

September 9, 2015

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: Programming and Design of USHE Facilities Prior to Funding

Background

Emanating from a discussion that took place during the Finance & Facilities Committee's July meeting, staff of the Office of the Commissioner was asked to bring back to the Committee, information regarding various components associated with a building project.

USHE Capital development projects consist in three major phases:

1. Programming/planning
2. Design
3. Construction

Programming/planning refers to pre-design services (typically contracted with a professional service provider) that identify building needs and resources. In this phase, potential building stakeholders (such as institutional administrators, building occupants, and operators) meet to provide input into the amount and type of space needed. Programming/planning helps clarify the project scope and cost.

Design consists of the creation of architectural drawings that include schematic and layout of space, interior and exterior renderings of the proposed building, and construction documents needed for a contractor to build the project.

Construction is the project phase where the programmed and designed project is actually built; the creation of the physical structure itself.

Issue

In 2015 the Legislature passed an appropriation bill (Senate Bill 3) that contained intent language to allow institutions of higher education to "use donated or institutional funds for planning and design of proposed capital developments." Subsequently, the State Board of Regents updated their *Capital Facilities* policy (R710) to require that institutions receive Regent approval prior to using donations/institutional funds for planning or design.

Authorization of *programming/planning* early in the project request process would appear to be appropriate and can in fact potentially add value to that process. Early programming/planning, while not necessarily

required, can enable institutions to better refine their project requests and better articulate the details of the projects they are requesting, thereby minimizing the number of changes to projects that sometimes currently occurs early in a project request cycle. Early programming/planning might also assist the Division of Facilities and Construction Management (DFCM) in preparing better project construction budget estimates (CBE's) for use throughout the project prioritization process.

Authorization of *design* early in the project request process would appear to typically be a riskier investment of institutional resources. Designing proposed projects too far in advance of securing construction funding runs the risk of having institutions prematurely invest sizable sums of money; sums that may need to be replicated should the design become obsolete prior to building funding being made available. Pre-funding design from institutional resources might also impact decision-makers' prioritization of the project; taking such an action in order to act before the design documents become obsolete – due to changes in code requirements or cost escalations that make the early design no longer viable .

Appropriation of design dollars on the part of the legislature is a different matter. When legislative appropriations – rather than institutional funds – are provided for design, there generally exists a stronger indication of future legislative “prioritization” support and for timely appropriation of construction funds. The inherent risk in design is lessened in these instances.

Finally, an advantage of early design should also be recognized. The design process can take upwards of a year for an institution to complete, so funding design a year prior to construction funding being available does allow a project to be “shovel ready” much more quickly. However, it is difficult to forecast legislative priorities, available state revenue, or future competition from other facility needs.

The table below shows actual costs of programming/planning, design, and construction for several recent USHE buildings. Programming/planning typically costs between 0.5% and 1% of the total project cost where design comes in anywhere from 5% to 8%. There are substantially more dollars “at risk” in design funding than programming/planning when considering the likelihood of obsolescence due to non-appropriation of construction budgets.

		Actual Expenditures				
	Project	Program	Design	Total Costs	% Prgm	% Dgn
DSU	Centennial Commons and Clock Tower	\$428,354	\$2,697,347	\$42,231,064	1.0%	6.4%
UU	Eccles School of Business	\$339,034	\$5,671,239	\$67,954,013	0.5%	8.3%
WSU	Davis Campus Professional Classroom	\$241,045	\$1,951,881	\$37,790,334	0.6%	5.2%
UVU	Student Wellness Center and Parking	\$295,838	\$2,825,099	\$50,488,077	0.6%	5.6%
UU	Student Life Center	\$243,311	\$3,075,506	\$47,564,204	0.5%	6.5%

Source: Division of Facilities, Construction and Management, Capital Project Closeout Reports

While not explicitly addressing the validity of funding programming/planning or design before construction, legislative actions and State Building Board policies have tended to indicate a preference for programming/planning funds and an aversion toward pre-funding design. The 2015 legislative intent language seems to be an exception to the general trend as the legislature has typically discouraged the phased funding of projects over multiple years. Additionally, the State Building Board has created an Administrative Rule that allows for funding of programming/planning prior to project funding being secured, and further allows the Building Board to pre-fund programming/planning on a case-by-case basis through the use of funds that the Board administers, but no such Building Board policy exists for design funding.

Commissioner's Recommendation

This is an informational item only, and is intended to provide further background to the Finance and Facilities Committee as it weighs future institutional requests for early programming/planning and/or design of capital development project requests.

David L. Buhler
Commissioner of Higher Education

DLB/GLS/RPAWRH