not be considered.

All capital project requests must comply with 1964 Public Act 183, the State Building Authority Act, regarding the use of State Building Authority bond revenues. Consistent with Executive Directive 2007-22, all university and community college capital construction projects must also be designed and constructed in accordance with the Leadership in Energy and Environmental Design (LEED) Green Building Rating System developed by the United States Green Building Council.

If capital outlay projects are included in the fiscal year 2012 Executive Budget Recommendation, only planning authorization will be recommended, consistent with the capital outlay process in the DMB Act, 1984 Public Act 431. If planning is authorized by the Legislature in an appropriations bill, professional design documents must be prepared by the university or community college in order to secure state support for construction. Once professional design documents have been completed and approved for authorized projects, state funding will provide a maximum of 75% for universities and 50% for community colleges, of the total cost of each project. As in prior years, the state share of financing for recommended large-scale projects may be capped at an amount less than the aforementioned levels.

A planning authorization approval does not guarantee support for a future construction authorization. A full assessment of the State Building Authority bond cap vis-à-vis other potential capital outlay needs will be a pre-condition to advancing projects beyond the planning stage. In addition, the preliminary estimated cost for a proposed project, as provided by the university or community college, will be transmitted to the Legislature. Projects whose final planning costs significantly exceed this original estimate will be carefully scrutinized, and may be subject to further program and scope refinement.

Submission to the Office of the State Budget

Requests for capital outlay projects are to be a logical extension of information contained in the comprehensive Five-Year Capital Outlay Plan. These planning documents are intended to provide state policymakers with the most

current information available on institutional needs. Institutions may amend their Five-Year Capital Outlay Plan during the fiscal year by submitting revised materials to the State Budget Office.

Due to budgetary pressures, **universities and community colleges are to submit only their top priority capital outlay request.** Attachment "B" contains the sample format for submitting fiscal year 2012 capital outlay budget requests. Please utilize this format to submit a capital project for consideration. If you desire a copy of the electronic template in Microsoft Word format, please e-mail Kris Kokx at kokxk@michigan.gov with your request.

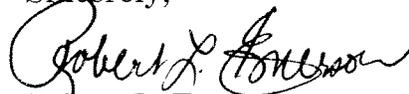
*Please submit **four** copies of your 5-year comprehensive master plan, **and five** separate copies of your major capital outlay project request for fiscal year 2012 by **Friday, December 3, 2010**, to the attention of Ms. Lisa Shoemaker, Capital Outlay Coordinator, Office of Education and Infrastructure, Office of the State Budget, George W. Romney Building, 111 South Capitol, P.O. Box 30026, Lansing, Michigan 48909.*

Legislative Requirements – Self-funded Projects

Institutions are also reminded that the Legislature often includes various approval and reporting requirements in annual appropriation acts, including but not limited to, prescribed Use and Finance Statement requirements for nonstate-funded capital projects. The Joint Capital Outlay Subcommittee (JCOS) of the Legislature has also adopted formal policies governing the submission of Use and Finance Statements during the current term. The State Budget Office encourages universities and community colleges to carefully review the aforementioned materials and comply with applicable provisions as appropriate.

Thank you in advance for your submission. The State Budget Office looks forward to working with you in developing the fiscal year 2012 Executive Budget Recommendation.

Sincerely,



Robert L. Emerson
State Budget Director

Attachments

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| cc: Chief Financial Officers | Facilities Administration |
| Governmental Relations | State Building Authority |
| President's Council | Senate Fiscal Agency |
| Michigan Community College Association | House Fiscal Agency |
| Office of Education and Infrastructure | |

Recommended Five-Year Master Plan Components Michigan Universities and Community Colleges

I. Mission Statement

Summary description of the overall mission of the institution.

II. Instructional Programming

As part of the Five-Year Capital Outlay Plan, each college and university shall provide an overview of current academic programs and major academic initiatives. This “instructional programming” component should:

- a. Describe existing academic programs and projected programming changes during the next five years, in so far as academic programs are affected by specific structural considerations (i.e., laboratories, classrooms, current and future distance learning initiatives, etc.);
- b. Identify the unique characteristics of each institution’s academic mission:
For Universities:
Major research institution, technical/vocational center, geographic service delivery area(s), community presence activities, etc.
For Community Colleges:
Two-year degree and certificated technical/vocational training, workforce development activities, adult education focus, continuing or lifelong educational programming, partnerships with intermediate school district(s), community activities; geographic service delivery area(s), articulation agreements or partnerships with four-year institutions, etc.
- c. Identify other initiatives which may impact facilities usage;
- d. Demonstrate economic development impact of current/future programs (i.e., technical training centers, life science corridor initiatives, etc.).

III. Staffing and Enrollment

Colleges and universities must include staffing and enrollment trends in the annual Five-Year Capital Outlay Plan. This component should:

- a. Describe current full and part-time student enrollment levels by academic program and define how the programs are accessed by the student (i.e., main or satellite campus instruction, collaboration efforts with other institutions, Internet or distance learning, etc.);
- b. Project enrollment patterns over the next five years (including distance learning initiatives);
- c. Evaluate enrollment patterns over the last five years;
- d. Provide instructional staff/student and administrative staff/student ratios for major academic programs or colleges;

- e. Project future staffing needs based on five-year enrollment estimates and future programming changes;
- f. Identify current average class size and projected average class size based on institution's mission and planned programming changes.

IV. Facility Assessment

A professionally developed comprehensive facilities assessment is required. The assessment must identify and evaluate the overall condition of capital facilities under college or university control. The description must include facility age, use patterns, and an assessment of general physical condition. The assessment must specifically identify:

- a. Summary description of each facility (administrative, classroom, biology, hospital, etc.) according to categories outlined in "net-to-gross ratio guidelines for various building types," DMB-Office of Design and Construction Major Project Design Manual, appendix 7. If facility is of more than one "type", please identify the percentage of each type within a given facility.
- b. Building and/or classroom utilization rates (Percentage of rooms used, and percent capacity). Identify building/classroom usage rates for peak (M-F, 10-3), off-peak (M-F, 8-10 am, 3-5 pm), evening, and weekend periods.
- c. Mandated facility standards for specific programs, where applicable (i.e. federal/industry standards for laboratory, animal, or agricultural research facilities, hospitals, use of industrial machinery, etc.);
- d. Functionality of existing structures and space allocation to program areas served;
- e. Replacement value of existing facilities (insured value of structure to the extent available);
- f. Utility system condition (i.e., heating, ventilation, and air conditioning (HVAC), water and sewage, electrical, etc.);
- g. Facility infrastructure condition (i.e. roads, bridges, parking structures, lots, etc.);
- h. Adequacy of existing utilities and infrastructure systems to current and 5-year projected programmatic needs;
- i. Does the institution have an enterprise-wide energy plan? What are its goals? Have energy audits been completed on all facilities, if not, what is the plan/timetable for completing such audits?
- j. Land owned by the institution, and include a determination of whether capacity exists for future development, additional acquisitions are needed to meet future demands, or surplus land can be conveyed for a different purpose.
- k. What portions of existing buildings, if any, are currently obligated to the State Building Authority and when these State Building Authority leases are set to expire.

In the event that comprehensive, current physical facility assessments are not available, the Five-Year Capital Outlay Plan must include data from the most recent physical facility assessment and describe the schedule by which a new assessment will be completed.

V. Implementation Plan

The Five-Year Capital Outlay Plan should identify the schedule by which the institution proposes to address major capital deficiencies, and:

- a. Prioritize major capital projects requested from the State, including a brief project description and estimated cost, in the format provided. (Adjust previously developed or prior years figures utilizing industry standard CPI indexes where appropriate).
- b. If applicable, provide an estimate relative to the institution's current deferred maintenance backlog. Define the impact of addressing deferred maintenance and structural repairs, including programmatic impact, immediately versus over the next five years.
- c. Include the status of on-going projects financed with State Building Authority resources and explain how completion coincides with the overall Five-Year Capital Outlay Plan.
- d. Identify to the extent possible, a rate of return on planned expenditures. This could be expressed as operational "savings" that a planned capital expenditure would yield in future years.
- e. Where applicable, consider alternatives to new infrastructure, such as distance learning.
- f. Identify a maintenance schedule for major maintenance items in excess of \$1,000,000 for fiscal year 2012 through fiscal year 2016.
- g. Identify the amount of non-routine maintenance the institution has budgeted for in its current fiscal year and relevant sources of financing.

[University/Community College Name]
 FY 2012 CAPITAL OUTLAY PROJECT REQUEST
 [Project Name]
 [Total Project Cost \$----,-----,----]

Is the Project a Renovation or New Construction? Ren ___ New ___ Both ___
 Is the Project for a Single, Stand-Alone Facility? Yes ___ No ___
 Is There a 5-Year Capital Outlay Plan Available? Yes ___ No ___
 Are Professionally Developed Program Statement and/or
 Schematic Plans Currently Available? Yes ___ No ___
 Are Match Resources Currently Available? Yes ___ No ___
 Has the University Identified Available Operating Funds? Yes ___ No ___

A. Project Description

Please include a description of the project purpose and intended program. Be sure to address the following items in the narrative description: new construction; renovation and/or addition; gross sq. ft; estimated total cost of project and estimate for each component or "phase" where applicable; estimated start and completion dates for construction; and estimated annual operating cost and fund source; impact on tuition and fee rates charged to students. Please be reasonably concise, however, not to the exclusion of information that will substantiate understanding of the request.

B. Other Alternatives Considered

What alternative methods of addressing this capital project request were considered; i.e., long distance learning, renovation of other buildings on campus, re-evaluation of need for program, leasing of space, etc. Why were these alternatives not chosen? What are the programmatic implications should this project not be funded?

C. Programmatic Benefit to State Taxpayers and Specific Clientele or Constituencies

What is the benefit to state taxpayers for investing their tax dollars in this project? What is the benefit to students or other clientele or constituencies? What is the potential return on investment for this project?

D. Funding Resources

(Please provide as much information as possible including; fund source(s) identified for this capital outlay project – federal, state, private; and time frame for availability). Those willing to exceed minimum matching requirements will receive additional consideration.