

RESPONSE TO REQUEST
FOR INFORMATION

STATE UNIVERSITIES' AND COMMUNITY COLLEGES'
SUBMISSION OF USE AND FINANCE STATEMENTS

PREPARED FOR
THE JOINT CAPITAL OUTLAY SUBCOMMITTEE

May 2004

“...The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.”

– Article IV, Section 53 of the Michigan Constitution

Audit report information may be accessed at:
<http://www.state.mi.us/audgen/>



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

May 17, 2004

The Honorable Scott Shackleton
Chair, Joint Capital Outlay Subcommittee
Michigan House of Representatives
1486 House Office Building
Lansing, Michigan
and
The Honorable Shirley Johnson
Vice-Chair, Joint Capital Outlay Subcommittee
Michigan Senate
S-324 Capitol Building
Lansing, Michigan

Dear Representative Shackleton and Senator Johnson:

This is our report on State universities' and community colleges' submission of use and finance statements. The report responds to specific legislative questions related to these submissions. Specifically, three questions were asked regarding the submission of use and finance statements: (1) Which State universities and community colleges have initiated new construction projects that would require submission of a use and finance statement to the Joint Capital Outlay Subcommittee (JCOS)? (2) Are there any State universities or community colleges that have initiated new construction projects requiring submission of a use and finance statement to JCOS for which the State university or community college did not submit such a statement? (3) What statutory changes, if any, are needed to encourage proper and timely submission of a use and finance statement to JCOS?

This report contains an introduction that describes the use and finance statement requirements; the purpose of response; the legislative questions, scope, and methodology; responses to legislative questions; two exhibits, presented as supplemental information; and a glossary of acronyms and terms.

Our procedures were of limited scope and should not be considered an audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

We are available to present this report to JCOS upon request. If this is JCOS's desire or if you have any questions regarding this report, please contact me.

AUDITOR GENERAL

This page left intentionally blank.

TABLE OF CONTENTS

STATE UNIVERSITIES' AND COMMUNITY COLLEGES' SUBMISSION OF USE AND FINANCE STATEMENTS

	<u>Page</u>
Report Letter	1
Introduction	4
Purpose of Response	4
Legislative Questions, Scope, and Methodology	5
Responses to Legislative Questions	6
Disclaimer	6
Question 1	7
Question 2	9
Question 3	11
Presidents Council Response	12
Summary of Individual Responses	15
Supplemental Information	
Exhibit 1 - State University Data Analysis	23
Exhibit 2 - Community College Data Analysis	24
Glossary of Acronyms and Terms	25

INTRODUCTION

Annual capital outlay appropriations acts require State universities and community colleges to obtain authorization from the Joint Capital Outlay Subcommittee* (JCOS) prior to letting a contract for new construction of a non-State-funded project estimated to cost more than \$1,000,000. State universities and community colleges seek approval by submitting a use and finance statement to JCOS and the Department of Management and Budget. Authorization is obtained when JCOS approves the use and finance statement. As used in the annual capital outlay appropriations acts, new construction includes land or property acquisition, remodeling and additions, and maintenance projects. JCOS policy requires that the use and finance statement define the source of all funds or other revenue that will be used to fund the capital costs of the project. These costs include principal, interest, administrative fees, and all other costs necessary to provide for the land acquisition, completed construction, and equipping and furnishing of the project.

The capital outlay appropriations acts state that, if projects are constructed in violation of the acts' requirements, the projects are not eligible to receive State appropriations for purposes of operating the projects or for support of future infrastructure enhancements that are necessitated, in part or in total, by construction of the projects.

PURPOSE OF RESPONSE

The purpose of this response is to provide data and analysis pursuant to a legislative request for information regarding State universities' and community colleges' submission of use and finance statements.

* See glossary at end of report for definition.

LEGISLATIVE QUESTIONS, SCOPE, AND METHODOLOGY

Legislative Questions

1. Which State universities and community colleges have initiated new construction projects that would require submission of a use and finance statement to JCOS?
2. Are there any State universities or community colleges that have initiated new construction projects requiring submission of a use and finance statement to JCOS for which the State university or community college did not submit such a statement?
3. What statutory changes, if any, are needed to encourage proper and timely submission of a use and finance statement to JCOS?

Scope

Our procedures were of limited scope and should not be considered an audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Methodology

On March 1, 2004, we sent a survey to all 15 State universities and all 28 community colleges requesting that they report to us all new construction projects requiring the submission and approval of a use and finance statement. Our survey described the annual capital outlay appropriations acts' provisions regarding what types of new construction projects require the submission and approval of a use and finance statement. Our survey requested that the State universities and community colleges consider all projects for which contracts were approved after January 1, 1999. We reviewed and summarized the responses from all 15 State universities and all 28 community colleges.

We judgmentally selected 6 State universities and 1 community college for performing on-site procedures designed to verify the accuracy of the responses. We performed our on-site visits from mid-March through mid-April 2004. Our on-site procedures included obtaining a general understanding of the process that each State university or community college used to initiate and complete non-State-funded new construction

projects, examining trustee board meeting minutes and accounting records, and making inquiries as appropriate.

We provided the State universities and community colleges with an opportunity to suggest changes to the use and finance statement submission and approval process.

RESPONSES TO LEGISLATIVE QUESTIONS

Disclaimer

We cannot provide any level of assurance regarding the accuracy or reliability of the data reported to us by the State universities and community colleges in response to our survey. On March 1, 2004, we sent surveys to all 15 State universities and all 28 community colleges requesting disclosure of all new construction projects requiring the submission of a use and finance statement approved after January 1, 1999. To provide assurance regarding the accuracy of data reported, we visited 6 State universities and 1 community college and performed on-site verification procedures on their records. This verification process disclosed that 5 of the 7 State universities and community colleges that we visited did not disclose in their survey responses all of their new construction projects requiring the submission of a use and finance statement.

Question 1

1. Which State universities and community colleges have initiated new construction projects that would require submission of a use and finance statement to JCOS?

State Universities:

For the period January 1, 1999 through March 1, 2004, 14 of the 15 State university survey responses and our on-site visits disclosed 315* and 21 new construction projects, respectively, that required submission of a use and finance statement to JCOS. The following table describes, by university, the number of construction projects requiring a use and finance statement:

<u>State Universities</u>	<u>Number of Construction Projects Requiring a Use and Finance Statement</u>
University of Michigan - Ann Arbor	144
Michigan State University	73
Wayne State University	33
Grand Valley State University	20
Western Michigan University	18
Northern Michigan University	9
Saginaw Valley State University	9
Central Michigan University	8
Eastern Michigan University	8
Michigan Technological University	4
Oakland University	4
Lake Superior State University	3
Ferris State University	2
University of Michigan - Dearborn	1
University of Michigan - Flint	0
Total	<u>336</u>

Note: Exhibit 1, presented as supplemental information, provides additional analysis of the 336 reported projects.

* See disclaimer on page 6.

Community Colleges:

For the period January 1, 1999 through March 1, 2004, 13 of the 28 community college survey responses and our on-site visits disclosed 45* and 4 new construction projects, respectively, that required submission of a use and finance statement to JCOS. The following table describes, by community college, the number of construction projects requiring a use and finance statement:

Community Colleges	Number of Construction Projects Requiring a Use and Finance Statement
Oakland Community College	15
Macomb Community College	8
Lansing Community College	6
Northwestern Michigan College	5
Grand Rapids Community College	3
Washtenaw Community College	3
Kellogg Community College	2
Schoolcraft College	2
Delta College	1
Kalamazoo Valley Community College	1
Mott Community College	1
Muskegon Community College	1
West Shore Community College	1
Alpena Community College	0
Bay de Noc Community College	0
Glen Oaks Community College	0
Gogebic Community College	0
Henry Ford Community College	0
Jackson Community College	0
Kirtland Community College	0
Lake Michigan College	0
Mid Michigan Community College	0
Monroe County Community College	0
Montcalm Community College	0
North Central Michigan College	0
St. Clair County Community College	0
Southwestern Michigan College	0
Wayne County Community College	0
Total	49

Note: Exhibit 2, presented as supplemental information, provides additional analysis of the 49 reported projects.

* See disclaimer on page 6.

Question 2

2. Are there any State universities or community colleges that have initiated new construction projects requiring submission of a use and finance statement to JCOS for which the State university or community college did not submit such a statement?

State Universities:

The State university survey responses and our on-site visits disclosed that, of the 336 projects requiring submission of a use and finance statement to JCOS (see response to Question 1 on page 7), 9 State universities initiated 53 new construction projects for which the State universities did not submit use and finance statements. The following table describes, by State university, the number of construction projects requiring the submission of a use and finance statement for which the university did not submit one:

New Construction Projects for Which State Universities Did Not Submit a Required Use and Finance Statement			
State Universities	Projects Reported By University*	Additional Projects Identified By On-Site Visit**	Total
Michigan State University	4	13	17
University of Michigan - Ann Arbor	9	***	9
Wayne State University	8	***	8
Grand Valley State University	3	2	5
Central Michigan University	0	4	4
Eastern Michigan University	3	***	3
Lake Superior State University	3	***	3
Saginaw Valley State University	2	***	2
Western Michigan University	0	2	2
Ferris State University	0	0	0
Michigan Technological University	0	***	0
Northern Michigan University	0	***	0
Oakland University	0	0	0
University of Michigan - Dearborn	0	***	0
University of Michigan - Flint	0	***	0
Total	<u>32</u>	<u>21</u>	<u>53</u>

* Construction projects reported to us by the universities as requiring the submission of a use and finance statement for which a statement was not submitted until after receiving our letter of inquiry dated March 1, 2004 (see disclaimer on page 6).

** Construction projects that we identified during our on-site visit as requiring the submission of a use and finance statement for which a statement was not submitted as of the time of our visit.

*** We did not perform an on-site visit.

Community Colleges:

The community college survey responses and our on-site visits disclosed that, of the 49 projects requiring submission of a use and finance statement to JCOS (see response to Question 1 on page 8), 5 community colleges initiated 22 new construction projects for which the community colleges did not submit use and finance statements. The following table describes, by community college, the number of construction projects requiring the submission of a use and finance statement for which the community college did not submit one:

New Construction Projects for Which Community Colleges Did Not Submit a Required Use and Finance Statement			
Community Colleges	Additional		Total
	Projects Reported By Community College*	Projects Identified By On-Site Visit**	
Oakland Community College	11	4	15
Washtenaw Community College	3	***	3
Grand Rapids Community College	2	***	2
Mott Community College	1	***	1
Schoolcraft College	1	***	1
Alpena Community College	0	***	0
Bay de Noc Community College	0	***	0
Delta College	0	***	0
Glen Oaks Community College	0	***	0
Gogebic Community College	0	***	0
Henry Ford Community College	0	***	0
Jackson Community College	0	***	0
Kalamazoo Valley Community College	0	***	0
Kellogg Community College	0	***	0
Kirtland Community College	0	***	0
Lake Michigan College	0	***	0
Lansing Community College	0	***	0
Macomb Community College	0	***	0
Mid Michigan Community College	0	***	0
Monroe County Community College	0	***	0
Montcalm Community College	0	***	0
Muskegon Community College	0	***	0
North Central Michigan College	0	***	0
Northwestern Michigan College	0	***	0
St.Clair County Community College	0	***	0
Southwestern Michigan College	0	***	0
Wayne County Community College	0	***	0
West Shore Community College	0	***	0
Total	<u>18</u>	<u>4</u>	<u>22</u>

* Construction projects reported to us by the community colleges as requiring the submission of a use and finance statement for which a statement was not submitted until after receiving our letter of inquiry dated March 1, 2004 (see disclaimer on page 6).

** Construction projects that we identified during our on-site visit as requiring the submission of a use and finance statement for which a statement was not submitted as of the time of our visit.

*** We did not perform an on-site visit.

Question 3

3. What statutory changes, if any, are needed to encourage proper and timely submission of a use and finance statement to JCOS?

Our survey solicited State university and community college input for suggested changes to the use and finance statement submission and approval process. The responses that follow are presented as received by us. A number of universities elected to respond through the Presidents Council, State Universities of Michigan* (see following letter dated March 29, 2004), and some universities and community colleges provided their suggestions directly to us (see summary of individual responses).

* See glossary at end of report for definition.

March 29, 2004

Thomas H. McTavish, C.P.A.
Auditor General
State of Michigan
Office of the Auditor General
201 N. Washington Square
Lansing, MI 48913

Dear Mr. McTavish:

Thank you for allowing the Presidents Council, State Universities of Michigan to comment on the current practice of submitting Use and Finance Statements to the Michigan Department of Management and Budget and the Joint Capital Outlay Committee. Michigan's fifteen public universities have a long history of working cooperatively with the Executive and Legislative branches of state government. We believe that the citizens of Michigan gain value from this open dialogue and exchange of information.

Public universities are constantly reviewing their internal practices and policies to ensure the effective management of institutional resources. We commend your office for doing likewise by giving our organization an opportunity to critique the purpose, scope and reporting thresholds of the Use and Finance process. We hope this open dialog will streamline the exchange of information between Michigan's 15 public universities and our state elected officials. Below you will find several suggestions on this topic for your consideration:

A) *Historical Purpose of Use and Finance Statements*

We believe the Use and Finance reporting process was created in statutory boilerplate to highlight significant new self-financed building projects on public university campuses. These buildings represent new structures that have not received capital outlay bond financing. The Governor and members of the Joint Capitol Outlay Committee have traditionally reviewed these reports. A careful analysis of Michigan's constitution would suggest that the process is educational in nature. The Executive's signatory review and committee vote certifies that state resources are not being requested to finance the ongoing operations of the facility in question.

Central Michigan University
Eastern Michigan University
Ferris State University
Grand Valley State University
Lake Superior State University
Michigan State University
Michigan Technological University
Northern Michigan University



Oakland University
Saginaw Valley State University
The University of Michigan - Ann Arbor
The University of Michigan - Dearborn
The University of Michigan - Flint
Wayne State University
Western Michigan University

B) *Project Scope and Financial Reporting Thresholds*

Boilerplate language within the annual Capital Outlay budget currently requests Use and Finance statements for self-financed construction projects over \$1 million. Inflation has eroded this reporting threshold. In addition, general maintenance projects are beginning to fall under the reporting criteria. As a result, limited public resources are being used to evaluate the replacement of existing university infrastructure and equipment. We believe the Use and Finance reporting process should be reserved exclusively for the construction of new self-financed buildings or building additions that create new square footage and cost over \$5 million. The maintenance and renovation of existing university infrastructure, building systems and space should not require the submission of Use and Finance statements.

C) *Emergency and Exigent Conditions Exemption*

Despite our best efforts, university campuses are not immune from unforeseen exigent conditions or occurrences. When disaster strikes our public universities must respond to the challenge at hand. The Use and Finance reporting process should be waived if no additional space is added under these circumstances.

It would also be helpful to universities to have a better understanding of what is expected on those few unforeseen occurrences which cause the cost of a project to increase and trigger the need for a use and finance statement. Is it a matter of notification that such a situation has occurred or is submission of a use and finance statement required?

D) *Certificate of Need Exemption*

Projects that receive a state issued Certificate of Need should be exempt from the Use and Finance reporting process.

E) *Construction Managers*

Universities are increasingly using a construction manager to deliver projects instead of a general contractor. We would like to discuss how the Use and Finance process might be changed to accommodate this delivery method.

F) *Review Schedule*

The certification of Use and Finance Statements by the Governor and the Joint Capital Outlay Committee should be a responsive process. Large scale self-financed university construction projects receive public review. The projects are reviewed and approved by publicly elected or appointed university boards of control. The Department of Management and Budget and the Joint Capital Outlay Committee should review Use and Finance Statements in a timely fashion not to exceed 30 days in total.

G) *Reporting Methodology*

The Joint Capital Outlay Committee should require the Department of Management and Budget to annually notify universities in writing about the Use and Finance reporting process. The department should also annually update Use and Finance Reporting forms so they correspond with current statutory boilerplate and the policies of the Joint Capital Outlay Committee. This electronic reporting form should be designed with input from a five-member committee consisting of a representative from the Department of Management and Budget, the House and Senate co-chairs of the Joint Capital Outlay Committee and two appointees from the Presidents Council, State Universities of Michigan. A well-designed electronic form could address common questions asked by members of the Capital Outlay Committee regarding new self-financed construction projects. Certified Use and Finance Statements should be returned to the sponsoring university by the Department of Management and Budget.

Thank you for the opportunity to share our comments regarding the Use and Finance process. We look forward to helping you review and streamline the process in the upcoming months.

Sincerely,



Michael A. Boulus
Executive Director

cc: Frank Natschke
Robert Ortwein

Summary of Individual Responses

Eastern Michigan University

1. The investment level which requires a Use and Financing Statement submission should be increased from \$1 million to \$5 million.
2. Guidance should be provided for how to address situations where a Use and Financing Statement was not initially required, but due to unexpected circumstances (e.g., the discovery of asbestos) the project cost is increased to a level that does require submission.
3. There should be recognition that due to the scope of certain projects such as the construction of a major classroom building, expenditure of funds (e.g., planning costs, site visits, development of a program statement) is required prior to submission of a Use and Financing Statement in order to develop the data that the statement requires.
4. For existing buildings (whether approved via a Use and Financing Statement or State Capital Outlay Approval), capital maintenance projects should not require a Use and Financing Statement. It is implicit in the original approval that the University will maintain its capital assets.
5. When the funding source for a project that normally would require submission of a Use and Financing Statement is an insurance settlement (e.g., insurance proceeds to cover repair work resulting from a building fire), a Use and Financing Statement should not be required. This is consistent with point number 4 regarding maintenance. State Universities should also not be delayed in emergency situations where buildings have to be repaired due to unforeseen circumstances.
6. Formal confirmation of approval/denial of a Use and Financing Statement should be sent to the Universities.
7. For new construction such as a classroom building, guidance should be given on how far the construction boundary extends from the building foundation. Policy #3 and the Major Project Design Manual for Professional Service Contractors, State Universities, Community Colleges, and State Agencies both reference "services

from five feet outside of the structure". This seems like an appropriate construction boundary limit.

8. A joint task force consisting of JCOS members, representatives from the Office of the Auditor General and State Budget Office, and University officials should be convened to review and update Policy #3.

Grand Valley State University

1. JCOS should consider raising the \$1.0 million qualifier for U & F submittal. Many relatively small projects now fall within this limit.
2. For ease of operation, JCOS should consider receiving semi-annual reports of construction activity projects paid entirely with university funds. These reports from universities would be in lieu of U & F submittals for each project. Each report could also include a final report on projects completed noting any material changes from the information provided at the time of submission. Since the main purpose of the JCOS U & F process is to assess patterns of building at universities, a semi-annual batching of information might prove to be more informative. The submission of reports would provide JCOS with the same information it now receives. In some cases, construction would have already commenced prior to receiving a report, but any matter of interest could be subject to a hearing, thus allowing committee members to be fully informed about university projects and their financing.

Lake Superior State University

Perhaps Universities and Colleges should be required to write the requirement into their procedure manuals like Federal cash policies. And, because knowledge can be lost or misplaced through changes in personnel, it may also be appropriate to send a reminder letter to chief executive officers every few years.

Michigan State University

1. The Use and Finance "project data sheet" does not match the State's Joint Capital Outlay (JCOS) subcommittee requirements for the Use and Financing Statement. There are inconsistencies in the terminology used in both the policy and "project data sheet" language.

2. Use and Finance reporting should be reserved exclusively for the construction of new self-financed buildings or building additions that create new square footage. It is recommended that the \$1 million dollar threshold move to \$5 million.
3. An electronic submission and approval process should be developed.
4. The University requires Board of Trustees approval for projects, and many times, construction commences the next day. Balancing the timing of the JCOS process against a University approval process is important in order to avoid cost ramifications.
5. Maintenance projects should be excluded, unless the square footage of the facility is being expanded as part of the project. Maintenance projects generally include replacing old, worn out components, such as roofs, elevators, substations, windows, etc.
6. On the "project data sheet" form, item number 10 asks for the operating cost for "Year 1" and "Annually thereafter". With rare exceptions, these would both be the same; why ask for both?
7. Use and Finance Statement reporting process should be waived if an emergency or exigent circumstance arises for a university, i.e., fires, etc., and submitted as soon as possible.
8. Universities are increasingly using a construction manager to deliver projects instead of a general contractor. The "project data sheet" does not accommodate this delivery method.

Michigan Technological University

I would like to suggest that JCOS establish a fixed schedule like the State Administrative Board. This would allow universities to plan their submissions and expect a short turn-around on the committee's actions. As the process exists today, we don't know when the committee will meet. Setting regularly scheduled meetings would not be required if the JCOS is not overly concerned with minor timing overlaps between the committee's and university action.

Oakland University

For planning purposes it would be helpful for the university to understand the timelines of the State approval process. Also, some form of written communication from the JCOS that a Use and Finance Statement has been approved would be beneficial. Because the JCOS does not convene on a regular basis, especially when the Legislature is in recess, there are periods of time when Use and Finance Statement approvals cannot be obtained. It would be helpful if some mechanism were available to gain approvals during these periods.

Western Michigan University

1. Eliminate the process of submitting the Use and Financing Statements as notification can be done within the 5-Year Comprehensive Master Plan that is required to be submitted to the State. This document lists all projects planned including self-funded projects and can be updated on an annual basis to reflect any changes to projects or scope of projects.
2. If the process is to continue, the notification threshold should be increased to \$5 million.
3. This should be a process that certifies that the University has informed the legislature and executive that we have a self-funded project. It should not be a process where the projects are approved, but rather acknowledged by the State that the University has the project and funding from University sources.
4. There are certain classes of projects that should not be subject to this process. Specifically, property acquisitions, energy and infrastructure projects and auxiliary projects should not be included in this process.

University of Michigan

1. Eliminate the need for universities to submit Use and Finance Statements (U & FS) for auxiliary units that use non-general funds to finance construction (this would require a change to the language in the Capital Outlay Appropriations Act).
2. Schedule and conduct regular JCOS meetings in order to assist universities in avoiding construction schedule delays while awaiting U & FS review and approval.

3. Establish a clear process and requirements for informing the State of project changes (e.g. project scope, budget, funding or schedule changes) after the U & FS has been approved by JCOS.
4. Notify universities in writing of any changes to U & FS submittal requirements, procedures, or forms, including changes by statute, boilerplate language and by committee rules.
5. For phased construction projects, the University is increasingly using a Construction Manager to deliver projects instead of a general contractor. This approach allows design and construction to overlap in order to yield schedule efficiencies. As a result, the contract with the Construction Manager is signed very early in project design, and the Construction Manager proceeds with required demolition and site prep while design progresses. The project is then bid by the Construction Manager to trade contractors via numerous separate bid packages after construction documents have been prepared by the Architect. We would like to discuss how the U & FS process might be changed to accommodate this common delivery method.
6. Increase the threshold for U & FS, and consider establishing different thresholds for universities and community colleges in consideration of existing facility size, complexity, and associated infrastructure needs; the \$1,000,000 threshold for reporting & approval was established nearly 10 years ago.

Bay de Noc Community College

1. I would suggest inserting the JCOS Use and Finance Statement reporting requirement in the annual community college appropriations bill. The bill is reviewed in detail by the financial administrators at each community college. Newly hired financial administrators will be alerted in a more timely fashion to this reporting requirement if it were included in the annual community college operation appropriations.
2. I would also suggest the JCOS policies be made available to the public via the web. The Capital Outlay Appropriations bill listed the reporting requirement referencing JCOS statement 2; however a search for this policy via the web proved to be futile.

Henry Ford Community College

I suggest that the DMB send a letter annually to college presidents and college contact persons reminding them of their statutory obligation to submit *Use and Financing Statements* for non-state funded construction projects.

Kalamazoo Valley Community College

While a notification process is clearly understandable, making the Use and Finance Statement submission an "approval" process seems to diminish the local control of the Board of Trustees who must approve such projects. This is especially true when no state funds are being requested. Additionally, projects such as this often develop over time but are consummated rather quickly. Having to wait several months for a response from the state seems like an unnecessary delay.

Monroe County Community College

1. Reduce/streamline reporting requirements. Much of the requested information can be found in the College's 5-year Master Plan, which is submitted annually to the State's Office of the Budget.
2. Raise the \$1 million threshold for the reporting requirements.

Northwestern Michigan College

1. Raise the project approval limit to \$2,000,000. Projects in the \$1.0 MM to \$2.0 MM range do not have material impacts on the institutions general fund budget or operating costs. Additionally, renovation costs have risen over the years making projects under \$2.0 MM relatively minor modifications and are typically covered under operating or capital fund budgets.
2. Regularly scheduled JCOS meetings. Monthly JCOS meetings would allow timely approval of new projects and eliminate delays associated with the College's internal processes.
3. Electronic submission and tracking of approval status. Provide a web based or other electronic format to allow institutions to submit and track project approval status. This format could also be used to provide additional information on specific

projects, thus insuring adequate information is provided to the JCOS Committee. Responses to submissions should occur within a defined timeframe.

4. A well defined/articulated review and approval process. Define the process steps and submission requirements for the review and approval process. A document similar to the "Major Project Design Manual issued by the DMB Office of Design and Construction."

West Shore Community College

As a member of Michigan Community College Business Officers (MCCBOA), I believe that sending a representative from the State Capital Outlay office to our fall, spring, and summer workshops would be of great benefit to the community colleges and to the Capital Outlay office. With recent cutbacks by the State and changes within the Capital Outlay office, our connection to that office has deteriorated, and it has been some time since we have been able to get anyone from Capital Outlay to our meetings. Our spring meeting in March is always held in Lansing and yet no one was available for our meeting on March 4, 2004. As the Business Officers of our individual colleges, we are the most likely group to submit capital outlay requests to the State and to file Use and Finance Statements. When the State required a 5 year master plan from each community college in order to be eligible for capital outlay funding, we were the group that brought that requirement by the State to completion. Since that time, West Shore has faithfully sent in the required master plan update each year.

Even if Capital Outlay office does not have money for projects, we would like to be kept informed about changes (such as Policy #3) and reminded of our need to keep the State informed too. Also Business officers do evolve and the new members of our group may not know what they should be doing. If we are doing something wrong, we would rather hear from the Capital Outlay office regularly than to hear that we may be slated for an audit because someone at our College was not aware of their responsibility to the State. One other thing, which would be helpful, would be a response from the JCOS that our materials have been received and that we will get a response from them on our submission.

SUPPLEMENTAL INFORMATION

STATE UNIVERSITIES' AND COMMUNITY COLLEGES'
SUBMISSION OF USE AND FINANCE STATEMENTS
 State University Data Analysis
For Contracts Signed After January 1, 1999 and Before March 1, 2004

	Number of Construction Projects Requiring a Use and Finance Statement*	Total Cost of Construction Projects Requiring a Use and Finance Statement**	Total Number of Projects Identified for Which Use and Finance Statements Were Not Submitted***	Total Cost of Projects for Which Use and Finance Statements Were Not Submitted**
Analysis by type of project:				
New Buildings/Additions	115	\$ 1,876,926,129	14	\$ 68,121,715
Land Acquisitions	13	\$ 59,863,844	9	\$ 47,923,844
Renovations/Upgrades	201	\$ 868,878,719	30	\$ 61,200,636
Other	7	\$ 26,800,000	0	\$ 0
Analysis by cost range of project:				
<u>\$1,000,001 - \$2,000,000</u>				
New Buildings/Additions	17	\$ 25,250,000	3	\$ 4,045,000
Land Acquisitions	4	\$ 5,035,000	2	\$ 2,600,000
Renovations/Upgrades	91	\$ 138,573,300	22	\$ 32,525,636
Other	2	\$ 3,450,000	0	\$ 0
<u>\$2,000,001 - \$5,000,000</u>				
New Buildings/Additions	27	\$ 87,526,162	8	\$ 26,569,965
Land Acquisitions	5	\$ 15,113,844	4	\$ 12,623,844
Renovations/Upgrades	69	\$ 223,019,034	7	\$ 22,175,000
Other	3	\$ 9,200,000	0	\$ 0
<u>\$5,000,001 - \$10,000,000</u>				
New Buildings/Additions	28	\$ 196,538,967	2	\$ 11,506,750
Land Acquisitions	3	\$ 26,215,000	2	\$ 19,200,000
Renovations/Upgrades	24	\$ 171,280,600	1	\$ 6,500,000
Other	2	\$ 14,150,000	0	\$ 0
<u>Greater than \$10,000,000</u>				
New Buildings/Additions	43	\$ 1,567,611,000	1	\$ 26,000,000
Land Acquisitions	1	\$ 13,500,000	1	\$ 13,500,000
Renovations/Upgrades	17	\$ 336,005,785	0	\$ 0
Other	0	\$ 0	0	\$ 0

* See our response to Question 1 on page 7.

** Dollar amounts provided to us by the State universities.

*** See our response to Question 2 on page 9.

STATE UNIVERSITIES' AND COMMUNITY COLLEGES'
SUBMISSION OF USE AND FINANCE STATEMENTS
 Community College Data Analysis
For Contracts Signed After January 1, 1999 and Before March 1, 2004

	Number of Construction Projects Requiring a Use and Finance Statement*	Total Cost of Construction Projects Requiring a Use and Finance Statement**	Total Number of Projects Identified for Which Use and Finance Statements Were Not Submitted***	Total Cost of Projects for Which Use and Finance Statements Were Not Submitted**
Analysis by type of project:				
New Buildings/Additions	10	\$ 61,161,800	0	\$ 0
Land Acquisitions	0	\$ 0	0	\$ 0
Renovations/Upgrades	38	\$ 136,099,418	21	\$ 57,373,386
Other	1	\$ 1,235,305	1	\$ 1,235,305
Analysis by cost range of project:				
<u>\$1,000,001 - \$2,000,000</u>				
New Buildings/Additions	2	\$ 3,250,000	0	\$ 0
Land Acquisitions	0	\$ 0	0	\$ 0
Renovations/Upgrades	18	\$ 23,697,054	12	\$ 15,431,459
Other	1	\$ 1,235,305	1	\$ 1,235,305
<u>\$2,000,001 - \$5,000,000</u>				
New Buildings/Additions	5	\$ 19,973,600	0	\$ 0
Land Acquisitions	0	\$ 0	0	\$ 0
Renovations/Upgrades	14	\$ 43,021,774	7	\$ 20,846,737
Other	0	\$ 0	0	\$ 0
<u>\$5,000,001 - \$10,000,000</u>				
New Buildings/Additions	1	\$ 5,700,000	0	\$ 0
Land Acquisitions	0	\$ 0	0	\$ 0
Renovations/Upgrades	4	\$ 34,340,590	1	\$ 9,900,190
Other	0	\$ 0	0	\$ 0
<u>Greater than \$10,000,000</u>				
New Buildings/Additions	2	\$ 32,238,200	0	\$ 0
Land Acquisitions	0	\$ 0	0	\$ 0
Renovations/Upgrades	2	\$ 35,040,000	1	\$ 11,195,000
Other	0	\$ 0	0	\$ 0

* See our response to Question 1 on page 8.

** Dollar amounts provided to us by the community colleges.

*** See our response to Question 2 on page 10.

Glossary of Acronyms and Terms

Joint Capital Outlay Subcommittee (JCOS)

A State legislative committee consisting of 16 members, including 8 members from the Senate and 8 members from the House of Representatives. The chairperson(s) shall be determined by the chamber in which the chairperson(s) resides and alternate between chambers every two calendar years beginning on January 1 of the operative year. In order to take action on an agenda item, a quorum consisting of at least 9 members is required. The quorum must include at least 4 members of the Senate and 4 members of the House of Representatives.

Presidents Council, State Universities of Michigan

A nonprofit higher education association serving Michigan's 15 State universities. The primary mission of the Presidents Council is to advocate higher education as a public good and to promote its collective value in serving the public interest and the State of Michigan. Among its major activities, the Presidents Council serves as an advocate in the State capitol by monitoring and providing analysis on public policy issues and legislation affecting Michigan's 15 State universities.