BOARD OF REGENTS
BRIEFING PAPER

1. Agenda Item Title: *Handbook* Revision Regarding Use of Capital Improvement Fee Funds for Projects in Excess of $100,000

Meeting Date: December 5-6, 2013

2. BACKGROUND & POLICY CONTEXT OF ISSUE:

The Board of Regents has discussed ways in which the Board and the System may operate more efficiently and effectively. In pursuit of its efficiency and effectiveness initiative, the Board has approved prior revisions to existing policies increasing monetary thresholds for institutional presidents. For example, *Handbook* Title 2, Chapter 5, Section 5.4.2(e) addresses contracts for athletic department personnel. The Board increased the monetary thresholds for contracts presidents may approve on their own authority from $600,000 to $1,200,000 over a 36 month period at its September 2013 meeting.

Handbook Title 4, Chapter 10, Section 12(3) currently establishes a $100,000 limit for expenditure of funds generated by the Capital Improvement Fee which may be expended without Board approval on projects approved by the president for eight specific purposes. Subsection 12(4) requires Board approval of any expenditures exceeding $100,000.

The initial policy on Capital Improvement Fee Fund expenditures was originally adopted in May 1990 with a limit of $25,000 for “emergency purposes.” The policy was revised in August 2002 to include the current eight permissible categories of expenditure within the $25,000 limit. The policy was again revised in December 2009 when the limit was raised to the current $100,000 amount.

Board staff was asked to prepare a proposed revision increasing the expenditure limit a president could authorize without Board approval to $1,200,000 or the actual balance in the Capital Improvement Fee Fund, whichever is lower. However, the proposal is drafted so that if the actual balance is below $100,000, the president can still expend up to that amount without Board approval, thus maintaining the current authorization level as a minimum.

Expenditures could still only be made for the existing eight specific categories. A president must give a 30 day notice of intent to expend any amount within the new limit to the members of the Board. This provision gives the Board an opportunity to intervene if the Board has some concern about the proposed expenditure; otherwise, the expenditure is automatically authorized after expiration of the 30 days.

The proposed revision gives presidents more flexibility to address a variety of recognized administrative concerns, relieving the Board of unnecessary executive responsibilities while preserving its appropriate oversight function. In an emergency, it would avoid the necessity and expense of calling a special Board meeting just to approve an obviously necessary expenditure that fell within the monetary limits of the new policy. The proposal also protects the integrity of each institutional Capital Improvement Fee Fund by prohibiting a president from expending more than the fund balance and thus mortgaging the fund’s future.

3. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:

- Increase a president’s authority to expend amounts from the institutional Capital Improvement Fee Fund to $1,200,000 or the actual balance in the Fund, whichever is lower, for allowable purposes as provided in the provision.
- Require a president to give a 30 day notice of intent to the members of the Board.

4. IMPETUS (WHY NOW?):

The Board’s goal is to increase the efficiency and effectiveness of itself and the System. Adoption of this revision will eliminate unnecessary and time consuming approval procedures while still exercising appropriate Board oversight and protecting the integrity of the institutional Capital Improvement Fee Funds. In some emergency instances, the cost of a special meeting of the Board may be avoided as well.

5. BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:

- Adoption of the revision implements Board policy to appropriately divide legislative and administrative functions between the Board and the administration.
- Both the Board and the System will function more efficiently and effectively and at less cost.

6. POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:

Existing monetary limits are appropriate and should not be raised.

7. ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:

- Leave the existing policy in place.
- Raise the monetary limit but by a smaller amount.

8. COMPLIANCE WITH BOARD POLICY:

☑ Consistent With Current Board Policy: Title #4 Chapter #1Sections #8.2 & 8.5
☑ Amends Current Board Policy: Title # 4 Chapter #10 Sections #12(3)&(4)
❑ Amends Current Procedures & Guidelines Manual: Chapter #_____ Section #_______
❑ Other:____
❑ Fiscal Impact: Yes_____ No___X__
Explain:____

Revised: June 2010

POLICY PROPOSAL - *HANDBOOK*
TITLE 4, CHAPTER 10, SECTION 12(3)
Use of the Capital Improvement Fee

Additions appear in ***boldface italics***; deletions are [~~stricken~~ and bracketed]

Section 12. Use of the Capital Improvement Fee

1. A portion of the registration fee established pursuant to Title 4, Chapter 17, for all credit-bearing courses, shall be allotted for capital projects and will be referred to as the "Capital Improvement Fee."
2. Funds generated from the Capital Improvement Fee shall be deposited into a Capital Improvement Fee Fund for each institution that is maintained separately.
3. Funds generated by the Capital Improvement Fee may be expended on projects of ***up to*** $100,000 [~~or less~~] that have been approved by the president and if for the [~~following~~] purposes[~~:~~] ***listed in paragraphs(a) to (h). Funds generated by the Capital Improvement Fee may be expended on projects of more than $100,000, but not exceeding $1,200,000, or the actual balance in the fund, whichever is less, for the purposes listed in paragraphs (a) to (h).***

a. For the service of revenue bonds when a revenue bond issue is authorized by the Nevada State Legislature and approved by the Board of Regents. Such revenue bonds may be issued for the purpose of construction and furnishing of facilities.
b. For the necessary supplementation of capital projects that have been approved by the Nevada State Legislature.
c. For loans on residence and dining hall bond indebtedness service when funds are not otherwise available to meet the required annual payments.
d. For remodeling projects and related furniture, fixtures, and equipment as are urgently needed for the accommodation of students in buildings, but which cannot be funded from other institutional funds or State Public Works Board Capital Improvement Funds.
e. For programming, planning, design, and feasibility studies pertaining to capital projects, which require consulting services in order to carry out the institution's basic responsibilities in developing long-range programs and plans.
f. For real property improvements as are necessary.
g. For the purchase of land or buildings adjacent to a campus or branch campus and within the master plan areas as such land or buildings become available and are offered for sale.
h. For other purposes approved by the Board of Regents.

4. ***If the amount to be expended is $100,000, or less, prior notice to the Board is not required. If the amount to be expended exceeds $100,000 but does not exceed $1,200,000, or the actual balance in the fund, whichever is less, the president shall cause a notice of intent to expend the amount to be sent to members of the Board of Regents at least 30 days prior to making the expenditure.*** Expending funds generated by the Capital Improvement Fee for projects or expenses in excess of [~~$100,000~~] ***$1,200,000, or if in excess of $100,000 but more than the actual balance in the fund,*** requires approval by the Board of Regents.
5. Funds generated by the Capital Improvement Fee may also be spent on salary and benefit expenses related to Capital Improvement Fee projects, to the extent those expenses are part of a Board approved operating budget and do not exceed $250,000 per year. *(This amendment* ***[subsection 5]*** *is effective only until June 30, 2015)*