

## Operations of New Buildings

As shown in the statutes printed on the following pages, the Commission is to approve Operations and Maintenance (O&M) requests that are an incremental increase in appropriation or expenditure of tax funds and are a direct result of a capital construction project.

Typically in Nebraska, 46% to 62% of public higher education general operating funds are supported by state appropriations. In the case of the Community Colleges, state general funds range from 67% to 82%. In addition, the Community Colleges receive some support from local property taxes. Tuition and mandatory fees also contribute to the operations of the institutions. It is important for the state to sufficiently fund public higher education.

The Commission further believes it is very important to have sufficient O&M dollars to adequately maintain newly constructed or newly renovated facilities. Prior to 2007-09 biennium, the state funded an increase in appropriations for operating and maintenance costs that were associated with new building openings. However, for 2007-09, the state did not provide additional O&M for new or renovated buildings.

The Commission addresses maintenance of educational facilities in its current *Comprehensive Plan*. The Plan states that:

- Adequate and stable funding will be available for maintenance, repair, renovation, and major construction projects as identified in the comprehensive facilities planning and review processes.
  - The state and institutions should provide adequate funding for appropriate maintenance of facilities to provide a safe, accessible, and energy-efficient physical environment.

Without the state's financial support of new and renovated buildings, particularly academic facilities, there will not be sufficient funds to maintain the facilities in the "as new" condition provided by renovation or new construction. This lack of funding could reverse much of the gains made over the past decade from LB 1100 and LB 605. It is vital for cost efficiency and effectiveness, as well as long-term

stewardship, for the state to provide ongoing state support for approved capital construction projects.

The Commission recognizes the importance of high-quality, well-maintained facilities to support institutional efforts in offering exemplary programs and has been an ardent supporter of well-maintained and efficiently utilized buildings. It is critical that proper planning for operations and maintenance be accomplished to protect Nebraska's considerable investment in state-supported facilities, presently valued at \$2.3 billion.

For the past four biennia the state funded operations and maintenance (O&M) requests for new construction or renovation, including research facilities. For the current biennium (2007-2009), the state did not provide increased funding for any new building openings. While it might be reasonable to expect the institutions to fund some or all of the O&M for research buildings from the Facilities and Administration (F&A) funding received from research contracts, it is quite detrimental to the upkeep of academic facilities if the state does not provide some additional funding for the operations and maintenance of new or renovated academic buildings.

**The most important part of this scenario is the need for a consistent state policy which allows the institutions to plan for the ongoing operations and maintenance of all their facilities within their available resources. The Commission is not advocating that the state necessarily needs to fund all of the O&M for new building openings, but is advocating for a consistent policy of funding so the institutions can plan their budgets accordingly.**

For certain O&M projects, the University has requested additional funding beyond the level justified by space additions. The University should identify these funds as “catch-up” dollars because a facility’s O&M was not funded, prior to renovation, at a level appropriate to maintain the newly renovated facility. The Commission will place such facility requests under the category of “Requested O&M Not Directly Related to Construction Projects.”

Since the “catch-up” dollar requests do not require Commission approval, the Commission will provide a recommended funding level for each request and a rationale for the recommended level of funding. The Governor and Legislature will determine the appropriate level of funding, if any.

According to statutes, the Commission can modify the University and State College continuation budget requests and remove funds requested for new building openings for buildings that have not been approved by the Commission during the capital construction approval process. The Commission cannot recommend funds for projects it has not yet reviewed or approved during its construction review process. Also, the Commission cannot recommend more funds than the original program statement cited as O&M costs for those projects unless the Commission reviews the projects again. These requirements are detailed in statute 85-1402 as shown below.

85-1402. Terms, defined. For purposes of the Coordinating Commission for Postsecondary Education Act:

(1)(a) Capital construction project shall mean a project which utilizes tax funds designated by the Legislature and shall be: Any proposed new capital structure; any proposed addition to, renovation of, or remodeling of a capital structure; any proposed acquisition of a capital structure by gift, purchase, lease-purchase, or other means of construction or acquisition that (i) will be directly financed in whole or in part with tax funds designated by the Legislature totaling at least the minimum capital expenditure for purposes of this subdivision or (ii) is likely, as determined by the institution, to result in an incremental increase in appropriation or expenditure of tax funds designated by the Legislature of at least the minimum capital expenditures for the facility’s operations and maintenance costs in any one fiscal year within a period of ten years from the date of substantial completion or acquisition of the project. No tax funds designated by the legislature shall be appropriated or expended for any incremental increase of more than the minimum capital

expenditure for the costs of the operations and utilities of any facility which is not included in the definition of capital construction project and thus is not subject to commission approval pursuant to the Coordinating Commission for Postsecondary Education Act. No institution shall include a request for funding such an increase in its budget request for tax funds designated by the Legislature nor shall any institution utilize any such funds for such an increase. The Governor shall not include in his or her budget recommendations, and the Legislature shall not appropriate, such funds for such increase.

(1)(b)(ii) Incremental increase shall mean an increase in appropriation or expenditure of tax funds designated by the Legislature of at least the minimum capital expenditure for a facility's operations and maintenance costs, beyond any increase due to inflation, to pay for a capital structure's operations and maintenance costs that are a direct result of a capital construction project.

This year, all O&M requests over the \$85,000 threshold level, which triggers Commission review, were submitted or are in the process of being submitted as required by statute. Some requests this biennium are for projects with O&M requests below the threshold. The Commission is not required to approve O&M requests below the threshold but has the responsibility to recommend a level of funding for each request.

*Analysis of New Building Openings Requests:*

University of Nebraska

**UNL Physical Science Center**

UNL is constructing a 100,000 gross square foot (gsf) building for the Department of Physics and Astronomy and the Center for Materials Research and Analysis. The approved O&M request inflated to 2009-10 dollars is \$1,083,782. **The Commission recommends the funding of this request.**

**Keim Hall Renovation**

This is a complete renovation of the old Agronomy Building built in 1952. The facility contains 53,727 gsf. The Commission approved the project and the O&M of \$69,090 at its May 8, 2008 meeting. The request for project O&M is \$69,090 in 2009-10. **The Commission recommends the funding of this request.**

### **UNL Ashfall Fossil Falls – Hubbard Family Foundation Rhino Barn**

The Commission has received no information on this project. The 2009-10 request for O&M of \$50,560 is below the Commission's threshold and, consequently, does not need Commission approval. **The Commission does not object to the funding of this O&M request.**

### **UNL Animal Research Facility**

The project was a renovation of the Animal Research facility on East Campus constructed in 1976. Renovation occurred on 7,720 gsf. The project also constructed 3,440 gsf for mechanical equipment. The requested increase in O&M was for the new space and additional utilities in the renovated areas. The project and O&M of \$41,600/yr. were approved at the Commission's January 31, 2008 meeting. The requested O&M for 2009-10 is the same amount as approved — \$41,600. **The Commission recommends the funding of this request.**

### **UNL Barkley Memorial Addition**

The project is to renovate a portion of the building and construct an addition. The facility provides space for instructional programs, clinics, workshops/conferences and research related to special education, speech-language pathology and audiology. The program statement request for O&M was \$93,960 per year. The Commission approved this project and reviewed the related O&M request at its August 7, 2008 meeting.

The requested O&M for 2009-10 is \$245,135. This is far beyond the amount recommended by the Commission. **The Commission recommends funding the approved project O&M of \$93,960.** The Commission has placed the additional request of \$151,175 in the catch-up category.

### **UNL Forestry Hall**

The Commission has not received any information regarding this project. However, the request of \$14,828 for 2009-10 is below the Commission's threshold and does not require Commission approval, only a recommendation for funding. **The Commission does not object to the funding of this request.**

### **UNL Multicultural Center**

The project is to construct a new 32,447 gsf multicultural center on the east side of the student union to be connected to the union by an enclosed walkway. This is a revenue bond project funded with private donations and student fees. The

increased O&M of \$127,757 identified in the program statement is to be funded from student fees. The Commission recommended approval of the project as submitted at its December 6, 2007 meeting and agreed the O&M should be paid with student fees.

**The Commission does not recommend the 2009-10 requested O&M of \$127,757.** If UNL is now requesting state funding for the project, it will be considered a change in scope and must be returned to the Commission for approval before any state dollars can be appropriated to UNL and the University.

### **UNL Whittier Renovation**

The project is to renovate the entire building envelope and about 66,720 gsf of the building's 148,270 gsf total. The project would also renovate 13,000 gsf of the north annex for a childcare center. The approved project O&M request was for \$1,118,745 per year, minus \$107,317 per year to be financed from childcare fees.

Because the University's new building opening request for this project in 2009-10 is for the total O&M of \$1,118,745, the Commission is modifying the request to reflect the approved O&M and the University's agreement that \$107,317 per year would be paid from childcare fees.

**The Commission recommends funding of \$1,011,428.**

### **UNL Whittier North Annex**

There is no separate request for renovating the Whittier North Annex. UNL is requesting \$40,000 in 2009-10 for O&M. The portion not renovated into a childcare facility in the north annex was identified as vacant space at the time of the Whittier renovation. We have no information on the O&M for the north annex and, at this point, we do not have information on the use of the north annex of Whittier.

Normally the Commission would not recommend funding for this O&M request. However, the \$40,000 request is below the Commission's threshold; consequently **the Commission does not object to the funding of this request.**

### **Animal Science Complex Renovation**

The renovation would upgrade the heating, ventilation and air conditioning systems; repair and partially replace the roof, correct code deficiencies, and make plumbing and electrical renovations. The project and the O&M were approved at the

Commission's May 8, 2008 meeting. The approved O&M was \$301,100 and the requested O&M in 2010-11 for new building opening is \$301,100.

**The Commission recommends the funding of this request.**

### **UNL Barkley Phase 2**

The Commission has not received any information about the Barkley Phase 2 project. The requested O&M of \$75,000 in 2010-11 for the project is below the Commission's threshold. However, **the Commission is aware the O&M for the project is catch-up funding and the Commission has moved the funding request to the catch-up category.**

### **NanoScience Facility**

The project is to construct 22,500 gsf of new space attached to the physical science building and finish 9,150 gsf of generic lab space in the physical science building for nanotechnology research. The project and the O&M of \$170,728 were approved at the Commission's January 31, 2008 meeting. The requested O&M for 2010-11 is \$170,728.

**The Commission recommends the funding of this request.**

### **UNMC Research Center of Excellence II – Animal Care Center**

The Animal Care Center was part of the Commission's approval on September 12, 2006 of the Research Center of Excellence II. The Commission approved a total of \$3,088,703 for O&M per year. UNMC did not receive its requested O&M for the current biennium. Therefore, it is appropriate to request \$118,382 for 2009-10 for the still-needed funding for the Animal Care Center.

**The Commission recommends funding this request.**

### **UNMC College of Public Health**

**The project is for construction of a 52,500 gross square foot (gsf) College of Public Health (CPH) building at UNMC. The total project cost is estimated to be \$16.5 million with private donations as the source of funds. UNMC is requesting state funds of \$626,852 per year for O&M to operate the new facility beginning with the 2009-10 fiscal year.**

The Commission estimates the O&M to operate and maintain a medium-priced classroom facility would be about \$575,800 per year. The University's requested O&M of \$626,852 includes items such as communications and telephone costs. The Commission typically considers these types of items to be departmental budgeted operating expenses as opposed to O&M of a facility. Therefore, the Commission recommends O&M funding of \$575,800 instead of the requested \$626,852.

Further, it is estimated that completion of the project will be April 2010 so the full amount recommended to be funded in 2009-10 should be decreased to reflect three months of operating and maintenance dollars. The Commission recommendation is \$143,950 for 2009-10 and an additional \$431,850 for 2010-11.

#### **UNMC College of Nursing at Omaha**

The Commission is awaiting a complete program statement so it can begin reviewing the project.

The Commission cannot recommend funding over its threshold for a project it has not reviewed or approved. Therefore, **the Commission does not recommend funding for the requested \$506,889 until the Commission has approved the project and O&M.**

#### **UNMC Geriatrics Center**

The Commission has not received any information regarding this project at the Geriatrics Center. The requested O&M of \$68,534 for 2009-10 and \$4,125 for 2010-11 are below the Commission's threshold. **The Commission does not object to the funding of this request.**

#### **UNMC College of Dentistry**

The project is to renovate the entire facility to correct code deficiencies. The O&M identified in the program statement was to be below the Commission's threshold for review and only minimal in impact. The program statement was approved at the Commission's September 27, 2007 meeting.

The requested O&M for 2009-10 is \$46,000, which is below the Commission's threshold of \$75,000 (threshold limit at time of approval). However, the Commission is aware this request is for catch-up funding and has moved the request to the

catch-up category. **The Commission does not recommend funding this request in the regular New Building Openings section.**

### **UNO College of Business**

This project involves constructing a new College of Business Administration building, including parking and other site improvements, at the Pacific street location. Private donations of \$31,000,000 will be used to construct the new building. UNO is requesting \$1,081,405 in 2010-11 for O&M of the new facility. The project is currently under Commission review.

**The Commission recommends funding the \$1,081,405 requested for O&M contingent on Commission approval at the October 14, 2008 meeting.**

### **UNK Bruner Hall of Science**

This project is to renovate a majority of the two buildings built in 1966 and 1967. The project includes upgrading and enhancing teaching labs, research labs and support space. The project also includes a new planetarium, an entrance lobby, health sciences classrooms, herbarium collection and a code-compliant animal facility. The increase in O&M was \$60,816 and was approved at the Commission's December 6, 2007 meeting.

**The Commission recommends funding the \$60,816 request in 2009-10.**

### **UNK Central Utilities Plant**

This project is to replace the central utility plant buildings and equipment for the entire campus. The project would also correct major defects in the utility system and ensure a safe, dependable and economical means of providing steam, chilled water, electricity, fire protection and communications to all the major campus buildings. The program statement request for O&M of \$208,449 was approved at the Commission's December 6, 2007 meeting.

**The Commission recommends funding the \$208,449 O&M request in 2009-10.**

Nebraska College of Technical Agriculture, Curtis

**NCTA Education Building**

This project proposes to construct a 37,030 gsf education center. The proposed cost of the project is \$9,762,000 and would be funded with state funds and \$1 million in private donations. NCTA will request state funding for construction of the building in this biennial capital budget request. If funded by the state, funds will not be available to NCTA until at least June 2009.

NCTA is requesting \$47,500 in 2010-11 for O&M. The Commission's analysis indicates the O&M costs will be closer to \$109,000.

The Commission believes the project will not be complete prior to the beginning of the 2011-2013 biennium and, consequently O&M funding will not be needed until July 1, 2011. NCTA has an opportunity to request the O&M in its biennial budget request for the 2011-2013 and the Commission is hopeful the O&M request, at that time, will reflect a more accurate identification of O&M costs.

**The Commission does not recommend funding this biennial O&M request, at this time, for the above stated reasons.** However, the Commission will likely recommend funding an O&M request in the 2011-2013 biennial request.

Nebraska State Colleges

**Peru State College – A.V. Larson**

The Commission has not received information on the A.V. Larson project. However, the project O&M request of \$30,849 in 2009-10 is below the Commission's threshold and does not need Commission review.

**The Commission does not object to the funding of this O&M request.**

**Peru State College – Al Wheeler Center**

This project made improvements to Peru State College's health and fitness complex. The project cost in 2004 was \$4,799,000 funded by state appropriations. The O&M requested in the program statement and approved by the Commission was \$35,867 per year. Inflating the approved O&M to 2009 dollars results in an approved O&M of \$57,620.

The college requested \$91,993 in 2009-10 for O&M. The college's request did not take into consideration the funding already received for the A.D. Majors building, which was demolished. The activities from A.D. Majors were transferred to Al Wheeler and associated O&M dollars also were to be transferred. **The Commission modified the college's request and recommends O&M funding of \$57,620 in 2009-10.**

**Wayne State College – South Sioux City College Center**

This project proposes to construct a 44,530 gsf facility in South Sioux City to serve as a permanent facility for Northeast Community College and Wayne State College to offer courses and programs to the geographic area. The \$14,619,087 project cost will be funded from several sources, some of which have not been secured, so the project has not broken ground as of October 14, 2008.

The expenses and the O&M for the project will be divided between Northeast Community College and Wayne State College (WSC) according to an interlocal agreement between the parties. The proposed O&M is \$255,100 for 2010-11. Wayne State College's portion is \$127,550, as of November, 2006.

The Commission inflated the original O&M figure to 2010-2011 dollars resulting in an O&M expense for WSC of \$141,260. The college is expected to need the O&M at the opening of the building, which is projected to be in 2010-11. The college's amended request is for \$141,260 in 2010-11.

**The Commission recommends funding \$141,260 for O&M of the South Sioux City College Center, contingent upon timely building completion.**

