
LAMAR UNIVERSITY
MANUAL OF ADMINISTRATIVE POLICIES AND PROCEDURES

SECTION: Financial Services

AREA: Controller

Higher Education Fund (HEF)

MAPP 05.03.02

I. POLICY

- A. An amendment to the Texas Constitution provides an annual appropriation to be allocated to state colleges and universities that are not participants in the Permanent University Fund (PUF) for the purposes of construction, improvements, major repair and rehabilitation, and the acquisition of capital equipment. This appropriation is referred to as the Higher Education Assistance Fund (HEAF) or Higher Education Fund (HEF). In this policy, the acronym HEF will be used.
- B. Funds appropriated to Lamar University (LU) from the HEF shall be allocated, managed, monitored, and reported to achieve optimum usage and accountability within the purposes for which these funds are appropriated. As a general principle, HEF funds are to be used for acquiring, constructing, or improving intangible and tangible assets. HEF may be used for, but not limited to, the following purposes:
 - 1. Acquisition of land, with or without permanent improvements.
 - 2. Construction and equipping of buildings or other permanent improvements.
 - 3. Major repair or rehabilitation of buildings or other permanent improvements.
 - 4. Acquisition of capital equipment, library books, and library materials.

II. PURPOSE AND SCOPE

- A. This policy provides guidelines covering the internal allocation, management, budget, expenditures, and oversight of HEF funds appropriated to LU and related restrictions on these funds. These guidelines apply to the use of HEF funds by all departments and units of the University.
- B. This policy falls under the authority of [Article VII, Section 17](#) of the Texas Constitution, [Chapter 62 of the Texas Education Code](#), and other relevant statutes, laws, and regulations.

III. POLICY PROVISIONS

- A. As treasury funds, HEF funds are subject to state expenditure procedures and restrictions. Expenditures are processed on state vouchers and executed through the State Comptroller.

- B. If applicable and in compliance with their status as treasury funds, HEF funds are subject to the institutional procurement guidelines and restrictions of the University.
- C. HEF bonds are subject to local expenditure procedures and restrictions.
- D. Advance vendor payments are not allowed from HEF funds.
- E. HEF funds must be maintained in segregated HEF cost centers and may not be transferred to non-HEF cost centers. Non-HEF funds may not be transferred into or intermixed with HEF funds.

IV. ALLOCATION

- A. Under the Texas Constitution, an annual appropriation of funds to eligible institutions of higher education is determined for each 10-year period beginning with 1985 (and subject to review and revision at the end of each five years). Annual LU HEF allotments from this appropriation are then determined through a state allocation formula that is based upon the institutional space deficit, the condition of facilities, and institutional complexity. The amount of the annual allotment is determined for the 10-year period, subject to a review at the end of five years.
- B. As a part of the annual plan and budget development process, LU Administration will determine specific allocations for academic equipment and renovation projects and equipment cost-sharing; for library books and eligible materials; for information technology equipment; and for other equipment, renovation, and construction needs as determined appropriate. These internal allocations will be determined in conjunction with discussions with key academic and administrative officials and groups.

V. REFERENCES

[Article VII, Section 17 of the Texas Constitution](#)

[Chapter 62 of the Texas Education Code](#)

*Also see APPENDIX at end of this policy

VI. REVIEW AND RESPONSIBILITY

Responsible Party: Vice President for Finance and Operations
 Review Schedule: Every three years on or before September 1

VII. APPROVAL

Jeremy C. Alltop	07/28/2021
Vice President for Finance and Operations	Date

Dr. Jaime R. Taylor	07/29/2021
President	Date

REVISION LOG

Revision Number	Date	Description of Changes
1	09/21/2020 06/17/2021	Version created (09/21/2020). Revised by subject matter experts in Financial Services to reflect current practices (06/17/2021).
	07/29/2021	Version approved by President.

see APPENDIX on next page

APPENDIX

REFERENCES

- A. [Article VII, Section 17 of the Texas Constitution](#)
- B. [Chapter 62 of the Texas Education Code](#)

GUIDELINES FOR EXPENDITURE OF HEF FUNDS

1. General Principles Governing Use of HEF

- a) In accordance with Article VII, Section 17(a) of the Texas Constitution, Higher Education Assistance Funds (HEF) is appropriated for the following purposes:
 - Acquisition of land, either with or without permanent improvements.
 - Construction and equipping of buildings or other permanent improvements.
 - Major repair or rehabilitation of buildings or other permanent improvements.
 - Acquisition of capital equipment, library books, and library materials.
- b) Article VII also provides that governing boards may issue bonds or notes and pledge up to 50 percent of money allocated to secure payment of the principal and interest on the bonds or notes. The proceeds of the bonds or notes may be used for any of the purposes listed in item 1.
- c) Institutions may not use HEF for construction, equipping, repairing, or rehabilitating buildings or permanent improvements used exclusively for auxiliary enterprise, student housing, and intercollegiate athletics.

In cases of construction and renovation of a building used in part for auxiliary enterprises, HEF **may be used proportionally for the Education and General portion of the building only.**

- d) As a general principle, HEF is to be used for acquiring, constructing, or and improving intangible or tangible assets. For the purposes of HEF expenditures, assets are defined as assets that have all the following characteristics:
 - Are intended for use in current or future operations and not for the purpose of resale

- Are relatively long lived
- Provide measurable future benefit to the entity

Uses of HEF are based upon the state definition of an intangible or “tangible asset,” rather than a capital asset. An intangible or tangible asset may or may not be capitalized, or it may be partially capitalized.

For the purposes of these guidelines, costs of acquiring, constructing, or improving tangible assets include all directly related reasonable and legitimate costs. These costs may include salaries (except library salaries) and other costs incurred to place the asset in use and ready for productivity in the broad business sense. This principle is applicable whether performance is by university employees or by third parties.

2. Specific Provisions

- a) Acquisition of land with or without permanent improvements, for the purpose of these guidelines, the following definitions apply:

Land: The surface or crust of the earth which can be used to support structure and which may be used to grow crops, grass, shrubs, and trees.

Cost of land may include

- Purchase price
- Commissions
- Fees for examining and recording titles
- Surveying
- Drainage costs
- Land clearing
- Demolition of existing improvements (less salvage)
- Landfilling
- Grading
- Interest on mortgages accrued at date of purchase
- Other costs incurred in acquiring the land

Unless approved in advance by the Legislature, an institution cannot use these funds to acquire land for a branch campus or educational center that is not a separate degree granting institution created by general law.

- b) Construction and equipping of buildings or other permanent improvements, for the purpose of these guidelines, are defined as follows:

Constructing and equipping: The process of erecting buildings and providing equipment which will assure that the buildings can be used for the purposes intended, and the constructing and equipping of other permanent

improvements. This category includes additions to, and equipping of, existing buildings.

Buildings: Roofed structures (conventional or underground) housing operations. This category includes storage structures and additions to buildings meeting this definition.

Other permanent improvements: Assets that enhance the quality of land or buildings or facilitate the use of land or buildings and that have finite but extended lives. Permanency is relative and should be interpreted in terms of the periods of usefulness. Only land can be considered permanent in any absolute sense.

(Examples of other permanent improvements: Paving; lighting; fences; sewers; electrical distribution systems; water systems; sewer systems; landscaping; air conditioning; elevators; vent hoods; energy management systems; mechanical, plumbing, and electrical systems; voice-and-data systems and computing systems.)

Systems that in normal usage could be moved from building to building or from room to room are not included as permanent improvements.

Cost of buildings may include:

- Original contract price or cost of construction
- Expenses for remodeling, reconditioning, or altering a purchased building to make it suitable for the purpose for which it was acquired
- Payment of unpaid or accrued taxes on the building to the date of purchase
- Cancellation or buy-out of existing leases
- Other costs relating to placing the asset into operation

Construction costs of buildings and other permanent improvements may include the costs of:

- The completed project
- Excavation, grading, or filling of land for a specific building (Preparation of plans, specifications, blueprints, etc.)
- Building permits
- Architects', engineers', and/or management fees for design and supervision
- Legal fees
- Temporary buildings used during construction
- Unanticipated costs such as rock blasting, piling, or relocation of channel of underground stream

- Drainage costs
- Land clearing
- Demolition of existing improvements
- Maintenance agreements purchased as part of the original acquisition (such as those for software application programs and operation systems or for energy management systems)

Equipping costs may include costs of:

- Original contract or invoice of the furnishings or equipment
- Freight-in, import duties, handling, and storage
- Specific in-transit insurance
- Sales, use, and other taxes imposed on the acquisition
- Site preparation
- Installation
- Testing and preparation for use
- Reconditioning used items when purchased
- Maintenance agreements purchased as part of the original acquisition
- Development of software application programs and operating systems

Without the prior approval of the legislature, appropriations under this section may not be expended for acquiring land with or without permanent improvements, or for constructing and equipping buildings or other permanent improvements, for a branch campus or educational center that is not a separate degree-granting institution created by general law.

- c) Major repairs or rehabilitation of buildings or other improvements may include, but is not limited to, the following categories:
- Repairs
 - Renovations
 - Replacements
 - Betterments

These improvements are normally expected to:

- Extend the useful life
- Improve operating efficiency
- Eliminate health and safety hazards
- Correct structural or mechanical defects
- Upgrade the quality of existing facilities
- Convert these assets to more useful functions

Cost of major repairs or rehabilitation of buildings or other improvements includes those items identified in item 2 above.

Routine maintenance is not a HEF-eligible improvement.

- d) Acquisition of capital equipment, library books, and library materials, for the purposes of HEF expenditures, include the following definitions and guidelines:

Capital equipment: Fixed or moveable tangible assets to be used for operations, the benefits of which extend over more than one fiscal year. These assets may be purchased from an outside vendor or constructed or developed by university employees. Computer software operating systems and application programs are considered capital equipment under this definition; routine maintenance is not allowable.

Equipment costs may include costs of:

- Original contract or invoice of the furnishings or equipment
- Freight-in, import duties, handling, and storage
- Specific in-transit insurance
- Sales, use, and other taxes imposed on the acquisition
- Site preparation
- Installation
- Testing and preparation for use
- Reconditioning used items when purchased
- Maintenance agreements purchased as part of the original acquisition
- Development costs of computer software

Library: For the purposes of these guidelines, a collection of books and/or materials in locations approved by university administration that are accessible to the general university community.

Library book: A literary composition bound into a separate volume, generally identifiable as a separately copyrighted unit. Books should be distinguished from periodicals and journals.

Library materials: Information sources other than books (either owned or accessed), which provide information essential to the learning process, or which enhance the quality of university library programs, including

- Journals
- Periodicals
- Microforms
- Audiovisual media
- Computer-based information
- Manuscripts
- Maps
- Documents

Cost of library books and library materials may include the costs of

- Invoice price of books or library materials
- Freight-in, handling, and insurance
- Binding
- Electronic access
- Reproduction and like costs
- Similar costs required to put these assets in place, excluding library salaries

e) HEF funds may be used to acquire assets by using any of the following procurement methods:

- Purchase
- Lease/Purchase
- Lease

Refunding bonds or notes: The governing board of each institution covered by Article VII, Section 17 is authorized to issue bonds to refund outstanding bonds or notes. Only bond proceeds issued under this section can be used to refund bonds issued under prior law.