



Facility Operating and Maintenance Costs Inflationary Adjustment *January 1, 2022 through December 31, 2023*

Background: The Commission reviews, approves or disapproves, and monitors capital construction projects submitted by public postsecondary education institutions. Included are new capital structures, or any proposed addition, renovation, or acquisition of a capital structure that would be financed with tax funds above a minimum threshold.

Legislation: LB 440, signed by the Governor on May 22, 2009, revised the minimum capital expenditure threshold as follows: 1) a total project cost for construction or acquisition with at least \$2,000,000 in tax funds, or 2) for facility operations and maintenance (O&M) costs, a project that is likely, as determined by the institution, to result in an incremental increase of at least \$85,000 in tax funds in any one fiscal year within a period of ten years from the date of substantial completion or acquisition of the project. The \$2,000,000 threshold for tax funds used for construction or acquisition costs does not include an inflationary adjustment. The facility O&M costs threshold requires the Commission to review and make adjustments for inflation biennially.

Statutory language: Neb. Rev. Stat. § 85-1402 defines the threshold for facility operations and maintenance (O&M) costs as a base amount of eighty-five thousand dollars (\$85,000) for any one fiscal year. The base amount for the facility's operations and maintenance costs shall be subject to any inflationary or market adjustments made by the commission pursuant to this subdivision. The commission shall adjust the base amount on a biennial basis beginning January 1, 2010. The adjustments shall be based on percentage changes in a construction cost index and any other published index relevant to operations and utilities costs, both as selected by the commission in cooperation with the public institutions. The index or indices shall reflect inflationary or market trends for the applicable operations and maintenance or construction costs.

Methodology: LB 440's \$85,000 facility O&M costs threshold took effect in August 2009. The Commission has used the Commonfund Institute's annual *Higher Education Price Index* (HEPI) to measure facility O&M costs inflation. Sub-indices within HEPI that are relevant to facility O&M costs include: personnel compensation, supplies & materials costs, and utilities costs. The 2009 HEPI data has served as the starting point to measure inflationary increases for purposes of LB 440. Over the past 12 years the weighted facilities O&M cost index increased 12.84% to \$95,915 (see attached table).

Staff Recommendation: It is recommended that the facility O&M costs threshold for review remain an incremental increase in tax funds of \$95,000/year for the biennial period of January 1, 2022 through December 31, 2023.