

AGENDA

Budget Development Work Group

Council on Postsecondary Education

Tuesday, August 8, 2017

1:00 PM

Conference Room A

1. Opening Remarks	
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a. Operating Funds (Table 1)	22
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2) Workforce Development Trust Fund	
c. Special Initiatives	
1) Workforce Education and Training (UofL)	
2) Increase Engineering Graduates (UofL)	
3) Mandated KERS/KTRS Increases (Table 6)	27
4) Competitive Workforce Initiative (KCTCS)	
5) Dual Credit Enrollment Waivers (KCTCS)	
d. Capital Projects	
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4. Council on Postsecondary Education (Potential Components) (Table 8)	29
a. Inflation Adjustment	
b. Contract Spaces	
c. Commonwealth College (or Western Governors' Association)	
d. Military Student Initiative	
e. SREB Doctoral Scholars	
f. Student Success Grants	
5. Other Business	30
6. Adjournment	
Next Meeting: September 10, 2017 @ 6pm	

Council on Postsecondary Education
2018-20 Biennial Budget Request Development Timeline
August 8, 2017

Group	Date	Activity
CBO Meeting	May 31, 2017	<ul style="list-style-type: none"> • Share timeline and discuss process. • Review funding components, amounts, and rationale from previous biennia. • Review updated funding model and draft administrative regulations. • Discuss funding components for 2018-20.
Presidents' Meeting	June 7, 2017	<ul style="list-style-type: none"> • Update presidents regarding progress. • Review updated funding model and draft administrative regulations. • Discuss funding components for 2018-20.
BDWG Meeting	June 15, 2017	<ul style="list-style-type: none"> • Share timeline and discuss process. • Review funding components, amounts, and rationale from previous biennia. • Review updated funding model and draft administrative regulations. • Discuss funding components for 2018-20.
CBO Meeting	June 21, 2017	<ul style="list-style-type: none"> • Continue discussion of 2018-20 funding components. • Initiate discussion of funding amounts and rationale for request.
CBO Meeting	July 19, 2017	<ul style="list-style-type: none"> • Continue discussion of 2018-20 funding components. • Continue discussion of funding amounts and rationale for request.
Presidents' Meeting	August 2, 2017	<ul style="list-style-type: none"> • Update presidents regarding progress. • Continue discussion of 2018-20 funding components. • Initiate discussion of funding amounts and rationale for request.
BDWG Meeting	August 8, 2017	<ul style="list-style-type: none"> • Continue discussion of 2018-20 funding components. • Initiate discussion of funding amounts and rationale for request.
CBO Meeting	August 23, 2017	<ul style="list-style-type: none"> • Formulate draft funding recommendation to share with presidents. • Draft will include funding components, amounts, and rationale for the request.
➔ Presidents' Call	September 5, 2017	<ul style="list-style-type: none"> • Review draft funding recommendation. • Discuss funding components, amounts, and rationale for the request.
BDWG Meeting/ Dinner	September 10, 2017	<ul style="list-style-type: none"> • Update Council regarding 2018-20 budget development process. • Review draft funding recommendation. • Discuss funding components, amounts, and rationale for the request.
Presidents' Meeting	September 12, 2017	<ul style="list-style-type: none"> • Continue discussion of draft funding recommendation.
CBO Meeting	September 20, 2017	<ul style="list-style-type: none"> • Modify funding recommendation based on input from presidents and BDWG. • Review and discuss preliminary presentation materials.
Presidents' Meeting	October 4, 2017	<ul style="list-style-type: none"> • Review and discuss modified funding recommendation. • Review and discuss preliminary presentation materials.
BDWG Meeting	October 17, 2017	<ul style="list-style-type: none"> • Review and discuss modified funding recommendation. • Review and discuss preliminary presentation materials.
➔ Joint Meeting of CBOs & Presidents	October 18, 2017	<ul style="list-style-type: none"> • Finalize funding recommendation. • Finalize presentation materials.
BDWG Meeting	November 2, 2017	<ul style="list-style-type: none"> • Review and discuss final funding recommendation.
Council Meeting	November 3, 2017	<ul style="list-style-type: none"> • Council takes action on proposed 2018-20 biennial budget recommendation.
CPE Staff	November 15, 2017	<ul style="list-style-type: none"> • Budget Submission

-- Revised August 2, 2017



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Budget Development Work Group Meeting
August 8, 2017



BUDGET REQUEST INPUT SUMMARY

Operating Funds

- Seven of nine institutions support a request for performance funding (UK, UofL, ECU, KSU, NKU, WKU, KCTCS)
- UK proposes matching 10% of campus formula base with new state funds of 5% in FY19 and 10% in FY20
- UofL believes the performance funding request should be “reasonable” (given declining state revenue; pension situation)
- ECU proposes performance funding for equalization:
 - \$13.0 M in 2018-19
 - \$56.0 M in 2019-20 (added to 1st year)
- KSU supports a request to minimize tuition increases



Operating Funds (Cont'd)

- NKU proposes performance funding sufficient to achieve equilibrium among universities (\$20.0 M to \$50.0 M)
- WKU supports funding to:
 - Achieve equilibrium
 - Offset inflationary increases
 - Support growth in outcomes
- KCTCS supports two performance funding components:
 - 1) Inflationary increases (\$4.4 M in FY19; \$8.8 M in FY20)
 - 2) Growth in outcomes (\$4.2 M in FY20)
- Two of nine institutions believe the state should focus on other priorities (MoSU, MuSU)

Operating Funds (Cont'd)

- MoSU supports sufficient funding to maintain the current base (i.e., no further reductions)
- MuSU believes the primary focus should be on:
 - Asset preservation
 - Funding mandated pension increases
- UK supports an inflationary increase of 2% per year for mandated programs excluded from the funding model.
- Four other institutions support inflationary increases for mandated programs (EKU, KSU, MoSU, KCTCS)

Trust Funds

- Four of eight institutions either do not support a request for trust funds or would prefer to focus on other priorities (MoSU, MuSU, NKU, WKU)
- UK supports another round of funding for Bucks for Brains at \$120.0 million, distributed using historic proportions, and \$5.0 million for KCTCS (WDTF).
- UofL supports another round of funding for Bucks for Brains and can match \$25.0 million in state funds. Using historic proportions, funds would be distributed:
 - UK @ \$50.0 M
 - UofL @ \$25.0 M
 - Comprehensives @ \$15.0 M



Trust Funds (Cont'd)

- KSU supports continued funding for the Comprehensive University Excellence Trust Fund
- KCTCS supports a \$5.0 million appropriation for the Workforce Development Trust Fund
- One institution did not respond (EKU)

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Special Initiatives

- Seven of nine institutions support funding for mandated KERS/KTRS increases (EKU, KSU, MoSU, MuSU, NKU, WKU, KCTCS)
- EKU proposes funding for KERS/KTRS increases:
 - \$2.9 M in 2018-19
 - \$3.1 M in 2019-20
- KSU supports funding to offset mandated KERS rate increases
- MoSU supports funding for:
 - Mandated KERS/KTRS increases
 - Dual enrollment high school programs (e.g., Craft Academy)
- MuSU supports funding for pension contributions

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Special Initiatives (Cont'd)

- NKU proposes statement supporting funding for KERS rate increases as pass-through excluded from model
- WKU supports funding for any retirement rate increases
- KCTCS proposes funding for three initiatives:
 - \$19.1 M each year for Competitive Workforce Initiative
 - \$11.0 M each year to offset cost of dual credit tuition waivers
 - \$ 3.3 M in 2018-19
 - \$ 5.6 M in 2019-20 } for mandated KERS/KTRS increases
- UK did not identify any special initiatives
- UofL proposes funding for two initiatives:
 - \$1.0 M for workforce development and training
 - \$4.8 M to increase the number of engineering graduates

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Capital Projects

- Seven of nine institutions support a request that focuses on asset preservation (UofL, ECU, KSU, MoSU, MuSU, NKU, KCTCS)
- UofL proposes an asset preservation request equal to 5% to 10% of each institution's state appropriation
- ECU supports \$300.0 million in agency bonds generated by student fee, along with General Fund supported debt
- KSU supports a capital request that is focused on asset preservation
- MoSU is supportive of state funding to address asset preservation based on reasonable % of VFA study need

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Capital Projects (Cont'd)

- MuSU does not support a student fee, is open to a campus match, and has proposed a request for 25% of VFA renewal needs
- NKU supports state funding for asset preservation, without a student fee or required campus match
- KCTCS supports option to assess \$2.⁰⁰ per credit hour fee and has proposed a lower match for their sector
- UK supports top priority projects for state bonds
- WKU believes operating funds should take precedence over capital funding

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DISCUSSION OF FUNDING COMPONENTS

Potential Areas of Agreement

Based on input received to date, there are three areas where there seems to be general agreement:

- ✓ The Council's 2018-20 budget request should include additional General Fund appropriations for **Performance Funding**
- ✓ All comprehensive universities and KCTCS would support additional appropriations to offset anticipated **KERS/KTRS** increases
- ✓ Most institutions believe the Council's capital request should focus on **Asset Preservation** and renovation, as opposed to **New Construction**

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Remaining Decision Points

→ Operating Funds

- What amounts should be requested for **Performance Funding** in FY19? In FY20?
- Should the Council's Operating Funds request include inflationary increases for **Mandated Programs**?
- Should a request for **Growth in Outcomes** be included?
- What constitutes a "reasonable" operating request?
- What is the most compelling rationale for each subcomponent?

Remaining Decision Points

→ Trust Funds

- Should a request for Bucks for Brains be included?
- What about a request for Workforce Development?
- If yes, in what amounts?

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Remaining Decision Points (Cont'd)

→ Special Initiatives

- Which of the following special initiatives, if any, should be included in the Council's 2018-20 budget request?
 - Workforce development and training? (UofL)
 - Increase number of engineering graduates? (UofL)
 - Mandated KERS/KTRS increases? (Comps, KCTCS)
 - Competitive Workforce Initiative? (KCTCS)
 - Offset cost of dual credit enrollment waivers? (KCTCS)
- For each initiative included, what amount of funding?
- What is the compelling rationale? Benefit to the state?

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Remaining Decision Points (Cont'd)

→ Capital Projects

- Should the Council's capital request be limited to **Asset Preservation** only? Or include **New Construction**?
- What amount of state bond funds should be requested for Asset Preservation?
- What is an appropriate method for allocating Asset Preservation bond funds among institutions?
- Should the Council and institutions lobby for something other than the traditional dollar for dollar match?
- If so, what level of match? On what basis?

Remaining Decision Points (Cont'd)

→ Capital Projects (Cont'd)

- Should a portion of campus matching funds be supported with a system wide student fee?
- If some institutions support a fee, and others do not, should a fee be allowed on a case by case basis?
- What is the best mechanism for allowing fees on a case by case basis? Statutory? Budget bill language? Council policy?
- Should the Council's capital request include funding for **Information Technology and Equipment**?



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2018-20 Biennial Budget Development Process

Budget Development Work Group Meeting
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Council on Postsecondary Education
 2018-20 Biennial Budget Development Process
 Table 1 - Sample Operating Funds Request

Draft - For Discussion Purposes
 August 8, 2017

Sector/Funding Component	Fiscal Year 2018-19	Fiscal Year 2019-20	
Public Universities			
Performance Funding ⁽¹⁾	\$17,265,100	\$34,530,200	
Mandated Program Request ⁽²⁾	2,165,300	4,373,800	
Growth in Outcomes ⁽³⁾	0	13,108,900	← Growth Dependent
University Total	\$19,430,400	\$52,012,900	
Percent Increase on FY18 Base (\$705.3 M)	2.8%	7.4%	
KCTCS Institutions			
Performance Funding ⁽¹⁾	\$4,379,400	\$8,758,800	
Mandated Program Request ⁽²⁾	242,000	488,900	
Growth in Outcomes ⁽³⁾	0	4,159,700	← Growth Dependent
KCTCS Total	\$4,621,400	\$13,407,400	
Percent Increase on FY18 Base (\$181.6 M)	2.5%	7.4%	
Postsecondary System			
Performance Funding ⁽¹⁾	\$21,644,500	\$43,289,000	
Mandated Program Request ⁽²⁾	2,407,300	4,862,700	
Growth in Outcomes ⁽³⁾	0	17,268,600	← Growth Dependent
System Total	\$24,051,800	\$65,420,300	
Percent Increase on FY18 Base (\$886.9 M)	2.7%	7.4%	

⁽¹⁾ Assumes that the State funds half of inflationary cost increases each year of the upcoming biennium, calculated by applying a 2.0% annual inflation factor to 2015-16 Education and Related spending, and that the other half of the cost increases are funded with net tuition and fee revenue or some other institutional revenue source. Distribution of these funds would not be growth dependent. Any appropriated funds would be distributed in their entirety, regardless of whether outcome levels increase, decrease, or remain the same.

⁽²⁾ Calculated by applying a 2.0% inflationary increase each year of the upcoming biennium to the fiscal year 2016-17 mandated program appropriation base, as reported by the institutions.

⁽³⁾ Assumes 1.75% growth each year of the upcoming biennium on all student success metrics and the course completion metric, for an aggregate total of 3.5% growth on all outcomes metrics over two years. These funds would only be distributed among institutions within sector to the extent that growth goals were realized (e.g., if 50% of the state's growth goals were attained, 50% of the appropriated funds would be distributed).

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2018-20 Biennial Budget Development Process

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Table 2 - Sample Performance Funding Request (Sized at 50% of Education and Related Expenditures)

Fiscal Year 2015-16 Expenditure Data

Spending Category	UK	UofL	EKU	KSU	MoSU	MuSU	NKU	WKU	University Total	KCTCS
Direct Costs of Educating Students										
Instruction	\$301,463,000	\$286,693,000	\$94,619,751	\$9,460,901	\$46,762,383	\$68,688,820	\$73,211,000	\$110,706,132	\$991,604,987	\$209,215,000
Student Services	44,570,000	30,625,000	20,914,604	5,317,646	15,606,236	16,678,323	28,019,000	33,231,140	194,961,949	60,519,000
Total	\$346,033,000	\$317,318,000	\$115,534,355	\$14,778,547	\$62,368,619	\$85,367,143	\$101,230,000	\$143,937,272	\$1,186,566,936	\$269,734,000
Mission Related (Dollars)										
Instruction + Student Services	\$346,033,000	\$317,318,000	\$115,534,355	\$14,778,547	\$62,368,619	\$85,367,143	\$101,230,000	\$143,937,272	\$1,186,566,936	\$269,734,000
Research	256,021,000	144,197,000	850,676	6,461,012	2,067,977	1,995,122	1,574,000	7,299,227	420,466,014	0
Public Service	184,214,000	121,720,000	44,082,183	7,514,740	7,871,431	7,737,975	13,848,000	14,774,737	401,763,066	33,477,000
Total Mission Related	\$786,268,000	\$583,235,000	\$160,467,214	\$28,754,299	\$72,308,027	\$95,100,240	\$116,652,000	\$166,011,236	\$2,008,796,016	\$303,211,000
Mission Related (Percentages)										
Instruction + Student Services	44.0%	54.4%	72.0%	51.4%	86.3%	89.8%	86.8%	86.7%	NA	89.0%
Research	32.6%	24.7%	0.5%	22.5%	2.9%	2.1%	1.3%	4.4%	NA	0.0%
Public Service	23.4%	20.9%	27.5%	26.1%	10.9%	8.1%	11.9%	8.9%	NA	11.0%
Total Mission Related	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	NA	100.0%
Operational Support										
Academic Support	\$74,600,000	\$134,842,000	\$21,301,922	\$2,859,099	\$10,858,492	\$7,373,974	\$18,148,000	\$19,024,604	\$289,008,091	\$31,386,000
Institutional Support	58,643,000	69,720,000	31,959,358	10,749,748	17,700,622	22,369,649	29,175,000	43,041,450	283,358,827	79,995,000
Operation and Maintenance	83,420,000	47,746,000	22,091,352	4,627,724	12,607,268	15,711,777	18,820,000	30,443,008	235,467,129	70,685,000
Libraries	22,198,000	0	4,368,699	0	3,581,845	3,833,459	6,006,000	5,894,086	45,882,089	7,010,000
Total Indirect Spending	\$238,861,000	\$252,308,000	\$79,721,331	\$18,236,571	\$44,748,227	\$49,288,859	\$72,149,000	\$98,403,148	\$853,716,136	\$189,076,000
E&R Spending Calculation										
Instruction	\$301,463,000	\$286,693,000	\$94,619,751	\$9,460,901	\$46,762,383	\$68,688,820	\$73,211,000	\$110,706,132	\$991,604,987	\$209,215,000
Student Services	44,570,000	30,625,000	20,914,604	5,317,646	15,606,236	16,678,323	28,019,000	33,231,140	194,961,949	60,519,000
Indirect Cost Allocation	105,121,600	137,272,100	57,398,300	9,372,900	38,597,200	44,244,400	62,610,500	85,318,800	539,935,800	168,200,400
Total E&R Spending	\$451,154,600	\$454,590,100	\$172,932,655	\$24,151,447	\$100,965,819	\$129,611,543	\$163,840,500	\$229,256,072	\$1,726,502,736	\$437,934,400
X Inflation Factor	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Estimated One-Year Cost Increase	\$9,023,100	\$9,091,800	\$3,458,700	\$483,000	\$2,019,300	\$2,592,200	\$3,276,800	\$4,585,100	\$34,530,100	\$8,758,700

E&R = Education and Related

Note: Over the past 10 years the average annual growth rate in HEPI has been 2.0%.

Assumed Inflation Factor: 2.0%

State Appropriations @ 50.0%	→	\$17,265,100	\$4,379,400
Net Tuition and Fee Revenue @ 50.0%	→	17,265,100	4,379,400
		\$34,530,200	\$8,758,800

Source: Kentucky Public Universities, Audited Financial Statements.

Council on Postsecondary Education
2018-20 Biennial Budget Development Process

Draft - For Discussion Purposes
August 8, 2017

Table 3 - Sample Mandated Program Request (Sized at 2.0% Increase Each Year)

	A	B	(A x B) C	(A + C) D	(B x D) E	(D + E) F	(C + E) G
Institution	Fiscal 2016-17 Mandated Program Appropriations ⁽¹⁾	Inflation Factor	Additional Budget Request 2018-19	Sample 2018-19 Mandated Program Appropriations	2nd Year Inflationary Increase ⁽²⁾	Sample 2019-20 Mandated Program Appropriations	Additional Budget Request 2019-20
UK	\$85,903,000	2.0%	\$1,718,100	\$87,621,100	\$1,752,400	\$89,373,500	\$3,470,500
UofL	741,600	2.0%	14,800	756,400	15,100	771,500	29,900
EKU	2,400,000	2.0%	48,000	2,448,000	49,000	2,497,000	97,000
KSU	6,736,000	2.0%	134,700	6,870,700	137,400	7,008,100	272,100
MoSU	3,080,000	2.0%	61,600	3,141,600	62,800	3,204,400	124,400
MuSU	2,487,400	2.0%	49,700	2,537,100	50,700	2,587,800	100,400
NKU	1,323,900	2.0%	26,500	1,350,400	27,000	1,377,400	53,500
WKU	5,594,600	2.0%	111,900	5,706,500	114,100	5,820,600	226,000
Universities	\$108,266,500		\$2,165,300	\$110,431,800	\$2,208,500	\$112,640,300	\$4,373,800
KCTCS	12,101,300	2.0%	242,000	12,343,300	246,900	12,590,200	488,900
System Total	\$120,367,800		\$2,407,300	\$122,775,100	\$2,455,400	\$125,230,500	\$4,862,700

Assumed Inflation Factor: 2.0%

⁽¹⁾ As reported on FD-10 Form in CPE Comprehensive Database, contained in budget bill language, or reported by campus CBOs to Council staff.

⁽²⁾ Calculated by multiplying Sample 2018-19 Mandated Program appropriations by 2.0%, which results in a compounding effect in the second year.

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2018-20 Biennial Budget Development Process

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Table 4 - Sample Growth in Outcomes Request for the Universities (@ Assumed 1.75% Annual Growth Factor)

Fiscal Year 2019-20	A	B	(A ÷ B) C	D	B x (1 + D) E	(E - B) F	(C x F) G
Metric Category	Fiscal 2017-18 Formula Amounts	Spring 2017 Outcome Levels	Average Subsidy per Outcome	Assumed 2-Year Growth Factor	Spring 2019 Outcome Levels	Change in Outcomes	Additional Budget Request
Bachelor's Degrees	\$48,363,200	22,314	\$2,167	3.50%	23,095	781	\$1,692,400
STEM+H Degrees	26,868,400	6,667	4,030	3.50%	6,900	233	939,000
URM Degrees	16,121,000	2,232	7,223	3.50%	2,310	78	563,400
Low Income Degrees	16,121,000	11,392	1,415	3.50%	11,791	399	564,600
Progression @ 30	16,121,000	16,759	962	3.50%	17,346	587	564,700
Progression @ 60	26,868,400	17,382	1,546	3.50%	17,990	608	940,000
Progression @ 90	37,615,600	21,132	1,780	3.50%	21,872	740	1,317,200
Earned Credit Hours	188,078,600	4,337,293	\$43	3.50%	4,489,098	151,805	6,527,600
Total Student Outcomes	\$376,157,200						\$13,108,900
			Assumed Annual Growth Factor:	1.75%			

Note: Outcomes have been weighted to reflect differences in cost structures and mission between research and comprehensive universities.

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Table 5 - Sample Growth in Outcomes Request for KCTCS (@ Assumed 1.75% Annual Growth Factor)

Fiscal Year 2019-20

	A	B	(A ÷ B) C	D	B x (1 + D) E	(E - B) F	(C x F) G
Metric Category	Fiscal 2017-18 Formula Amounts	FY 2015-16 Outcome Levels	Average Subsidy per Outcome	Assumed 2-Year Growth Factor	Spring 2019 Outcome Levels	Change in Outcomes	Additional Budget Request
3-Year Average Credentials	\$16,950,400	61,695	\$275	3.50%	63,854	2,159	\$593,725
Weighted Course Completion	59,326,300	1,487,531	40	3.50%	1,539,595	52,064	2,082,556
Progression @ 15	3,390,100	13,689	248	3.50%	14,168	479	118,792
Progression @ 30	6,780,100	8,551	793	3.50%	8,850	299	237,107
Progression @ 45	10,170,100	9,513	1,069	3.50%	9,846	333	355,977
URM Credentials	3,390,100	3,340	1,015	3.50%	3,457	117	118,755
Low Income Credentials	3,390,100	20,222	168	3.50%	20,930	708	118,944
Underprepared Credentials	3,390,100	6,696	506	3.50%	6,930	234	118,404
STEM+H Credentials	3,390,100	10,687	317	3.50%	11,061	374	118,558
Targeted Industry Credentials	3,390,100	23,244	146	3.50%	24,058	814	118,844
High-Wage, High Demand Credentials	1,695,000	7,191	236	3.50%	7,443	252	59,472
Transfer	3,390,100	12,695	\$267	3.50%	13,139	444	118,548
Total Student Outcomes	\$118,652,600	1,665,054					\$4,159,682

Assumed Annual Growth Factor: 1.75%

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Table 6 - Estimated Change in KERS Employer Contributions @ 17.41 Percentage Point Rate Increase

Institution	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Prior Year \$ Increase ÷ 9.82 ppts	Assumed % Point Increase	Estimated Change
EKU	5,582,014	7,128,767	7,274,362	11,006,608	11,645,333	13,595,004			17,051,598
Dollar Change from Prior Year		1,546,753	145,595	3,732,246	638,726	1,949,670	\$198,541	x 17.41	= 3,456,594
Percent Change from Prior Year		28%	2%	51%	6%	17%			25%
KSU	1,033,097	1,218,109	1,318,359	1,897,438	1,666,338	1,905,216			2,328,727
Dollar Change from Prior Year		185,012	100,250	579,078	(231,100)	238,879	\$24,326	x 17.41	= 423,511
Percent Change from Prior Year		18%	8%	44%	-12%	14%			22%
MoSU	2,393,369	2,754,338	3,238,837	4,448,492	4,075,987	4,598,421			5,524,651
Dollar Change from Prior Year		360,969	484,498	1,209,656	(372,505)	522,434	\$53,201	x 17.41	= 926,230
Percent Change from Prior Year		15%	18%	37%	-8%	13%			20%
MuSU	3,091,598	3,673,449	4,151,439	5,603,360	5,493,137	6,702,701			8,847,153
Dollar Change from Prior Year		581,852	477,990	1,451,921	(110,223)	1,209,564	\$123,174	x 17.41	= 2,144,452
Percent Change from Prior Year		19%	13%	35%	-2%	22%			32%
NKU	8,151,548	10,305,331	11,330,218	15,706,421	15,374,606	17,989,109			22,624,393
Dollar Change from Prior Year		2,153,783	1,024,887	4,376,202	(331,815)	2,614,503	\$266,243	x 17.41	= 4,635,285
Percent Change from Prior Year		26%	10%	39%	-2%	17%			26%
WKU	5,070,164	6,104,780	6,913,516	9,713,638	9,657,838	10,194,081			11,144,792
Dollar Change from Prior Year		1,034,616	808,736	2,800,122	(55,799)	536,242	\$54,607	x 17.41	= 950,711
Percent Change from Prior Year		20%	13%	41%	-1%	6%			9%
KCTCS	4,870,055	7,044,419	8,626,064	11,715,110	10,642,140	11,285,416			12,425,888
Dollar Change from Prior Year		2,174,364	1,581,645	3,089,046	(1,072,971)	643,276	\$65,507	x 17.41	= 1,140,472
Percent Change from Prior Year		45%	22%	36%	-9%	6%			10%
TOTAL	30,191,845	38,229,194	42,852,795	60,091,066	58,555,379	66,269,948			79,947,202
Dollar Change from Prior Year		8,037,349	4,623,601	17,238,271	(1,535,687)	7,714,569	\$785,598	x 17.41	= 13,677,255
Percent Change from Prior Year		27%	12%	40%	-3%	13%			21%
Rates									
KERS Non-Hazardous Rate	19.82	23.61	26.79	38.77	38.77	48.59			66.00
Percentage Point Change		3.79	3.18	11.98	-	9.82			17.41
KERS Hazardous Rate	28.98	29.79	32.21	26.34	26.34	23.82			

Note: The Non-Hazardous rate in 2016-17 is 48.59%. For 2018-19, an assumed rate of 66.00% is being used, or an increase of 17.41 percentage points.

Council on Postsecondary Education
 2018-20 Biennial Budget Development Process

Draft - For Discussion Purposes Only
 August 8, 2017

Table 7 - Sample Request for Asset Preservation Bond Funds

	A	B	(A x B) C	(C ÷ 2) D	(C ÷ 2) E	(D + E) F	(F ÷ A) G
<u>Institution</u>	<u>2013 VFA Study Renovation and Renewal Need</u>	<u>2018-20 Asset Preservation Target Percent</u>	<u>2018-20 Asset Preservation Target Dollars</u>	<u>General Fund Debt Supported State Bonds</u>	<u>Institution Matching Funds</u>	<u>Total State Bonds & Campus Match</u>	<u>% of Need Addressed</u>
University of Kentucky	\$2,242,371,690	20.0%	\$448,474,300	\$224,237,200	\$224,237,200	\$448,474,400	20.0%
University of Louisville	1,032,082,314	20.0%	206,416,500	103,208,300	103,208,300	206,416,600	20.0%
Eastern Kentucky University	438,941,880	20.0%	87,788,400	43,894,200	43,894,200	87,788,400	20.0%
Kentucky State University	113,775,480	20.0%	22,755,100	11,377,600	11,377,600	22,755,200	20.0%
Morehead State University	321,567,480	20.0%	64,313,500	32,156,800	32,156,800	64,313,600	20.0%
∞ Murray State University	347,559,030	20.0%	69,511,800	34,755,900	34,755,900	69,511,800	20.0%
Northern Kentucky University	294,015,940	20.0%	58,803,200	29,401,600	29,401,600	58,803,200	20.0%
Western Kentucky University	537,724,980	20.0%	107,545,000	53,772,500	53,772,500	107,545,000	20.0%
KCTCS	758,556,630	20.0%	151,711,300	75,855,700	75,855,700	151,711,400	20.0%
	<u>\$6,086,595,424</u>		<u>\$1,217,319,100</u>	<u>\$608,659,800</u>	<u>\$608,659,800</u>	<u>\$1,217,319,600</u>	20.0%
	Target Funding Percentage:	20.0%	Maximum Request Percent of Total	50.0%	50.0%	100.0%	

Council on Postsecondary Education
 2018-20 Biennial Budget Development Process
 Table 8 - Sample CPE Agency Budget Request

Draft - For Discussion Purposes
 August 8, 2017

	Operating		Capital
	2018-19	2019-20	
Beginning Base (2017-18 levels)	\$ 41,566,000	\$ 41,566,000	
Additional Budget Requests			
1 Defined Calculations	TBD	TBD	
2 Inflationary Increases (2.5%)	\$ 897,100	\$ 1,794,200	\$ -
3 Contract Spaces - Maintain Spaces	698,200	698,200	-
4 Commonwealth College or Western Governors' Association	2,420,000 4,000,000	2,420,000 -	4,000,000 -
5 Military Student Initiative	TBD	TBD	2,000,000
6 SREB Doctoral Scholars?	TBD	TBD	-
7 Student Success Small Grants?	TBD	TBD	
8 Other?	TBD	TBD	-
Capital Only			
Kentucky Regional Optical Network			1,000,000



COPY

Kentucky Council on Postsecondary Education

Matthew G. Bevin
Governor

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Frankfort, Kentucky 40601
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<http://www.cpe.ky.gov>

Robert L. King
President

August 8, 2017

The Honorable Stan Humphries
The Honorable Daniel Elliott
Co-Chairs
Capital Planning Advisory Board
Capitol Annex, Room 34
Frankfort, Kentucky 40601

Dear Senator Humphries and Representative Elliott:

As requested, the Council on Postsecondary Education (CPE) is providing input to guide development of the 2018-2024 Statewide Capital Improvements Plan. The Board requested that the Council review and identify capital projects to be financed with General Fund appropriations that represent the highest priority needs of the postsecondary system. A summary of the projects submitted by the institutions is attached, as well as, lists identifying the top five asset preservation and renovation projects as ranked by each university (top 10 for KCTCS) and the top two new and expanded space projects as ranked by the universities (top four for KCTCS).

Over the past several biennia, CPE has used a multi-biennia, blended approach to address asset preservation and new construction needs simultaneously in each biennium. This approach was consistent with the primary recommendation of the 2007 *Statewide Facilities Assessment & Space Adequacy Study* conducted by VFA, Inc., and Paulien & Associates, and the Capital Planning Advisory Board (CPAB) endorsed this approach in 2011, 2013, and 2015. For the 2018-20 biennium, however, CPE is recommending that any General Fund appropriations for capital be used exclusively to support asset preservation and information technology and equipment. While we recognize that the campuses have needs for new and expanded space, the critical condition of facilities on our campuses leads us to recommend focusing more heavily on asset preservation and information technology.

As has been the case the past three biennia, the 2018-20 capital budget development process will be focused on long-term capital funding, and upgrading existing space to modern standards. Using this approach, the highest priority for the postsecondary system is a pool of asset preservation funding for the institutions and the second highest priority is funding for an information technology and equipment pool. For each institution, we have identified the top ranked eligible projects in both of these categories, and have included for your reference the top new and expanded space projects as identified by the institutions. All of the projects:

- Directly support HB 1 goals, the 2011-15 Strategic Agenda, and statewide economic development goals;
- Support each institution's Council-approved mission;
- Provide for the completion of projects authorized in a prior biennium, which, if not funded, may compromise the viability of a facility's intended use;
- Address the need for space as indicated by space utilization standards and the space needs model;
- Address explicit needs to retool, remodel, or replace existing space; and
- Significantly reduce the capital renewal and maintenance burden of the institution.

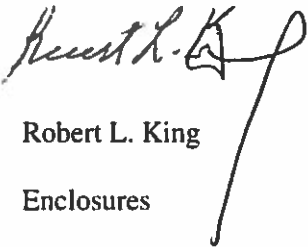
The Honorable Daniel Elliott
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August 8, 2017

CPE staff, with outside expert assistance, evaluated information technology projects submitted by the institutions using the same business value and risk assessment method used by the Commonwealth Office of Technology (COT) to evaluate state agency projects. In other words, projects deemed to have both high business value and low risk were considered "high value" projects. Of the 17 total projects submitted, seven rank as high value projects.

The attached list of postsecondary projects is for planning purposes only and is subject to change as my staff and I continue to develop the 2018-20 capital budget recommendation, which will be presented for Council approval November 3. For the past four biennia, CPE has recommended pools of funding for the institutions to address asset preservation and new construction simultaneously. Given the need for asset preservation on the campuses, CPE's 2018-20 request will focus on addressing the need for asset preservation identified by the 2007 VFA study. In 2013, VFA updated their cost projections and estimated this need at \$6.1 billion at the system level. We are working with VFA to update these figures again prior to our budget submission.

We look forward to discussing these matters with you at the August 15 CPAB meeting. If you have any questions in the meantime, please contact Bill Payne or Shaun McKiernan, on my staff, at (502) 573-1555.

Sincerely,



Robert L. King

Enclosures

cc: Bill Payne
University Presidents
KCTCS President

Council on Postsecondary Education
2018-20 Statewide Capital Plan Priorities (from the 2018-2024 Capital Plan)
General Fund Projects

As part of the 2016-18 biennial budget request, the Council on Postsecondary Education recommended that the Governor and General Assembly appropriate \$600 million for capital projects (not including information technology projects) at Kentucky's public colleges and universities. This request was characterized as the "second installment" of a three-biennia (six year) \$1.8 billion capital budget plan that would use a new pooled approach for allocating capital funding among institutions. CPE made a similar request in 2014-16, and the General Assembly, through HB 235 (2014) and HB 298 (2015), appropriated \$607.9 million in state funded capital projects for the postsecondary institutions, with 39% (\$240.1 million) of that total going to asset preservation and renovation projects and 61% (\$367.8 million) going to new and expanded space projects.

Both the 2014-16 and 2016-18 capital requests for the postsecondary institutions advocated for a pool of funding for each institution, and each institution would be required to use nearly half of those funds for asset preservation. Funds in the pool were allocated to each institution based on a formula that took into account various factors, including differences in deferred maintenance needs, FTE student enrollment, extramural research expenditures, and total public funds across campuses. This approach was adopted to achieve a fair distribution of capital funds to each institution. When each institution's top project is funded, fairness is difficult to maintain, and there's less flexibility to address multiple, smaller, but potentially more critical, capital projects.

For 2018-20, rather than requesting state funds for both asset preservation and new construction, the Council and postsecondary institutions have decided to focus on asset preservation. Several factors converged to support this position: a growing inventory of facilities and infrastructure in need of asset preservation and renovation; increasing construction costs; and minimal state investment in asset preservation since 2007. The 2007 VFA Study identified immediate asset preservation needs for the postsecondary education system of \$5.09 billion. According to study projections, the total need was expected to grow to \$6.30 billion by 2012-16 and to \$7.25 billion by 2017-2021. In 2013, VFA updated the 2007 study to account for expanding construction costs and identified a \$6.09 billion immediate need for asset preservation.

Recognizing the critical asset preservation needs at each campus, CPE recommends that the state and institutions adopt a more aggressive approach to address asset preservation that envisions a decade-long partnership and commitment. CPE staff anticipates recommending a sufficient level of General Fund supported bond debt, that when combined with some level of institutional matching funds, addresses 20 percent of the identified asset preservation need, or \$1.2 billion, in 2018-20. With a similar level of investment each biennium over the following four biennia, the current need as identified by VFA will be addressed.

While the specific method of allocating state bond funds among institutions has not yet been determined, each institution's share of system total asset preservation need will be a prominent component of the distribution. Each institution will have the flexibility to use their pool of funding for any asset preservation projects included in the enacted biennial budget. This will allow institutions to fund their highest priority project or multiple smaller, but perhaps even more critical campus projects. For this reason, the total cost of listed projects necessarily exceeds the amount of requested funds.

It is possible that project priorities at the institutions could change before the Council takes action on the recommended capital budget on November 3. Attached are summary lists of asset preservation, new construction, and information technology and equipment projects that were submitted by the institutions through capital planning system. The project rankings were provided by the institutions.

CPE Preliminary Proposed 2018-20 General Fund Pools and Eligible Projects

System Priority/Project Category	<u>GF Pool</u>	<u>Proposed Projects - GF</u>	
1 Asset Preservation & Renovation (Attachment 2)	\$600,000,000	\$1,035,747,800	<- top 5 projects*
2 Information Technology Projects (Attachment 4)	<u>50,000,000</u>	<u>67,531,000</u>	<- submitted projects
Information Technology and Equipment	\$650,000,000	\$1,103,277,800	

Proposed Projects by Institution (Attachments 2-4)	Asset Preservation	IT Submitted	New/Expanded	All Categories	% of
	<u>Top 5 Projects*</u>	<u>Projects</u>	<u>Top 2 Projects*</u>	<u>Gen. Fund Total</u>	<u>Total</u>
Eastern Kentucky University	\$ 73,000,000	\$ -	\$ 93,154,000	\$ 166,154,000	10%
Kentucky Community & Technical College System	148,300,000	9,500,000	96,500,000	254,300,000	16%
Kentucky State University	46,326,800	17,000,000	59,804,000	123,130,800	8%
Morehead State University	63,559,000	11,539,000	38,324,000	113,422,000	7%
Murray State University	161,162,000	6,992,000	-	168,154,000	10%
Northern Kentucky University	35,400,000	165,000,000	92,000,000	292,400,000	18%
University of Kentucky (no projects in plan)	185,000,000	-	-	185,000,000	12%
University of Louisville	100,000,000	-	-	100,000,000	6%
Western Kentucky University	<u>323,000,000</u>	<u>6,000,000</u>	<u>121,600,000</u>	<u>459,600,000</u>	29%
	\$1,035,747,800	\$67,531,000	\$ 501,292,000	\$1,604,570,800	100%
Model allocations	\$600,000,000	\$50,000,000		\$ 650,000,000	

*For KCTCS, the highest 10 asset preservation projects and highest four new/expanded projects are included. The highest five asset preservation and highest two new/expanded projects are included for the universities. If a university has fewer than five asset preservation projects or fewer than two new/expansion projects, all projects are included in that category.

2018-2024 Capital Plan - 2018-20 Top GF Asset Preservation Projects (maximum # of projects: 5 for universities, 10 KCTCS)

CPE preliminary request amount for asset preservation projects pool is \$600,000,000

	PRIORITY	PROJECT	GENERAL FUND	OTHER	TOTAL
EKU	3	Renovate and Upgrade Heat Plant	5,500,000	-	5,500,000
	4	Renovate Mechanical Systems Pool	5,000,000	5,000,000	10,000,000
	5	Renovate Moore Building	40,000,000	-	40,000,000
	6	Renovate Whalen Complex	<u>22,500,000</u>	<u>2,000,000</u>	<u>24,500,000</u>
		Total	73,000,000	7,000,000	80,000,000
KCTCS	3	Capital Renewal and Deferred Maintenance Pool	31,600,000	-	31,600,000
	4	Renovate Hartford Building – Jefferson CTC	24,300,000	-	24,300,000
	5	Upgrade Welding Shop – Big Sandy CTC, Mayo	1,500,000	-	1,500,000
	6	Renovate Southeastern Campus - Owensboro CTC	3,700,000	-	3,700,000
	7	Renovate Occupational Tech Building - Elizabethtown CTC	14,900,000	-	14,900,000
	8	Renovate Main Campus Bldgs.-Southcentral KY CTC	18,100,000	-	18,100,000
	9	Renovate and/or Construct Admin Bldg – Maysville CTC	13,000,000	-	13,000,000
	10	Renovate Downtown Campus – Owensboro CTC	2,500,000	-	2,500,000
	11	Renovate Main Bldg, Ph II – Ashland CTC	36,500,000	-	36,500,000
	12	Relocate Student Center – Henderson CTC	<u>2,200,000</u>	-	<u>2,200,000</u>
		Total	148,300,000	-	148,300,000
	KSU	3	Academic and Student Success Center	28,967,000	-
4		Repair Boilers and Aging Distribution Lines Ph II	11,410,000	-	11,410,000
5		Renovation & Renewal Projects Pool	<u>5,949,800</u>	<u>17,200</u>	<u>5,967,000</u>
	Total	46,326,800	17,200	46,344,000	
MoSU	1	Renovate Combs Classroom Building	31,761,000	-	31,761,000
	2	Repair Camden-Carroll Library Facade	9,592,000	-	9,592,000
	6	Water Plant Sediment Basin	1,880,000	-	1,880,000
	10	Renovate Lloyd Cassity Building	18,481,000	-	18,481,000
	11	Replace Electrical Switchgear B	<u>1,845,000</u>	-	<u>1,845,000</u>
	Total	63,559,000	-	63,559,000	
MuSU	1	Facilities Renewal and Modernization	32,000,000	-	16,494,000
	2	Renovate/Preserve Historic E&G Buildings	40,000,000	-	40,000,000
	3	Capital Renewal & Building Modernization	78,000,000	-	78,000,000
	4	Complete Life Safety: E&G Pool < \$1,000,000	3,888,000	-	3,888,000
	5	Complete ADA Compliance: E&G Pool < \$1,000,000	<u>7,274,000</u>	-	<u>7,274,000</u>
	Total	161,162,000	-	161,162,000	
NKU	2	Repair Structural Heaving Landrum/Fine Arts	7,000,000	-	7,000,000
	3	Repair Civic Center Building	4,900,000	-	4,900,000
	4	Renovate Albright Health Center Phase II	10,500,000	6,000,000	16,500,000
	5	Renovate Campbell Hall	6,000,000	-	6,000,000
	6	Renew Nunn Hall	<u>7,000,000</u>	-	<u>7,000,000</u>
		Total	35,400,000	6,000,000	41,400,000
UK	1	Facilities Renewal and Modernization	125,000,000	125,000,000	250,000,000
	2	Improve Funkhouser Building	<u>60,000,000</u>	-	<u>60,000,000</u>
	Total	185,000,000	125,000,000	310,000,000	
UofL	1	Upgrade – STEM Instruction Building	50,000,000	-	50,000,000
	2	Capital Renewal and Upgrade Pool	<u>50,000,000</u>	<u>50,000,000</u>	<u>100,000,000</u>
	Total	100,000,000	50,000,000	150,000,000	
WKU	2	Replace Underground Infrastructure	55,000,000	-	55,000,000
	3	Renovate Helm/Cravens Library	68,300,000	-	68,300,000
	4	Renovate Ogden College of Science & Engineering Facility	75,800,000	-	75,800,000
	5	Renovate Potter College Arts & Letters Facilities	96,400,000	-	96,400,000
	6	Renovate Academic Complex	<u>27,500,000</u>	-	<u>27,500,000</u>
		Total	323,000,000	-	323,000,000

SYSTEM SUMMARY - Asset Preservation

# projects	Top Projects (max. of 5 for universities, 10 for KCTCS)	General Fund	Other	Total	GF%
4	Eastern Kentucky University	\$73,000,000	\$7,000,000	\$80,000,000	6%
10	Kentucky Community and Technical College System	148,300,000	-	148,300,000	13%
3	Kentucky State University	46,326,800	17,200	46,344,000	4%
5	Morehead State University	63,559,000	-	63,559,000	6%
5	Murray State University	161,162,000	-	161,162,000	14%
5	Northern Kentucky University	35,400,000	6,000,000	41,400,000	3%
2	University of Kentucky	185,000,000	125,000,000	310,000,000	16%
2	University of Louisville	100,000,000	50,000,000	150,000,000	9%
5	Western Kentucky University	<u>323,000,000</u>	-	<u>323,000,000</u>	28%
41	Total	\$1,035,747,800	\$188,017,200	\$1,323,765,000	100%

2018-2024 Capital Plan - 2018-20 Top GF New/Expansion Projects (maximum # of projects: 2 for universities, 4 KCTCS)

	PRIORITY	PROJECT	GENERAL FUND	OTHER	TOTAL
EKU	1	Construct College of Education Complex	<u>93,154,000</u>	-	<u>93,154,000</u>
		Total	93,154,000	-	93,154,000
KCTCS	1	Expansion of Pikeville Campus Big Sandy CTC (Add'l)	28,000,000	-	28,000,000
	2	Const Arts & Hum Bldg Somerset CC North (Add'l)	25,600,000	-	25,600,000
	17	Const Student/Classroom-Bluegrass CTC, Newtown	30,000,000	-	30,000,000
	20	Const Muhlenberg Campus, Phase II, Madisonville CTC	<u>12,900,000</u>	-	<u>12,900,000</u>
		Total	96,500,000	-	96,500,000
KSU	1	Construct Health Sciences Center	18,008,000	-	18,008,000
	2	Construct Business & Technology Center	<u>41,796,000</u>	-	<u>41,796,000</u>
		Total	59,804,000	-	59,804,000
MoSU	3	Construct Ctr for Health Education & Research Ph II	23,527,000	-	23,527,000
	4	Construct Vet Tech Clinical Sciences Center	<u>14,707,000</u>	-	<u>14,707,000</u>
		Total	38,234,000	-	38,234,000
MuSU	NA	No New/Expanded Projects identified	-	-	-
		Total	-	-	-
NKU	1	Expand Herrmann Science Center	<u>92,000,000</u>	-	<u>92,000,000</u>
		Total	92,000,000	-	92,000,000
UK	NA	No New/Expanded Projects identified	-	-	-
		Total	-	-	-
UofL	NA	No New/Expanded Projects identified	-	-	-
		Total	-	-	-
WKU	1	Construct New Gordon Ford College of Business	120,100,000	-	120,100,000
	12	Construct Tertiary Data Center	<u>1,500,000</u>	-	<u>1,500,000</u>
		Total	121,600,000	-	121,600,000

SYSTEM SUMMARY - New/Expansion

# of projects	Top Projects (max. of 2 for universities, 4 for KCTCS)	General Fund	Other	Total	
1	Eastern Kentucky University	\$93,154,000	\$ -	\$93,154,000	19%
4	Kentucky Community and Technical College System	96,500,000	-	96,500,000	19%
2	Kentucky State University	59,804,000	-	59,804,000	12%
2	Morehead State University	38,234,000	-	38,234,000	8%
0	Murray State University	-	-	-	0%
1	Northern Kentucky University	92,000,000	-	92,000,000	18%
0	University of Kentucky	-	-	-	0%
0	University of Louisville	-	-	-	0%
<u>2</u>	Western Kentucky University	<u>121,600,000</u>	-	<u>121,600,000</u>	24%
12	Total	\$501,292,000	\$ -	\$501,292,000	100%

2018-2024 Capital Plan - 2018-20 Information Technology Projects

CPE preliminary estimate for information technology pool is \$50,000,000

Evaluation	Institution	Project	General Fund
	EKU	No General Fund IT projects submitted	\$ -
HV	KCTCS	KCTCS Information Tech Infrastructure Upgrade	9,500,000
	KSU	Upgrade Information Tech Infrastructure 2018	12,000,000
	KSU	Replace Enterprise Resource Planning System	5,000,000
HV	MoSU	Enhance Library Automation Resources	1,539,000
HV	MoSU	Enhance Network/Infrastructure Resources – Add'l	3,000,000
	MoSU	Upgrade Instruct. PCs/LANS/Peripherals	4,000,000
	MoSU	Upgrade Administrative Office System	3,000,000
	MuSU	ITV Upgrades to Murray State University System	1,589,000
	MuSU	Upgrade Campus Network	3,248,000
	MuSU	Upgrade Campus Phone System	2,155,000
HV	NKU	Upgrade Instructional Technology	3,500,000
HV	NKU	Campus Telecommunications Upgrade	1,500,000
	NKU	Next Generation Digital Campus	3,000,000
	NKU	Enhance/Upgrade Cyber Security System	1,500,000
HV	NKU	Infrastructure for Admin Systems	2,000,000
	NKU	Scientific/Technology Equipment Pool	5,000,000
	UK	No General Fund IT projects submitted	-
	UofL	No General Fund IT projects submitted	-
HV	WKU	Upgrade IT Infrastructure	<u>6,000,000</u>
			\$ 67,531,000

Note: HV indicates High Value projects

SYSTEM SUMMARY - Information Technology

# of projects	Totals by CPE Ranking	General Fund	%
7	High Value Project Total	\$27,039,000	40%
<u>10</u>	Other Projects	<u>40,492,000</u>	60%
17	Total	\$67,531,000	100%

# of projects	Totals by Institution	General Fund	%
0	Eastern Kentucky University	\$ -	-
1	Kentucky Community and Technical College System	9,500,000	14%
2	Kentucky State University	17,000,000	25%
4	Morehead State University	11,539,000	17%
3	Murray State University	6,992,000	10%
0	Northern Kentucky University	16,500,000	24%
0	University of Kentucky	-	-
0	University of Louisville	-	-
<u>6</u>	Western Kentucky University	<u>6,000,000</u>	9%
17	Total	\$67,531,000	100%

Council on Postsecondary Education Information Technology Capital Project Review

Purpose

To define and apply an objective, disciplined, and justifiable methodology for reviewing and determining the value of information technology capital projects from the public postsecondary institutions.

Scope

Information technology projects for which institutions have requested state General Fund for the 2018-20 biennium.

Approach

1. Institutions will submit Capital IT Projects within the CPAB system.
2. The Review Team comprised of CPE Staff and outside representatives will evaluate and score capital projects for 2018-20 that request General Fund.
3. Any questions for the institutions will be funneled through Doyle Friskney.
4. Team members can score criteria with any whole number between the set values of 0 to 5 if they feel the project information justifies the score.
5. Review Team members will consolidate scores and rank projects based upon scoring against Business Value and Risk Factor criteria.

Criteria

Each proposed information technology capital project will be evaluated against two sets of criteria: Business Value and Risk Factors. Project ranking will be assessed against each component on a scale of 0 to 5, with each assigned ranking being explicitly defined. An objective score will be derived based upon an evaluation of the project as submitted to the Capital Planning Advisory Board.

Business Value

Business Case

Has a business case been prepared and submitted to include such items as Business Need/Benefits, High-level Requirements and/or Features, Expected Risks, Critical Success Factors, Assumptions, Return on Investment (quantitative or qualitative), and Mean Time to Pay Back? Does the business case show a large and rapid justification for the investment?

Efficiency

Does the project outline demonstrable and quantifiable savings, revenue generation, or cost avoidance? Does the project provide additional transparency or accountability? Are efficiency gains SMART (Specific, Measurable, Achievable, Realistic and Relevant, Time-limited)?

Executive Sponsorship

How important is the technology project considered among the entire cabinet's capital project priorities?

Service Improvement

Does the proposed project automate existing processes, or are processes being redefined prior to automation? Does the proposed project provide new online services to citizens or business? Does the proposed project support or directly enable the success of other project(s) either within the agency or across agencies?

Improved Quality of Life for Citizens

Will the project directly affect an improved quality of life for a majority of Kentucky citizens through improved public health, education, safety, infrastructure, environmental issues, economic development, or similar enterprise initiatives?

Risk Factors

Total Cost of Ownership

What is the TCO of the project (includes hardware, software, state staffing, vendors/contractors, support and maintenance for the life of the initiative, etc)?

Data Classification

Will the system contain personally identifiable data (PID) defined as ‘sensitive’ or above within Enterprise Architectural Standards subdomain 4080 (<https://gotsource.ky.gov/docushare/dsweb/Get/Document-301107/>)? If so, how will this information be safeguarded within the system to deter identity theft?

Solution Definition

What is the anticipated level of effort to customize, develop, invent, or create the proposed solution?

Implementation Timeline

How quickly will the project be implemented, and how quickly will the Commonwealth see a Return on Investment? Will the implementation be all at once (‘big bang’) or will the functionality be implemented in multiple, smaller phases or deliverables?

Level of Complexity

What is the level of effort and technical complexity required to make the project successful? Is the expertise to implement fully in-house or will contract staff be needed for some period of time? Are there skill sets currently available in-house to be used to manage the Vendor(s) that provide the solution? Has the Agency undergone a major system implementation in the last five (5) years? What business process re-engineering and change management efforts will be implemented as part of the project?

CPE IT Project Review Criteria - July 2017

Adapted from COT's capital project review process

Business Value	0	1	3	5
Business Case & Justification	None Provided	Minimal information or justification	Some detail provided but not clear/logical	Detailed, complete explanations with TCO, RIO, etc.
Efficiency - Cost Savings or Avoidance and/or Additional Revenue or Accountability	None Identified	Negligible or minimal opportunity	Significant opportunity expected; not quantified	Quantified, significant opportunity
Executive Sponsorship	Bottom 10% organization priority	Lower 50% priority	Upper 50% priority	Top 10% organization priority
Service Improvement	Update to existing system with no business process re-engineering analysis	Update to existing system through some business process re-engineering analysis	Replace existing system through business process re-engineering analysis	Automate existing manual processes including BPR analysis and/or offer new online service/s for citizens
Improved Quality of Life for Kentuckians	Does not relate	Indirectly supports	Directly affects a small percentage of Kentuckians	Directly affects a large percentage of Kentuckians
Risk Factors	0	1	3	5
Change in Total Cost of Ownership	\$200 million or more	\$100 to \$150 million	\$25 to \$50 million	Less than \$15 million
System will contain "sensitive" data (KITS 4080, FIPS 200, etc.)	No determination of data content	No explanation of how sensitive data will be safeguarded	Partial explanation of how sensitive data will be safeguarded	Detailed explanation of how sensitive data will be safeguarded or no sensitive data
Solution Definition	Solution must be developed from scratch or customized > 50%	Solution must be customized 25-50%	Solution is readily available with minor customization expected (<10%)	Solution is "OTS" or "Cloud" to be configured, not customized.
Implementation Timeline	Phases > 2 years or "Big Bang"	Phases between 1 and 2 years	Phases between 6 months & 1 year	Phases less than 6 months
Complexity	Extremely Difficult	Difficult	High	Medium to Low

High Value Projects: Score of 2.5 or greater in both Business Value and Risk Factors