items may have an expected useful life of more than one (1) year, but are of nominal value and are expensed. This would include paper products, toner, paper clips, pens, pencils, and other similar items.

11.2.006 Capital equipment is fixed or moveable tangible assets to be used for operations, the benefits of which extend over more than one (1) fiscal year and cost $250.00 or more. Reference section 04.04 a. for specific guidelines related to ().

11.3 PROCEDURES FOR THE USE OF () FUNDS

11.3.001 In accordance with Article VII, Section 17(a) of the Texas Constitution, Higher Education Funds are appropri-ated for the following purposes:

a. Acquisition of land, either with or without permanent improvements.
b. Construction and equipping of buildings or other permanent improvements.
c. Major repair or rehabilitation of buildings or other permanent improvements.
d. Acquisition of capital equipment, library books, and library materials.
e. Payment of principal and interest on bonds issued under this authority.

Reference Section 04. for additional information.

11.3.002 HEF funds are to be used only for Educational and General (E&G) purposes. HEF may not be used for:

a. Student housing
b. Intercollegiate athletics
c. Auxiliary enterprises

However, in the case of renovation of a building used in part for auxiliary enterprises, HEF may be used proportionally for the Education and General portion of the building.

11.3.003 Article VII also provides that governing boards may issue bonds or notes and pledge HEF funds for up to fifty (50) percent of money allocated to secure payment of the principal and interest on the bonds or notes.

11.4 ACCEPTABLE HEF EXPENDITURES AND RESTRICTIONS

11.4.001 Acquisition of land with or without permanent improvements: For the purposes of HEF expenditures, the following definitions and guidelines apply:

a. 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.
b. Cost of land may include:
   1) Purchase price
   2) Commissions
   3) Fees for examining and recording titles
   4) Surveying
   5) Drainage costs
   6) Land clearing
   7) Demolition of existing improvements (less salvage)
   8) Landfilling
   9) Grading
   10) Interest on mortgages accrued at date of purchase
   11) Other costs incurred in acquiring the land
c. 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.

11.4.002 Construction and equipping of buildings or other permanent improvements, for the purposes of these guidelines, are defined as follows:

a. Constructing and equipping: The process of erecting buildings and providing equipment that 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. It does not include consumable supplies.
b. Buildings: Roofed structures (conventional or underground) housing operations. This category includes storage structures and additions to buildings meeting this definition.
c. 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; computing systems; and the like.

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

d. Cost of buildings may include:
   1) Original contract price or cost of construction;
   2) Expenses for remodeling, reconditioning, or altering a purchased building to make it suitable for the purpose for which it was acquired;
   3) Payment of unpaid or accrued taxes on the building to the date of purchase;
   4) Cancellation or buy-out of existing leases;
   5) Other costs related to placing the asset into operation.

e. Construction costs of buildings and other permanent improvements can include the costs of:
   1) The completed project;
   2) Excavation, grading, or filing of land for a specific building;
   3) Preparation of plans, specifications, blueprints, etc.;
   4) Building permits;
   5) Architects', engineers', and/or management fees for design and supervision;
   6) Legal fees;
   7) Temporary buildings used during construction;
   8) Unanticipated costs such as rock blasting, piling, or relocation of channel of underground stream;
   9) Drainage costs;
   10) Land clearing;
   11) Demolition of existing improvements;
   12) Maintenance agreements purchased as part of the

original acquisition (such as those for software application programs and operation systems or for energy management systems).

f. Equipping costs can include costs of:
   1) Original contract or invoice of the furnishings or equipment;
   2) Freight-in, import duties, handling, and storage;
   3) Specific in-transit insurance;
   4) Sales, use, and other taxes imposed on the acquisition;
   5) Site preparation;
   6) Installation;
   7) Testing and preparation for use;
   8) Reconditioning used items when purchased;
   9) Maintenance agreements purchased as part of the original acquisition;
   10) Development of software application programs and operating systems.

g. Unless approved in advance by the Legislature, institutions cannot use these funds for constructing and equipping buildings and other improvements for a branch campus or educational center that is not a separate degree-granting institution created by general law.

11.4.003 Major repairs or rehabilitation of buildings or other improvements can include, but is not limited to, the following categories:

- Repairs
- Renovations
- Replacements
- Improvements

a. These improvements are normally expected to:
   1) Extend the useful life in excess of one (1) year
   2) Improve operating efficiency
   3) Eliminate health and safety hazards
   4) Correct structural or mechanical defects
   5) Upgrade the quality of existing facilities
   6) Convert these assets to more useful functions

b. HEF funds may be used to purchase hardware and building supplies for use on “major”construction or renovation projects. This does not include projects for routine maintenance, repairs, cleaning, painting, replacement of a part/component with a comparable part, minimal increase in life expectancy of an existing building. Qualifying HEF projects must have a total cost exceeding $1,500.00.

c. Locks for Lamar University buildings are to be keyed only by Facilities personnel. Contractors on both new construction and major renovation projects, through the lock manufacturer, may cut four (4) keys per lock. This expense is part of the construction cost and may be charged against HEF funds. However, additional keys for new construction or major renovation projects will be charged to the requesting department's operating account and not the respective project furniture and equipment account.

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

a. Capital equipment: Fixed or moveable tangible assets to be used for operations, the benefits of which extend over more than one (1) fiscal year and cost $250 or more. 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 an allowable HEF expenditure.

b. Equipment costs can include costs of:
   1) Original contract or invoice of the furnishings or equipment
   2) Freight-in, import duties, handling, and storage
   3) Specific in-transit insurance
   4) Sales, use, and other taxes imposed on the acquisition
   5) Site preparation
   6) Installation
   7) Testing and preparation for use
   8) Reconditioning used items when purchased
   9) Maintenance agreements purchased as part of the original acquisition

10) Development costs of computer software
11) Equipment parts may be purchased with HEF funds if the part(s) materially extends or increases the useful life of an existing piece of equipment. HEF may also be used for the purchase of parts or accessories for incorporation into a newly purchased piece of equipment. In these cases, the purchase order description must clearly identify the purchase's HEF allowable purchase category, and refer to parent equipment by indicating the LU inventory number, the equipment serial number, and/or the parent equipment''s original purchase order number.

c. 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.

d. 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.

e. 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:
   1) Journals
   2) Periodicals
   3) Microforms
   4) Audiovisual media
   5) Computer-based information
   6) Manuscripts
   7) Maps
   8) Documents

f. Cost of library books and library materials can include the costs of:
   1) Invoice price of books or library materials
   2) Freight-in, handling, and insurance
   3) Binding
   4) Electronic access
   5) Reproduction and like costs
   6) Similar costs required to put these assets in place, excluding library salaries

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

11.4.006 Lamar University service departments (such as Facilities, Data, Voice and Video Networking, Print Shop and Copy Center Services) may be paid from HEF accounts for capital expenditures only. A purchase order (P.O.) must be prepared and processed through the Purchasing Office (includes Facilities Management Purchasing office). The P.O. is to show the department performing the work as the vendor and must follow the HEF guidelines stated in this policy. Failure to process a purchase order for desired HEF expenditures may result in charges being made against a local account.

11.4.007 Advance payments are not allowed from HEF funds.

11.4.008 HEF funds may not be utilized for operating expenses or to purchase consumable supplies.

11.4.009 HEF funds are on deposit in the State Treasury and must be expended there from. Consequently procurement cards cannot be issued on HEF accounts.

11.4.010 The Director of Procurement Services is authorized to determine whether an expenditure is in accordance with HEF restrictions and guidelines. Purchases which do not conform will require another source of funding. Facilities Management approves construction and renovation expenditures.

11.5 ALLOCATION PROCEDURES

11.5.001 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 (5) years.

11.5.002 Annual Lamar University 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, institutional complexity, and specified set-asides. The amount of the annual allotment is determined for the 10-year period, subject to a review at the end of five (5) years.

11.5.003 On an annual basis, during the budget process for each fiscal year, the Vice President for Finance and Operations will recommend a cash flow statement for specific allocations for construction of new buildings, demolition, and land acquisition; major repairs and renovations; for research and teaching equipment; for library books and eligible materials; and for information technology equipment. These internal allocations will be determined in conjunction with discussions with key academic and administrative officials and groups as well as the incorporation of the approved construction schedule in the most current Campus Master Plan. All new requests for HEF money, not included in the cash flow statement, must go before the President's Staff for approval.

11.5.004 When construction projects exceed available funds, consideration by the President's Staff will be given to the issuance of HEF bonds.

11.5.005 Upon approval, the Vice President for Finance and Operations will prepare the HEF budget for submittal to the Board of Regents at the August meeting. The budget will show HEF expenditures for the current fiscal year and HEF expenditures for the coming fiscal year.

11.5.006 After September 1, of each year, the Assistant Vice President for Finance will initiate the creation and funding of HEF accounts based upon the purposes for which the funds were allocated and notify the authorized signatories.

11.5.007 HEF allocations are provided and budgeted for a specified fiscal year and are generally encumbered or expended within that fiscal year. Unless approval is granted to allow for expenditure over a longer finite period of time, the allotment is subject to reallocation to other university projects.

11.5.008 HEF funds must be maintained in segregated HEF accounts and may not be transferred to non-HEF accounts. Non-HEF funds may not be transferred into or intermixed with HEF funds.