Bill Number:	S. 0314 Amended by the House of Representatives on May 2, 2024
Author:	Talley
Subject:	Higher Education Permanent Improvement Projects
Requestor:	House Ways and Means
RFA Analyst(s):	Tipton
Impact Date:	May 8, 2024

Fiscal Impact Summary

This bill as amended modifies the process by which state institutions of higher learning must obtain approval for permanent improvement projects. Currently, permanent improvement projects with a value of $250,000 or more for all state agencies including institutions of higher learning must be approved by the JBRC. Under the amended bill, an institution's governing board may approve, without further review by the JBRC, permanent improvement projects with a value of up to $10,000,000 for research universities and up to $5,000,000 for all other institutions of higher learning. The bill specifies the types of projects or other work that may be considered permanent improvement projects for the purposes of the specified limits and includes exceptions which would require JBRC oversight. Beginning in FY 2025-26, the Revenue and Fiscal Affairs Office (RFA) is required to apply the previous fiscal year's increase in the Higher Education Price Index (HEPI) to the maximum project values established by the bill and submit the increase for publication in the State Register. This bill also modifies the requirements for Comprehensive Permanent Improvement Plans to be submitted to the Department of Administration (Admin) by any agency or institution of higher learning undertaking a permanent improvement project. The amended bill further increases the total bonds outstanding that an institution may carry from $200 million to $500 million and eliminates other debt requirements for institutions of higher learning.

This bill will have no expenditure impact for state institutions of higher learning as a result in the changes in the permanent improvement project approval process for projects less than $10,000,000 for research universities and less than $5,000,000 for other institutions. Because the number and value of projects in a given year are unknown, this bill may result in undetermined cost savings for the institutions. However, we anticipate that institutions will reallocate any cost savings to other needs and manage the other responsibilities of the amended bill within their existing budgets.

Based on previous responses, this bill will have no impact for the JBRC within the House of Representatives and Senate, the Commission on Higher Education (CHE), the State Fiscal Accountability Authority (SFAA), or the Department of Administration (Admin). Each entity anticipates any impact to the workload will be minimal and savings to staff time will be reallocated to other tasks. Additionally, this bill will have no expenditure impact for RFA as the agency can manage the responsibilities of the bill within existing appropriations.

Explanation of Fiscal Impact

Amended by the House of Representatives on May 2, 2024
State Expenditure
This bill as amended modifies the process by which state institutions of higher learning must obtain approval for permanent improvement projects. Currently, permanent improvement projects with a value of $250,000 or more for all state agencies including institutions of higher learning must be approved by the JBRC. Under the amended bill, an institution's governing board may approve, without further review by the JBRC, permanent improvement projects with a value of up to $10,000,000 for research universities and up to $5,000,000 for all other institutions of higher learning. The bill specifies the types of projects or other work that may be considered permanent improvement projects for the purposes of the specified limits and includes exceptions which would require JBRC oversight. Beginning in FY 2025-26, RFA is required to apply the previous fiscal year's increase in the HEPI to the maximum project values established by the bill and submit the increase for publication in the State Register. This bill also modifies the requirements for Comprehensive Permanent Improvement Plans to be submitted to Admin by any agency or institution of higher learning undertaking a permanent improvement project. The amended bill further increases the total bonds outstanding that an institution may carry from $200 million to $500 million and eliminates other debt requirements for institutions of higher learning.

State Institutions of Higher Learning. State institutions of higher learning indicated that the removal of JBRC oversight from permanent improvement projects up to the limits established by the bill may provide meaningful administrative relief for the process of completing permanent improvement projects. However, potential savings as a result of a more streamlined permanent improvement project process are currently unknown. We anticipate that institutions will reallocate any cost savings to other needs and manage the other responsibilities of the amended bill within their existing budgets. Therefore, this bill will have no impact on state institutions of higher learning.

House of Representatives and Senate – Joint Bond Review Committee. Based on a previous response, the House of Representatives and the Senate indicated that eliminating the approval requirements for certain projects at institutions of higher learning is not expected to significantly impact workload, and no cost savings are anticipated. Therefore, this bill will have no impact on the JBRC.

Commission on Higher Education. Currently, CHE, along with the JBRC, must review and advise on matters related to permanent improvement projects at institutions of higher learning. The bill removes this requirement and shifts approval responsibilities to the institutions of higher learning. CHE indicated that current staff assigned to these functions will take on different responsibilities within the agency, and therefore, this bill will have no impact on CHE.

State Fiscal Accountability Authority. SFAA is required to approve permanent improvement projects in excess of $250,000 upon the review of the JBRC, with the exceptions for institutions of higher learning established by the bill. Based on a previous response, the agency indicated that the change is not expected to significantly impact workload, and no cost savings are anticipated. Therefore, this bill will have no expenditure impact on SFAA.

Revenue and Fiscal Affairs Office. Beginning in FY 2025-26, this amended bill requires RFA to apply the previous fiscal year's increase in the HEPI to the maximum project values established by the bill and submit the increase for publication in the State Register. This requirement will be managed with existing staff and resources, and therefore, this bill will have no impact on RFA.

Department of Administration. This bill modifies the requirements for Comprehensive Permanent Improvement Plans to be submitted to Admin by any agency or institution of higher learning undertaking a permanent improvement project. Based on a previous response, Admin indicated that the change in the permanent improvement project approval process for institutions of higher learning is not expected to significantly impact workload, and no cost savings are anticipated. Therefore, this bill will have no expenditure impact on Admin.

State Revenue
N/A

Local Expenditure
N/A

Local Revenue
N/A

Introduced on January 10, 2023
State Expenditure
This bill establishes the approval process for permanent improvement projects for research universities and other specified IHLs. The governing board of a state IHL may vote, in a public session, to approve a permanent improvement project without further review by the JBRC or CHE of up to $5,000,000 for research universities and up to $2,500,000 for other specified IHLs. The bill requires institutions to provide a report of projects approved by the governing board to the Chairman of CHE, the JBRC, and SFAA by November 15th of the current fiscal year. Under this bill, permanent improvement projects in excess of $5,000,000 for research universities and $2,500,000 for other specified IHLs that make use of lease-purchase agreements, state institution bond funds, state infrastructure bond funds, capital improvement bond funds, capital reserve funds, state general-appropriated funds, or student tuition and fee funds must be submitted to CHE and the JBRC for review and SFAA for approval after full architecture and engineering design work is completed but prior to a construction contract. Upon approval, the projects must be submitted to the EBO for publication. The Chairman of the JBRC may request to review and comment on any permanent improvement project that costs more than $5,000,000 for research universities and $2,500,000 for other specified IHLs.

In addition, the governing board of each IHL is required to provide a report of all projects falling below the thresholds established by the bill to the Governor, the Senate Finance Committee, and the House of Representatives Ways and Means Committee by September 30th of each year.

Commission on Higher Education. CHE, along with the JBRC, must review and approve permanent improvement projects that exceed the thresholds established by the bill for each class of IHL. In addition, CHE will receive submissions of reports on projects under the thresholds established by the bill. CHE indicates that this may reduce total staff workload for permanent improvement project review and approval. However, as the number and value of projects in a given year are unknown, potential cost savings are undetermined.

State Institutions of Higher Learning. Based on a survey of the IHLs, many responding institutions indicate that the bill will provide meaningful administrative relief. However, the institutions are unable to quantify potential savings resulting from a streamlined project approval process or costs related to reporting and other operations. Therefore, the fiscal impact of this bill on state IHLs is undetermined.

House of Representatives and Senate – Joint Bond Review Committee. JBRC, along with CHE, must review and approve permanent improvement projects that exceed the thresholds established by the bill for each class of IHL. In addition, the JBRC will receive submissions of reports on projects under the thresholds established by the bill. The House of Representatives and the Senate indicate that the change is not expected to significantly impact workload, and no cost savings are anticipated. Therefore, this bill will have no fiscal impact on the JBRC.

State Fiscal Accountability Authority. SFAA is required to approve permanent improvement projects in excess of the thresholds established by the bill upon the review of CHE and the JBRC, after full architecture and engineering design work is completed but prior to the execution of a construction contract. In addition, SFAA will receive submissions of reports on projects under the thresholds established by the bill. The agency indicates that the change is not expected to significantly impact workload, and no cost savings are anticipated. Therefore, this bill will have no expenditure impact on SFAA.

Department of Administration – Executive Budget Office. Upon SFAA approval of projects above the thresholds set by the bill for each class of IHLs, the projects must be submitted to EBO for publication. Admin indicates that the change is not expected to significantly impact workload, and no cost savings are anticipated. Therefore, this bill will have no expenditure impact on Admin.

State Revenue
N/A

Local Expenditure
N/A

Local Revenue
N/A

Frank A. Rainwater, Executive Director