ISSUING AGENCY: State of New Mexico Higher Education Department.

SCOPE: All public post-secondary educational institutions operating within and receiving financial support from the state of New Mexico.

STATUTORY AUTHORITY: Authority for 5.3.9 NMAC is found in NMSA 1978 Sections 12-1-21.

DURATION: Permanent.

EFFECTIVE DATE: December 31, 1998, unless a later date is cited at the end of a section.

OBJECTIVE:
A. The objective of 5.3.9 NMAC is to establish a process by which the higher education department will review capital outlay funding recommendation packages developed by institutions and present those to the higher education department and submit those approved to the legislature annually.
B. The purpose of 5.3.9 NMAC is to provide public higher education institutions with an equitable process by which the department can review packages from institutions that contain capital projects, listed in priority order, that are considered to represent the greatest needs of the state and of the institutions. The higher education department will review requests for capital outlay funding submitted by postsecondary institutions and special constitutional schools, recommend the projects in priority order, and present funding recommendations for approval by the department.

DEFINITIONS: [RESERVED]

REVIEW CRITERIA:
A. Reviewing and recommending: In reviewing and recommending capital project requests, the higher education department will be guided by the general criteria listed below. Specific determinants for evaluating the projects may vary from year to year as the immediate capital needs of the institutions evolve and as requirements for code compliance are revised. These influences will be explained each year in the capital project recommendations document prepared for the New Mexico legislature. In general, the higher education department will give preference to the following types of projects:
   (1) projects which are strongly related to instructional programs and which support an institutions mission and particular role;
   (2) projects to provide high quality educational settings which represent up-to-date technologies;
   (3) projects which are necessary to accommodate enrollment growth;
   (4) projects to address major health and safety problems and elimination of physical barriers to handicapped persons;
   (5) projects resulting from unforeseen conditions that if uncorrected would result in major property deterioration;
   (6) projects to renovate facilities or to make wise use of other existing resources whenever feasible and economical;
   (7) projects to improve utilities systems or building energy efficiency that will result in rapid capitalization of initial costs and long-term reduction of energy costs;
   (8) projects for which there is no other available or more appropriate funding source, such as building renewal and replacement funds, local bonds, revenue bonds, auxiliary revenues, or research revenues.
B. Projects eligible for capital outlay recommendation: Capital outlay projects which are primarily used to support the following activities are eligible for consideration by the higher education department for state funding:

1. Instruction: Instructional space includes classrooms, laboratories, other teaching facilities, and office space for faculty deans, and instructional department heads and related clerical staff.
2. Library: All activities necessary to operate libraries are eligible.
3. Administration services: All activities related to student services or institutional administration are included in this category (e.g., admissions, administrative vice presidents, comptroller, computer center, dean of students, maintenance work shops, placement services, university architect, vocational director).
4. Research: Only four-year institutions may submit requests for state funds for capital outlay projects to house research activities which will enhance fulfillment of the institution's mission. All sponsored research and organized research units, including administration and management of research activities, may qualify for support.
5. Public service: Institutions may submit requests for state funds for capital outlay projects to house public service activities. Eligibility under this category is limited to sponsored public service activities and organized public service units, such as public broadcasting services, small business development centers, and cooperative extension services. See Subsection C of 5.3.9.8 NMAC below for activities not eligible for state funding.
6. Physical plant: Circulation and support space, such as halls, restrooms, and mechanical equipment rooms, for buildings housing eligible activities will be included in all capital outlay projects. In addition, the following types of projects are eligible for consideration: stand-alone utility structures such as heating and cooling plants, electric substations, and utility tunnels; physical plant shops offices and storage areas; and site improvements for infrastructure systems such as roads, parking lots, drainage or storm sewers, water or wastewater, telecommunications cables, or heating/cooling loops.
7. Multi-use facilities: Capital projects with buildings that house more than one activity, one or more of which are eligible for state funding, may be submitted. However, only space devoted to eligible activities may be considered for state funding. A plan for funding the ineligible space from non-state sources must be included with the proposed project. For individual projects with common space used for both eligible and ineligible activities, state funding will be prorated based upon the percentage of time and amount of space allocated to eligible activities; the balance must be supported from other sources. (See the proration formula in Subsection D of 5.3.9.8 NMAC.)
8. Land acquisitions: Land to be used for eligible activities will be considered for state funding.

C. Projects ineligible for capital outlay recommendation: Capital outlay projects which are primarily used for the following activities are not eligible for higher education department recommendation:
1. Non-instructional athletics, such as intercollegiate sports. Examples of ineligible facilities are Pan American center at NMSU and the UNM arena.
2. Recreational or entertainment events, for either students or the general public. Single purpose auditoriums such as Popejoy hall at UNM are ineligible.
3. All auxiliaries, such as bookstores, golf courses, student unions, student housing, etc. These operations are not eligible for state funding and are expected to be fully self-supporting and self-liquidating from the revenues generated by their operations.

D. Proration of funding: When a multi-use building will be used for both eligible and ineligible activities, the funding request must be prorated between state and other sources according to the amount of time and space devoted to eligible vs. ineligible activities. For example: A new fine arts building is being proposed with a total of 70,000 gross square feet (GSF) at a cost of $80/GSF, for a total of $5,600,000. Net assignable square feet (NASF) within the building will be 56,000. Of this amount, 35,000 NASF will be used by activities eligible for state funding; 15,000 NASF will be multi-use 60 percent of the time for eligible activities (instruction) and 40 percent of the time for ineligible activities (community concerts); and 6,000 NASF is ineligible. To determine the portion of the total capital project that is eligible for consideration for state funding, the following formula is used:

1. \( \frac{ES + (MU \times EU)}{NASF} \times GSF \times \text{cost per GSF} = \text{State funding for eligible space} \)
2. \( \frac{35,000 + (15,000 \times .60)}{45,000} \times 70,000 \times \$80 = \$4,400,000 \)
3. \( \text{ES} = \text{Eligible net assignable square feet} \)
4. \( \text{MU} = \text{Multi-use net assignable square feet} \)
5. \( \text{EU} = \text{Eligible use (percent of available time used for eligible activities)} \)
E. Exceptions for two-year colleges: Space for certain functions that are ineligible for state funding at four-year institutions, such as bookstore operations, food services, community services, and student social, cultural, recreational activities, may be included as a portion of capital projects submitted by two-year colleges. The rationale for this exception is that two-year colleges usually do not have large-scale auxiliary enterprises which can provide an adequate revenue stream for financing auxiliary facilities. These exceptions apply only if a two-year college has provided the required local match of 25 percent as described in the following Subsection F of 5.3.9.8 NMAC.

F. Required local match: For two-year institutions, the higher education department requires local matching participation in the amount of 25 percent of the total cost for each project or group of projects. However, the higher education department may waive or reduce the 25 percent matching requirement if the institution is not authorized to issue local general obligation bonds, is at maximum bonding capacity, or has already contributed from local sources at least 25 percent of all construction costs, including the cost of the proposed project.

5.3.9.9 INSTITUTIONAL FACILITY PLANNING: Each four-year university and two-year college must have on file at the higher education department a current five-year institutional plan containing the information on capital resources which is required by the institutional planning guidelines. The required information for branches of four-year institutions may be included in the main campus institutional plan, but must be provided in full for each branch campus.

HISTORY OF 5.3.9 NMAC:
Pre-NMAC History: The material in this part was derived from that previously filed with the State Records Center and Archives under:
BEF Rule 430, Capital Budgets-Planning and Funding Recommendations, 2/27/85.
CHE Rule 430, Capital Budgets-Planning and Funding Recommendations, 10/26/90.

History of Repealed Material: [RESERVED]