

COUNCIL ON POSTSECONDARY EDUCATION FINANCE COMMITTEE MEETING



October 28, 2021 – 10:00 AM, EST

ZOOM teleconferencing for Finance Committee members

Livestream: <https://www.youtube.com/c/KentuckyCouncilOnPostsecondaryEducationFrankfort>

I. Call to Order and Roll Call	
II. Approval of the Minutes (<i>September 2, 2021 minutes</i>).....	2
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<i>Next Committee meeting: January 13, 2022 @ 2pm ET</i>	

DRAFT MINUTES
Council on Postsecondary Education

Type: Finance Committee Meeting
Date: September 2, 2021
Time: 2:00 p.m. ET
Location: Virtual Meeting by ZOOM Webinar; Public viewing hosted on CPE YouTube Page

CALL TO ORDER

The Finance Committee met Thursday, September 2, 2021, at 2:00 p.m., ET. The meeting occurred virtually via ZOOM teleconference. Members of the public were invited to view the livestream on the CPE YouTube page.

Committee Chair Lucas Mentzer presided.

ATTENDANCE

Committee members in attendance: Colby Birkes, Eric Farris, Lucas Mentzer, Richard Nelson, Robert Staat and Madison Silvert.

Other Council member in attendance: Elaine Walker.

Heather Faesy, CPE's senior associate for Board Relations, served as recorder of the meeting minutes.

APPROVAL OF THE MINUTES

The minutes of the June 23, 2021 Finance Committee meeting were approved as distributed.

UPDATE FROM ON RECENT FINANCE-RELATED LEGISLATIVE TESTIMONY

Dr. Bill Payne, CPE's Vice President of Finance and Administration, provided a review of the data and information shared at two recent legislative testimonies to the Commission on Race and Access to Opportunity and the Capital Planning Advisory Board.

BIENNIAL BUDGET DEVELOPMENT UPDATE

Mr. Shaun McKiernan, CPE’s director of Finance and Budget, and Dr. Payne presented an update on the development of the 2022-24 biennial budget recommendation request. They shared the calculated beginning base for the 2022-24 biennium and the drafted funding components and request amounts. The recommendation will be finalized in September and October, and presented to the Finance Committee for adoption at its October 28, 2021 meeting.

COVID-19 RELATED COSTS AND FOREGONE REVENUE

Mr. Ryan Kaffenberger, CPE’s senior associate, presented an in-depth look at the costs incurred by Kentucky’s public institutions as well as foregone revenue figures as a result of COVID-19, as of June 30, 2021. These losses were compared against the total federal higher education funds received over the previous 18 months, which showed a system-wide total loss over \$36 million.

ADJOURNMENT

The Finance Committee adjourned at 3:18 p.m., ET.

MINUTES REVIEWED AND APPROVED BY THE COMMITTEE: _____

2022-24 Postsecondary Education Budget Recommendation Operating Funds Request

The primary way that Kentucky finances its public postsecondary system and supports the teaching, research, and public service missions of individual colleges and universities is by providing state General Fund appropriations for campus operations. These funds, along with tuition and fee revenue, support education and general (E&G) expenditures on campus, including faculty and staff salaries, fringe benefits, student financial aid, utilities, building maintenance, libraries, student support services, and numerous other operating expenses. When available, these funds also finance strategic initiatives that support attainment of the state's student success goals and objectives of the Council's *2016-2021 Strategic Agenda for Postsecondary Education*.

- *Council staff recommends total General Fund appropriations of \$974,373,800 in fiscal year 2022-23 and \$996,873,800 in fiscal year 2023-24 to support public postsecondary institution operations.*

As can be seen in Table 1 below, the recommended total General Fund appropriations represent increases of \$68,171,500 in 2022-23 and \$90,671,500 in 2023-24, or 7.5% and 10.0% increases, respectively, compared to the 2021-22 net General Fund base.

Table 1: Components of 2022-24 Operating Funds Request

Funding Category	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24
2021-22 Net General Fund ¹	\$906,202,300	\$906,202,300	\$906,202,300
Base Adjustments:			
KERS Subsidy Reductions	NA	(\$2,209,900)	(\$4,419,800)
Adjusted Net General Fund	\$906,202,300	\$903,992,400	\$901,782,500
Additional Budget Requests:			
Performance Funding	NA	67,500,000	90,000,000
Pension Relief Funds	NA	2,209,900	4,419,800
KSU Land Grant Match	671,500	671,500	671,500
Total Operating Funds Request	\$906,873,800	\$974,373,800	\$996,873,800
Dollar Change	\$671,500	\$68,171,500	\$90,671,500
Percent Change	0.1%	7.5%	10.0%

¹ Includes each institution's 2021-22 regular appropriation (net of 2021-22 debt service at UK and KSU), a \$200,000 special appropriation for KSU, and \$17,307,100 appropriated to the Postsecondary Education Performance Fund in 2021-22.

See Attachment A for a breakdown of the operating funds request by institution. Major components of the operating funds request include the beginning base funding, base

adjustments, and additional appropriations for performance funding, pension relief, and KSU's land-grant program. Each of these components is described in detail below.

Beginning Base

In recent budget years (i.e., the odd years preceding a new biennium), an institution's beginning base is the enacted General Fund appropriation in the second year of the current biennium (or in the event of a mid-year budget cut, the revised appropriation), minus any applicable debt service, plus any applicable earned performance funds. For the upcoming 2022-24 biennium, an additional calculation was required to determine the beginning base for each institution, due to a change in statute (KRS 164.092) that rendered the 2021-22 distribution of \$17,307,100 from the Postsecondary Education Performance Fund (PEPF) to the institutions a nonrecurring distribution.

In the enacted 2021-22 Budget of the Commonwealth (HB 192), the General Assembly appropriated \$17,307,100 to the PEPF in 2021-22. Those funds were distributed among postsecondary institutions using public university and KCTCS funding models in fiscal 2021-22, but rather than those funds being added to the recurring General Fund base of institutions that earned the funds, an amendment in Kentucky's Performance Funding Statute (KRS 164.092) stipulated that the amounts distributed from the performance fund in the previous year shall be included in the PEPF's base budget submitted by the Council in the postsecondary education biennial budget recommendation.

Table 2: Calculated Beginning Base by Institution

	A	B	C	(A + B + C)
Institution	2021-22 Total Appropriation	Debt Service Adjustments	Performance Adjustments	2021-22 Net General Fund
UK	\$272,330,200	(\$1,013,000)	(\$6,086,400)	\$265,230,800
UofL	130,129,300	0	(2,972,500)	127,156,800
EKU	74,444,100	0	(120,200)	74,323,900
KSU	27,386,100	(182,000)	0	27,204,100
MoSU	43,324,900	0	0	43,324,900
MuSU	47,024,700	0	0	47,024,700
NKU	55,150,200	0	(2,902,700)	52,247,500
WKU	78,345,400	0	(1,398,800)	76,946,600
KCTCS	179,262,400	0	(3,826,500)	175,435,900
Performance	0	0	17,307,100	17,307,100
Total	\$907,397,300	(\$1,195,000)	\$0	\$906,202,300

As can be seen in Table 2, net General Fund baseline numbers for fiscal year 2021-22 are calculated by subtracting applicable debt service and earned performance funds from each institution's 2021-22 total General Fund appropriation and returning \$17.3 million to the PEPF. The total appropriation figures are the sum of each institution's 2021-22 regular General Fund (which includes debt service at UK and KSU), a \$200,000 special appropriation for KSU, and applicable nonrecurring distributions from

the Performance Fund. The General Fund baseline calculated by CPE staff has been validated using numbers generated by Office of State Budget Director (OSBD) staff for the upcoming biennium.

Figures shown in the Total Appropriation column in Table 2 represent direct appropriations to each institution in 2021-22, which were obtained from the *2021-2022 Budget of the Commonwealth* (HB 192), plus any applicable distributions from the PEPF in 2020-21. Figures shown in the Debt Service Adjustments column were obtained from HB 192. Finally, figures shown in the Performance Adjustments column were calculated using the statutorily required performance funding models (KRS 164.092) and are the inverse of the Performance Fund distribution numbers that were submitted to the Governor and Office of State Budget Director by May 15, 2021. This calculation allows funds distributed to the postsecondary institutions in 2021-22 to be returned to the PEPF, which satisfies statutory requirements for determining the 2021-22 net GF baseline for each institution.

- *It is anticipated that performance funds earned in fiscal year 2021-22, specifically \$17,307,100 appropriated to the Postsecondary Education Performance Fund and distributed to Kentucky's public postsecondary institutions that year, will not become recurring to institutions that earned those funds, but rather returned to the Performance Fund for subsequent distribution each year of the 2022-24 biennium.*

Base Adjustments

Base adjustments are technical in nature and typically relate to changes in existing state obligations for postsecondary education, such as increases or decreases over time in General Fund bond supported debt service that is located at the institutions. For the upcoming 2022-24 biennium, CPE staff and Office of State Budget Director officials agree that appropriations for University of Kentucky and Kentucky State University debt service payments and KERS subsidy reductions (HB 8) represent necessary and appropriate base adjustments.

Debt Service

Prior to 1998, when General Fund supported bonds were issued to finance the construction of public postsecondary facilities, the resulting liability was accounted for at the institutional level and the General Assembly provided funding for debt service, which was included in campus base budgets and line-itemed in appropriations bills. Over time, as new debt was issued and mature debt retired, changes in debt service obligations occurred making periodic adjustments to the base necessary to reflect these changes. Following passage of the *Kentucky Postsecondary Education Improvement Act of 1997* (HB 1), debt service for newer postsecondary projects (i.e., those constructed after 1997) has typically been located in the Finance and Administration Cabinet's budget.

In the enacted *2021-22 Budget of the Commonwealth* (HB 192), the University of Kentucky received \$14.0 million in General Fund supported bond funds for a *University of Kentucky, Sanders Brown Center on Aging* capital project and Kentucky State University received \$5.0 million for *KSU Roof Replacement*. Included in UK's General Fund appropriation in 2021-22 was debt service of \$1,013,000 to support the \$14.0 million in new bonds issued for that year; and included in KSU's General Fund

appropriation in 2021-22 was \$182,000 in debt service to support the bonds for their roof replacement.

- *It is anticipated that \$1,013,000 included in the University of Kentucky’s General Fund appropriation in 2021-22 to support new bonds for a University of Kentucky Sanders-Brown Center on Ageing capital project and \$182,000 included in Kentucky State University’s General Fund appropriation in 2021-22 to support new bonds for Roof Replacement capital project will be transferred to the Finance and Administration Cabinet in accordance with common practice.*

KERS Subsidy Reductions (HB 8)

Another category of base adjustments that is scheduled to occur during the 2022-24 biennium stems from statutorily required KERS subsidy reductions. In fiscal 2021-22, Kentucky comprehensive universities (except for NKU) and KCTCS transitioned to a fixed-dollar allocation method of determining employer pension contributions. Based on actuarial calculations, the General Assembly appropriated \$22,099,200 in total to participating institutions in the 2021-22 budget bill (HB 192), which was intended to cover 100% of the costs associated with that transition at each institution.

Beginning in 2022-23, Section 7(6)(b) of HB 8 calls for a reduction of 10% per year over five years of the pension subsidies provided in 2021-22. As can be seen in Table 3, the \$22.1 million KERS pension subsidy provided in 2021-22 is slated to be reduced by a total of \$2.2 million in 2022-23 and by \$4.4 million in 2023-24. The planned decrease in KERS pension subsidies will reduce the net General Fund base of impacted institutions each year of the upcoming biennium as shown in Table 3.

Table 3: Planned Reduction in KERS Pension Subsidies (HB 8)

Campus	Fiscal Year 2021-22	Fiscal Year 2022-23	Subsidy Reduction	Fiscal Year 2023-24	Subsidy Reduction
EKU	\$8,909,700	\$8,018,700	(\$891,000)	\$7,127,800	(\$1,781,900)
KSU	558,200	502,400	(55,800)	446,600	(111,600)
MoSU	4,913,000	4,421,700	(491,300)	3,930,400	(982,600)
MuSU	3,270,900	2,943,800	(327,100)	2,616,700	(654,200)
WKU	3,592,500	3,233,300	(359,200)	2,874,000	(718,500)
KCTCS	854,900	769,400	(85,500)	683,900	(171,000)
Totals	\$22,099,200	\$19,889,300	(\$2,209,900)	\$17,679,400	(\$4,419,800)

Subsidy	100%	90%	80%
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- *It is anticipated that the net General Fund base of five comprehensive universities (excludes NKU) and KCTCS will be reduced in total by \$2,209,900 in 2022-23 and \$4,419,800 in 2023-24 in accordance with HB 8 statutory requirements and as shown in Table 3 above.*

Additional Budget Requests

Over the past five months, CPE staff has engaged in a collaborative process with multiple stakeholders to identify funding components and request amounts to include in

the Council’s 2022-24 biennial budget recommendation that address the most pressing resource needs of Kentucky’s public postsecondary system and provide the highest and best return on the state’s investment. Following numerous discussions between and among Council members, campus presidents, chief budget officers, and CPE senior staff, there is consensus that the highest priorities for the 2022-24 biennium are additional appropriations for performance funding and pension relief, as part of the Operating Funds request, and General Fund debt supported bond funds (or cash) for asset preservation, as part of the Capital Investment request.

As can be seen in Table 4 below, CPE staff recommends that the Council’s Operating Funds request include new funding for three components: (1) performance funding; (2) pension relief funds; and (3) KSU’s land-grant program. The performance funding request is well aligned with the state’s student success goals and the objectives and strategies identified in the Council’s *2016-2021 Strategic Agenda for Postsecondary Education*. The pension relief funds will help five comprehensive universities and KCTCS avoid reductions in HB 8 subsidies over the biennium. The request for KSU’s land-grant funding is necessary to meet a federal matching requirement.

Table 4: Components of 2022-24 Operating Funds Request

Funding Component	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24
Additional Budget Requests:			
Performance Funding		\$67,500,000	\$90,000,000
Pension Relief Funds		\$2,209,900	\$4,419,800
KSU Land-Grant Program	\$671,500	671,500	671,500
Total Additional Requests	\$671,500	\$70,381,400	\$95,091,300

Additional information about each of these funding components is provided below.

Performance Funding

On March 21, 2017, Kentucky’s Performance Funding Bill (SB 153), which had passed both the House and Senate with no changes, was signed into law by the Governor. The newly created statute (KRS 164.092) represented the culmination of a six-month effort by a working group of campus presidents, the Council president, and the Governor and legislative leaders (or their representatives), to develop a rational model for distributing state General Fund appropriations among public universities and KCTCS institutions.

Now in their fifth year of operation, university and KCTCS funding models were used to distribute \$42.9 million in fiscal year 2017-18, \$31.0 million in 2018-19, \$38.7 million in 2019-20, \$15.0 million in 2020-21, and \$17.3 million in 2021-22 among the institutions, using rational criteria imbedded in the funding formulas. In terms of process, the General Assembly appropriated funds to the Postsecondary Education Performance Fund (PEPF) in each of those years, CPE and KCTCS staffs ran the funding models and certified the resulting distribution of funds to the Office of the State Budget Director, and distributions to institutions were made through the quarterly allotment process.

Since the adoption of performance funding, the number of degrees and credentials produced by Kentucky postsecondary institutions has grown at an average annual rate of 3.4 percent, which exceeds the growth rate needed (i.e., 1.7% per year) for the state to achieve its goal of increasing educational attainment of working age adults to 60% by the year 2030. In addition, numbers of underrepresented minority degrees and credentials and completions in STEM+H fields are growing at unprecedented rates.

- *Council staff recommends appropriations of \$67,500,000 in 2022-23 and \$90,000,000 in 2023-24 for performance funding to provide incentives for institutions to increase student success and course completion outcomes and continue making progress toward the state's 60X30 attainment goal.*

If the requested appropriations are authorized, it is anticipated that the funds will be placed in the Performance Fund, pending application of the funding models by CPE and KCTCS staffs and distribution among institutions based on statutorily defined formulas.

In addition to encouraging desired student outcomes, state investment in performance funding will help institutions and the Council maintain affordability for Kentucky students and families. Over the past decade, reductions in state support and mandated increases in employer-paid pension contributions have strained campus budgets and placed upward pressure on tuition and fees. Despite Council adopted tuition ceilings, published in-state sticker prices have increased over the past decade. Additional funding for campus operations will help institutions and the Council minimize tuition increases and maintain affordability and access.

Pension Relief Funds

As previously described, Kentucky comprehensive universities (except for NKU) and KCTCS transitioned to a fixed-dollar allocation method of determining employer pension contributions in 2021-22. The General Assembly appropriated \$22.1 million to cover 100% of estimated transition costs that year, but also enacted HB 8, which calls for 10% reductions in the subsidies each year of the biennium. These are essentially budget cuts for participating institutions.

- *Council staff recommends appropriations of \$2,209,900 in 2022-23 and \$4,419,800 in 2023-24 to maintain the KERS pension subsidies at their 2021-22 levels at five comprehensive universities and KCTCS.*
- *In addition, staff recommends that the requested appropriations for 2022-23 and 2023-24 be allocated among participating institutions in amounts that exactly offset planned KERS pension reductions at each institution as shown in Table 5 below.*

If the requested appropriations are authorized, the KERS pension subsidies at each participating institution would be maintained at the 2021-22 funding level. This would negate the scheduled budget cuts, reduce stress on campus budgets and help the institutions and the Council maintain affordability for Kentucky citizens. It would provide resources needed for the institutions to pursue student success goals and compete more fairly in performance funding.

Table 5: Allocation of Requested 2022-24 Pension Relief Funds

Institution	Fiscal Year 2022-23	Fiscal Year 2023-24
Eastern Kentucky University	\$891,000	\$1,781,900
Kentucky State University	55,800	111,600
Morehead State University	491,300	982,600
Murray State University	327,100	654,200
Western Kentucky University	359,200	718,500
KCTCS	85,500	171,000
Totals	\$2,209,900	\$4,419,800

KSU Land Grant Match

Kentucky State University is an 1890 Land-Grant Institution. As such, it is eligible to receive federal grant funds appropriated by Congress each year to support land-grant research and extension activities. These funds must be matched dollar-for-dollar by the state to ensure that KSU will continue to receive its full allotment of federal funds. The matching requirement is an obligation of the state, not Kentucky State University. Other sources of federal funds and tuition and fee revenue cannot be used to meet the match.

In 2021-22, KSU is eligible to receive \$8,881,900 in United States Department of Agriculture (USDA) administered grants to support its land-grant program. Currently, KSU has \$8,210,400 in General Fund appropriations in its base to meet the matching requirement, resulting in a funding gap of \$671,500.

- *CPE staff recommends appropriations of \$671,500 in fiscal year 2022-23 and \$671,500 in 2023-24 to provide a sufficient amount of recurring state General Fund to meet the federal matching requirement for Kentucky State University's land-grant program.*
- *In addition, because KSU's land-grant program is under matched in the current year, staff recommends an appropriation of \$671,500 in fiscal year 2021-22 (i.e., a current-year appropriation) to complete the state's matching obligation for 2021-22.*

If the requested funds are authorized, it is recommended that they be appropriated directly to Kentucky State University. Since KSU's land-grant program has been designated as a mandated program by the Kentucky General Assembly and the Council on Postsecondary Education, it is anticipated that the total amount of state funds provided to the program in the upcoming biennium will be line-itemed in the 2022-24 budget bill and excluded from the institution's allocable resources in upcoming iterations of the performance funding model.

Finally, if these funds are authorized, they will reinforce the effectiveness and impact of outreach, service, and applied research of KSU's land-grant program.

Endorsements

Additional Pension Funding

As previously mentioned, Kentucky comprehensive universities (except for NKU) and KCTCS transitioned to a fixed-dollar allocation method of determining employer pension contributions in 2021-22. The General Assembly appropriated \$22,099,200 in total to participating institutions in the 2021-22 budget bill (HB 192), which was intended to cover 100% of the costs associated with that transition at each institution.

Several institutions have indicated to Council staff that the salary base estimates used to determine their KERS pension subsidy amounts for 2021-22 ended up being different from their actual KERS salary bases, which resulted in an appropriation in 2021-22 that covered less than 100% of the cost of transitioning to the fixed-dollar allocation method.

If the Governor and General Assembly determine that the KERS pension subsidy appropriated to a comprehensive university or KCTCS in fiscal year 2021-22 was insufficient to cover 100% of the fixed-dollar allocation method transition cost, the Council will support any additional funding that the legislature may provide to make those institutions whole and subsidize 100% of the transition cost.

- *The Council supports and endorses any current-year appropriations as may be necessary to fully cover the cost of transitioning to a fixed-dollar allocation method of determining pension contributions in 2021-22 among participating KERS institutions.*

Council on Postsecondary Education
 2022-24 Biennial Budget Recommendation
 Table 7 - Request for Institutional Operating Funds

Purple Card

Current Year Base:	UK	UofL	EKU	KSU	MoSU	MuSU	NKU	WKU	KCTCS	PEPF	Total
2021-22 Regular Appropriation	\$266,243,800	\$127,156,800	\$74,323,900	\$27,186,100	\$43,324,900	\$47,024,700	\$52,247,500	\$76,946,600	\$175,435,900	\$17,307,100	\$907,197,300
Plus: 2021-22 Performance Distribution	6,086,400	2,972,500	120,200	0	0	0	2,902,700	1,398,800	3,826,500	(17,307,100)	0
Special Appropriation	0	0	0	200,000	0	0	0	0	0	-- NA --	200,000
2021-22 Total General Fund	\$272,330,200	\$130,129,300	\$74,444,100	\$27,386,100	\$43,324,900	\$47,024,700	\$55,150,200	\$78,345,400	\$179,262,400	\$0	\$907,397,300
Minus: 2021-22 Debt Service	(1,013,000)	0	0	(182,000)	0	0	0	0	0	-- NA --	(1,195,000)
Performance Adjustment (KRS 164.092)	(6,086,400)	(2,972,500)	(120,200)	0	0	0	(2,902,700)	(1,398,800)	(3,826,500)	17,307,100	0
➔ 2021-22 Adjusted Net General Fund Baseline	\$265,230,800	\$127,156,800	\$74,323,900	\$27,204,100	\$43,324,900	\$47,024,700	\$52,247,500	\$76,946,600	\$175,435,900	\$17,307,100	\$906,202,300
				671,500							
First-Year Operating Request:											
➔ 2021-22 Adjusted Net General Fund Baseline	\$265,230,800	\$127,156,800	\$74,323,900	\$27,204,100	\$43,324,900	\$47,024,700	\$52,247,500	\$76,946,600	\$175,435,900	\$17,307,100	\$906,202,300
Minus: Base Adjustments											
KERS Subsidy Reduction (HB 8)	0	0	(891,000)	(55,800)	(491,300)	(327,100)	0	(359,200)	(85,500)	-- NA --	(2,209,900)
Plus: Additional Budget Requests											
Performance Funding	0	0	0	0	0	0	0	0	0	67,500,000	67,500,000
Pension Relief Funds	0	0	891,000	55,800	491,300	327,100	0	359,200	85,500	-- NA --	2,209,900
KSU Land Grant Match	0	0	0	671,500	0	0	0	0	0	-- NA --	671,500
2022-23 Requested General Fund	\$265,230,800	\$127,156,800	\$74,323,900	\$27,875,600	\$43,324,900	\$47,024,700	\$52,247,500	\$76,946,600	\$175,435,900	\$84,807,100	\$974,373,800
Dollar Change from Baseline ⁽¹⁾	\$0	\$0	\$0	\$671,500	\$0	\$0	\$0	\$0	\$0	\$67,500,000	\$68,171,500
Percent Change from Baseline ⁽¹⁾	0.0%	0.0%	0.0%	2.5%	0.0%	0.0%	0.0%	0.0%	0.0%	-- NA --	7.5%
Second-Year Operating Request:											
➔ 2021-22 Adjusted Net General Fund Baseline	\$265,230,800	\$127,156,800	\$74,323,900	\$27,204,100	\$43,324,900	\$47,024,700	\$52,247,500	\$76,946,600	\$175,435,900	\$17,307,100	\$906,202,300
Minus: Base Adjustments											
KERS Subsidy Reduction (HB 8)	0	0	(1,781,900)	(111,600)	(982,600)	(654,200)	0	(718,500)	(171,000)	-- NA --	(4,419,800)
Plus: Additional Budget Requests											
Performance Funding	0	0	0	0	0	0	0	0	0	90,000,000	90,000,000
Pension Relief Funds	0	0	1,781,900	111,600	982,600	654,200	0	718,500	171,000	-- NA --	4,419,800
KSU Land Grant Match	0	0	0	671,500	0	0	0	0	0	-- NA --	671,500
2023-24 Requested General Fund	\$265,230,800	\$127,156,800	\$74,323,900	\$27,875,600	\$43,324,900	\$47,024,700	\$52,247,500	\$76,946,600	\$175,435,900	\$107,307,100	\$996,873,800
Dollar Change from Baseline ⁽¹⁾	\$0	\$0	\$0	\$671,500	\$0	\$0	\$0	\$0	\$0	\$90,000,000	\$90,671,500
Percent Change from Baseline ⁽¹⁾	0.0%	0.0%	0.0%	2.5%	0.0%	0.0%	0.0%	0.0%	0.0%	-- NA --	10.0%

⁽¹⁾ Dollar and percent change figures for the postsecondary institutions do not reflect distribution of any funds from the Postsecondary Education Performance Fund (PEPF). The funding model will be run in April each year of the upcoming biennium to determine the distribution of any available performance funds.

2022-24 Postsecondary Education Budget Recommendation Capital Investment Request

This agenda item provides detail regarding CPE staff's recommendation to address new construction, asset preservation, and information technology and equipment needs of Kentucky's public postsecondary institutions for the 2022-24 biennium. It identifies the most pressing campus needs for preservation and renovation of existing facilities (to be funded through a combination of state General Fund supported bonds and campus resources) and new and expanded space and information technology and equipment (to be funded with institutional resources).

Historical Information

In 2005, the Council and postsecondary institutions contracted with Vanderweil Facilities Advisors, Inc. (VFA), Paulien & Associates, and NCHEMS to conduct a comprehensive review and assessment of Kentucky's public college and university facilities. Evaluators took more than a year and examined over 700 education and general (E&G) facilities located on college campuses across the system and, in early 2007, concluded that Kentucky's facilities inventory was in relatively poor condition compared to industry standards.

Most buildings at that time were over 30 years old and their condition and utility was consistent with their age. Additionally, HVAC, plumbing, and electrical systems in many buildings had far exceeded their useful life expectancies and many buildings no longer adequately supported the academic programming for which they were originally intended. Overall, evaluators identified an accumulation of about \$6.1 billion in asset preservation needs for the postsecondary system projected to come due by 2018 (*Facility Condition Assessment & Space Study*, VFA, 2007).

In 2013, VFA was retained by the Council and updated their findings from the 2007 study. Based on their projections, unless sizable investments in asset preservation were made in coming biennia, the magnitude of renovation and renewal need would grow to \$7.3 billion by 2021. Over the past seven biennia, the state has invested \$281 million in postsecondary institution asset preservation projects, or about 3.8 percent of the projected need. A combination of factors, including a growing inventory of aging facilities, infrastructure, and systems in need of renovation and renewal, increasing construction costs, and minimal state investment in asset preservation since 2007, has resulted in an accumulation of asset preservation need that is estimated to exceed \$7.0 billion.

2022-24 Capital Investment Recommendation

The Council's capital investment request typically includes funding components: (a) new construction; (b) asset preservation; and (c) information technology and equipment. In recent biennia, CPE staff, Council members, and campus officials have elected to

focus the Capital Investment recommendation on asset preservation. That same focus is recommended for the 2022-24 biennium.

Table 1: Components of 2022-24 Capital Investment Request

Funding Component	Fiscal Year 2022-23	Fiscal Year 2023-24
Additional Budget Requests:		
• New Construction	\$0	\$0
• Asset Preservation	\$350,000,000	\$350,000,000
- Debt Service	25,217,000	50,434,000
• Information Technology and Equipment	\$0	\$0

As can be seen in Table 1, staff recommends \$350.0 million each year of the upcoming biennium (or a biennial total of \$700.0 million) for Asset Preservation projects on Kentucky colleges and universities, which could either be bond or cash funded. While investment in new construction and information technology and equipment are important needs for the postsecondary institutions, due to the magnitude of accumulated renovation and renewal needs, CPE staff and campus officials have elected to recommend that the Council’s 2022-24 capital investment request focus exclusively on asset preservation. Each of these funding components is described in greater detail below.

New Construction

For the 2022-24 biennium, a request for state bond funds (or cash) to support new and expanded space is not included in CPE staff’s draft budget recommendation. However, institutions are free to submit to the Governor and General Assembly their own requests for new capital construction projects.

Asset Preservation

As indicated above, the need for facilities renovation and renewal at Kentucky’s public postsecondary institutions has not been addressed in any substantive way since 2008. In a 2013 update to the original VFA Study, researchers found that the cumulative cost of bringing the state’s postsecondary education facilities up to industry standards was projected to grow to \$7.3 billion by 2021. Between 2008 and 2018, the postsecondary institutions expended \$815 million on E&G asset preservation projects and the state appropriated \$281.0 million for that purpose.

Staff recommends that the Council continue to pursue a capital investment strategy that establishes a long-term partnership between the state, postsecondary institutions, and students and families to address asset preservation needs. Sustained investment over an extended time horizon is necessary to address what has become an overwhelming

and urgent need for renovation and renewal of existing postsecondary facilities and to protect these valuable state owned assets.

- *Staff recommends an appropriation of \$25,217,000 in 2022-23 and \$50,434,000 in 2023-24, to pay annual debt service on \$700.0 million in state bonds (i.e., \$350.0 million each year) to finance asset preservation and renovation projects at public postsecondary institutions during the upcoming biennium.*

Since the Commonwealth of Kentucky ended fiscal year 2020-21 with a sizable budget surplus, there may be an opportunity for the General Assembly to cash fund some portion of the requested \$700.0 million appropriation for asset preservation. However, the debt service figures shown in Table 1 were calculated using a debt service template provided by Finance Cabinet staff and assuming the full amount would be financed at current tax-exempt rates over a 20 year time horizon.

If the asset preservation request is approved by the Council and authorized by the General Assembly, CPE staff recommends that the funds be allocated among the postsecondary institutions using an approach that has been vetted by campus officials and proposed by Council staff several times in previous biennia. Namely, 10 percent of the total amount appropriated (i.e., or \$70.0 million, if \$700.0 million was authorized) would be designated as the “base allocation” and of that amount 20 percent (i.e., or \$14.0 million) would be allocated to KCTCS and 80 percent (i.e., or \$56.0 million) would be allocated to the university sector. Then, the university allocation would be divided equally among Kentucky’s eight public universities (i.e., or \$7.0 million each).

The remaining funds (i.e., the \$630.0 million not designated as “base allocation” funds) would be allocated among institutions based on each institution’s share of projected total asset preservation need (i.e., \$7.3 billion), as identified in the 2013 update to the VFA Study (see Table 2).

In keeping with previous asset preservation requests approved by the Council, staff recommends that any state bond funds (or cash) appropriated for asset preservation in the 2022-24 biennium be matched 50 cents (i.e., \$0.50) for every state dollar (i.e., \$1.00) with college and university restricted funds resources. The recommended matching component reflects a hard reality that renovation and renewal of existing Education and General facilities has been neglected for far too long on Kentucky college and university campuses, allowing system total asset preservation need to accumulate to more than \$7.0 billion in fiscal 2021-22. It reflects the realization that it will require shared commitment and sustained investment on the part of state government leaders, campus officials, and students and families to address asset preservation needs of the magnitude we now face.

- *Staff recommends that Kentucky colleges and universities expend 50 cents on renovation and renewal projects out of their own restricted funds resources for every state dollar appropriated to finance asset preservation projects at public postsecondary institutions during the upcoming biennium.*

- Staff further recommends the institutions be allowed flexibility to meet the match by counting renovation and renewal expenditures over three biennia, 2020-22, 2022-24, and 2024-26.
- Finally, staff recommends that the institutions be given the option to have zero match on half of the requested asset preservation funds in the first year of the biennium and a dollar for dollar match on the other half of the funds in the second year (to meet the 50 cents on the dollar match in the aggregate over the biennium).

It is estimated that a combined \$1.05 billion total expenditure for asset preservation, comprised of \$700.0 million in state bond funds (or cash) and \$350.0 million in restricted source campus funds, will address about 15 percent of the total accumulated asset preservation need at the campuses.

Table 2: Allocation of Requested Asset Preservation Funds

Campus	Base Allocation	Renovation and Renewal Need	Percent of Total	VFA Need Allocation	State Funds Requested
UK	\$7,000,000	\$2,689,403,800	36.8%	\$232,099,100	\$239,099,100
UofL	7,000,000	1,237,835,000	17.0%	106,826,900	113,826,900
EKU	7,000,000	526,448,000	7.2%	45,433,200	52,433,200
KSU	7,000,000	136,457,400	1.9%	11,776,500	18,776,500
MoSU	7,000,000	385,674,200	5.3%	33,284,200	40,284,200
MuSU	7,000,000	416,847,300	5.7%	35,974,500	42,974,500
NKU	7,000,000	352,630,000	4.8%	30,432,500	37,432,500
WKU	7,000,000	644,924,200	8.8%	55,657,800	62,657,800
KCTCS	14,000,000	909,780,100	12.5%	78,515,300	92,515,300
Totals	\$70,000,000	\$7,300,000,000	100.0%	\$630,000,000	\$700,000,000

Staff recommends that any appropriations for asset preservation in the upcoming biennium be distributed to the postsecondary institutions in funding pools. Each campus has provided a list of high priority asset preservation and renovation projects that can be funded from their respective pool. A list of eligible projects can be found in Attachment C-1.

If requested debt service for asset preservation projects is authorized, it will be housed temporarily in the Physical Facilities Trust Fund. The list of eligible E&G asset preservation projects can be found in Attachment C-1.

Information Technology

For the upcoming biennium, CPE staff is not recommending a capital investment request to support information technology or equipment projects. Compared to other funding components, information technology was less of a priority among CPE staff, campus presidents and CBOs, than other funding components.

Institution Funded Projects

Staff recommends that the Council approve institutionally funded capital projects that further the goals of *The Postsecondary Education Improvement Act of 1997* (HB 1) and objectives of the Council's *2022-30 Strategic Agenda*. While this proposal requests state funds for asset preservation only, the state budget office has allowed the institutions to submit their projects using the fund source that they used in the capital planning system. The state budget office is fully aware of the CPE position.

Council approval of projects listed in the attachments that are not included in the enacted biennial budget may be pursued in the interim using institutional resources as allowed without additional Council approval. Staff recommends that the Council support projects in the following categories:

- *Authorization of \$2,301,730,800 in agency, federal, private, and other fund source authority to address new and expanded space on postsecondary campuses during the upcoming biennium. This authorization level represents the total of all possible agency, federal, private, and other fund source financed new and expanded space projects that might be undertaken by the campuses during the biennium. These projects can be found in Attachment C-2.*
- *Authorization of \$211,181,000 in agency, federal, private, and other fund source authority for information technology needs on postsecondary campuses during the upcoming biennium. This authorization level represents the total of all possible agency, federal, private, and other fund source financed projects that might be undertaken by the campuses during the biennium. A list of these projects can be found in Attachment C-3.*
- *Authorization of \$278,792,000 in agency bonds to finance capital projects (with a total scope of \$1,473,792,000) on postsecondary campuses during the upcoming biennium (this total does not include Agency Bond authorization for Education and General new construction or asset preservation projects). This authorization level represents the total of all possible agency bond funded projects that might be undertaken by the campuses during the biennium. A list of these projects can be found in Attachment C-4.*
- *Authorization of \$4,524,799,000 in agency, federal, private, and other fund source authority to address life safety, major maintenance, equipment acquisitions, infrastructure repair and upgrades, and new construction on postsecondary campuses during the upcoming biennium. This authorization level represents the total of all possible agency, federal, private, and other fund source financed projects that might be undertaken by the campuses during the biennium for non-Education and General facilities and purposes. These projects, which include capital lease authorizations, can be found in Attachment C-5.*
- *Authorization for nine projects (one at each institution) to improve energy efficiency in campus buildings, including energy equipment acquisitions, infrastructure repair, and upgrades. These projects would be funded using third-party financing available through the Finance and Administration Cabinet, private contractors, or other non-state funds.*

Endorsements

Staff recommends that the Council endorse the following language for inclusion in the 2022-24 Budget of the Commonwealth:

Inasmuch as the identification of specific projects in a variety of areas of postsecondary institution operations cannot be ascertained with absolute certainty at this time, amounts are appropriated and authorized for specific projects which are not individually identified in this act in the following areas: ECU, KCTCS, KSU, MoSU, MuSU, NKU, UK, UofL, and WKU asset preservation, renovations, major maintenance, infrastructure, and HVAC and roofing systems.

Any specific project exceeding \$1,000,000 or any major item of equipment exceeding \$200,000 that is initiated shall be reported by the institution to the Council on Postsecondary Education, the Secretary of the Finance and Administration Cabinet, and the Capital Projects and Bond Oversight Committee no later than 30 days after the specific project or equipment item is initiated and funded. The report shall identify the need for, and provide a brief description of, each project or equipment item pursuant to KRS Chapter 45.

Proposed Asset Preservation Projects 2022-24

Attachment C-1

Institution/Count/Title	Total Scope	General Fund	Agency Bonds	Restricted Funds	Third-Party	Private Funds -	
		(Bond Funds)			Financing	Federal Funds	Cash
University of Kentucky							
1 Facilities Renewal and Modernization 2	250,000,000	125,000,000	125,000,000	-	-	-	-
2 Improve Funkhouser Building	120,000,000	90,000,000	-	15,000,000	15,000,000	-	-
3 Asset Preservation Matching Funds Pool	119,550,000	-	119,550,000	-	-	-	-
4 Improve Barnhart Building 1	45,000,000	30,000,000	-	15,000,000	-	-	-
5 Improve Barnhart Building 2	45,000,000	-	-	-	45,000,000	-	-
6 Improve Life Safety	15,000,000	-	-	15,000,000	-	-	-
7 ADA Compliance Pool	10,000,000	-	-	10,000,000	-	-	-
8 Construct Student Housing	50,000,000	-	-	50,000,000	-	-	-
9 Upgrade/Renovate/Expand Research Labs	50,000,000	-	-	50,000,000	-	-	-
10 Improve Memorial Coliseum	65,000,000	-	-	65,000,000	-	-	-
11 Construct/Improve Recreation Quad 1	15,000,000	-	-	15,000,000	-	-	-
12 Improve Whalen Building and Bay Facility (Ky Adv Mfg Initiative)	5,000,000	-	-	5,000,000	-	-	-
13 Improve Johnson Center	30,000,000	-	-	30,000,000	-	-	-
14 Improve Kastle Hall	43,000,000	-	-	43,000,000	-	-	-
15 Improve Cooper House	4,000,000	-	-	4,000,000	-	-	-
16 Improve LTS Facilities	20,000,000	-	-	20,000,000	-	-	-
17 Improve Anderson Tower	6,000,000	-	-	6,000,000	-	-	-
18 Improve Dentistry Facility	30,000,000	-	-	30,000,000	-	-	-
19 Improve Jacobs Science Building	35,000,000	-	-	35,000,000	-	-	-
20 Improve Library Facility	20,000,000	-	-	20,000,000	-	-	-
21 Improve McVey Hall	35,000,000	-	-	35,000,000	-	-	-
22 Improve Medical Plaza	5,000,000	-	-	5,000,000	-	-	-
23 Improve Pence Hall	30,000,000	-	-	30,000,000	-	-	-
24 Improve Reynolds Bldg #1	41,000,000	-	-	41,000,000	-	-	-
25 Improve Sanders-Brown Center on Aging/Neuroscience Facilities (Reauthorization)	63,000,000	14,000,000	-	35,000,000	14,000,000	-	-
26 Improve Scovell Hall	45,000,000	-	-	45,000,000	-	-	-
27 Improve Seaton Center	6,000,000	-	-	6,000,000	-	-	-
28 Improve Taylor Education Building	72,000,000	-	-	72,000,000	-	-	-
29 Improve W.T. Young Facility	5,000,000	-	-	5,000,000	-	-	-
30 Improve Willard Medical Education Building	20,000,000	-	-	20,000,000	-	-	-
31 Improve CAFE Motor Pool Building	10,000,000	-	-	10,000,000	-	-	-
32 Construct/Relocate/Replace Greenhouses	3,000,000	-	-	3,000,000	-	-	-
33 Improve Med Center Library	12,000,000	-	-	12,000,000	-	-	-
34 Improve Memorial Hall	25,000,000	-	-	25,000,000	-	-	-
35 Renovate Space for a Testing Center	5,000,000	-	-	5,000,000	-	-	-
36 Improve Campus Core Quadrangle Facilities	40,000,000	-	-	40,000,000	-	-	-
37 Improve Chem/Physics Building, Phase 3	65,000,000	-	-	65,000,000	-	-	-
38 Improve Nursing Building	5,000,000	-	-	5,000,000	-	-	-
39 Improve Multi-Disciplinary Science Building	10,000,000	-	-	10,000,000	-	-	-

Proposed Asset Preservation Projects 2022-24

Attachment C-1

Institution/Count/Title	Total Scope	General Fund			Attachment C-1		
		(Bond Funds)	Agency Bonds	Restricted Funds	Third-Party Financing	Federal Funds	Private Funds - Cash
40 Improve King Library	5,000,000	-	-	5,000,000	-	-	-
41 Acquire/Renovate Clinical Research Facility	8,000,000	-	-	8,000,000	-	-	-
42 Improve White Hall Classroom Building	120,000,000	-	-	120,000,000	-	-	-
43 Expand KGS Well Sample and Core Repository	6,000,000	-	-	6,000,000	-	-	-
44 Improve CAER Facilities	75,000,000	-	-	75,000,000	-	-	-
45 Improve DLAR Facilities	10,000,000	-	-	10,000,000	-	-	-
46 Purchase/Construct CO2 Capture Process Plant	50,000,000	-	-	1,500,000	8,500,000	40,000,000	-
47 Improve Mineral Industries Building	6,000,000	-	-	6,000,000	-	-	-
48 Acquire/Improve Administrative Facility	10,000,000	-	-	10,000,000	-	-	-
49 Acquire/Improve Elevator Systems	10,000,000	-	-	10,000,000	-	-	-
50 Construct/Improve Office Building	55,000,000	-	-	55,000,000	-	-	-
51 Improve Sturgill Development Building	4,000,000	-	-	4,000,000	-	-	-
52 Improve Academic Facility 1	16,000,000	-	-	16,000,000	-	-	-
53 Improve Academic/Administrative Space 1	10,000,000	-	-	10,000,000	-	-	-
54 Improve Academic/Administrative Space 2	10,000,000	-	-	10,000,000	-	-	-
55 Improve Academic/Administrative Space 3	10,000,000	-	-	10,000,000	-	-	-
56 Improve Academic/Administrative Space 4	10,000,000	-	-	10,000,000	-	-	-
57 Improve Building Electrical Systems	10,000,000	-	-	10,000,000	-	-	-
58 Improve Building Mechanical Systems	35,000,000	-	-	35,000,000	-	-	-
59 Improve Building Shell Systems	40,000,000	-	-	40,000,000	-	-	-
60 Improve Campus Infrastructure Upgrade	10,000,000	-	-	10,000,000	-	-	-
61 Improve Coldstream Research Campus	50,000,000	-	-	50,000,000	-	-	-
62 Improve Electrical Infrastructure	28,000,000	-	-	28,000,000	-	-	-
63 Improve Mechanical Infrastructure	26,000,000	-	-	26,000,000	-	-	-
64 Improve Peterson Service Building	14,000,000	-	-	14,000,000	-	-	-
65 Improve Senior Center	2,000,000	-	-	2,000,000	-	-	-
66 Improve Site/Civil Infrastructure	50,000,000	-	-	50,000,000	-	-	-
67 Improve Student Center Space 2	20,000,000	-	-	20,000,000	-	-	-
68 Improve Student Center Space 3	25,000,000	-	-	25,000,000	-	-	-
69 Improve University Storage Facility	12,000,000	-	-	12,000,000	-	-	-
70 Renovate Carnahan House	8,000,000	-	-	8,000,000	-	-	-
71 Repair Critical Infrastructure/Bldg Systems	25,000,000	-	25,000,000	-	-	-	-
72 Repair/Replace Campus Cable Infrastructure	4,000,000	-	-	4,000,000	-	-	-
73 Improve Fume Hood Systems	10,000,000	-	-	10,000,000	-	-	-
74 Decommission Facilities	30,000,000	-	-	30,000,000	-	-	-
75 Improve Central Plants	112,000,000	-	-	112,000,000	-	-	-
76 Construct/Improve Innovation Facility	70,000,000	-	-	-	70,000,000	-	-
77 Guaranteed Energy Performance Contract - General	1,000,000	-	-	1,000,000	-	-	-
78 Facilities Renewal and Modernization (Reauthorization)	250,000,000	125,000,000	125,000,000	-	-	-	-
UK AP Total	2,721,550,000	384,000,000	394,550,000	1,750,500,000	152,500,000	40,000,000	-

University of Louisville

1 Upgrade - STEM Instruction Building	50,000,000	50,000,000	-	-	-	-	-
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Proposed Asset Preservation Projects 2022-24

Attachment C-1

Institution/Count/Title	Total Scope	General Fund			Third-Party		Private Funds -
		(Bond Funds)	Agency Bonds	Restricted Funds	Financing	Federal Funds	Cash
2 Capital Renewal Replace & Upgrade Pool	100,000,000	50,000,000	50,000,000	-			
3 Asset Preservation Matching Pool	56,914,000	-	56,914,000	-			
4 Renovate - School of Nursing	14,000,000	-	-	14,000,000			
5 Renovate - School of Medicine Building 55A	20,000,000	-	-	20,000,000			
6 Renovation & Adaption Projects for Various Bldgs	50,000,000	-	-	50,000,000			
7 Renovation - Vivarium Facilities	75,000,000	-	-	75,000,000			
8 Renovate - Fresh Tissue Culture and Morgue	2,200,000	-	-	2,200,000			
9 Renovate - Chemistry Fume Hood Redesign, Ph II	9,750,000	-	-	9,750,000			
10 Renovate - Chemistry Teaching Labs/Auditorium	3,960,000	-	-	3,960,000			
11 Renovate - Resurface & Repair Parking Lot	2,500,000	-	-	2,500,000			
12 Renovate - College of Business Classrooms	24,000,000	-	-	24,000,000			
13 Renovate - College of Education-HVAC Upgrade	2,200,000	-	-	2,200,000			
14 Law School HVAC	6,916,000	-	-	6,916,000			
15 Renovate - Law School	50,000,000	-	-	50,000,000			
16 Renovate - Gross Anatomy Lab	3,000,000	-	-	3,000,000			
17 Renovate - Dental School Administrative Space	1,000,000	-	-	1,000,000			
18 Replacement - Building HVAC	25,000,000	-	-	25,000,000			
19 Renovation - Exterior Envelope Replacement-55A	15,000,000	-	-	15,000,000			
20 Guaranteed Energy Savings Contract	10,000,000	-	-	10,000,000			
21 Renovate -HSC Instructional & Student Srvs Space	42,000,000	-	-	42,000,000			
22 Upgrade HVAC for Dental School	2,200,000	-	-	2,200,000			
23 Renovate - Speed School Research Building	5,500,000	-	-	5,500,000			
24 Renovate - Natural Science Building	30,000,000	-	-	30,000,000			
25 Renovate - Life Sciences Building Vivarium	3,471,000	-	-	3,471,000			
26 Renovate - Gottschalk Hall	2,004,000	-	-	2,004,000			
27 Renovate - Humanities Building	2,500,000	-	-	2,500,000			
28 Construct - Belknap Stormwater Improvements	5,000,000	-	-	5,000,000			
29 Renovate - Belknap Physical Plant Building	2,000,000	-	-	2,000,000			
30 Renovate - Flexner Way Mall	2,500,000	-	-	2,500,000			
31 Renovation - Office Building	5,000,000	-	-	5,000,000			
32 Construct - Artificial Turf Field for Intramural	1,215,000	-	-	1,215,000			
33 Renovate - Music School Building	3,500,000	-	-	3,500,000			
34 Replace - Physical Access Control System	3,500,000	-	-	3,500,000			
35 Renovation - KY Lions Eye Lab	7,000,000	-	-	7,000,000			
36 Steam Plant Modernization (Reauth., KRS 45.763)	-	-	-	-			
UofL AP Total	638,830,000	100,000,000	106,914,000	431,916,000			

Proposed Asset Preservation Projects 2022-24

Institution/Count/Title	Total Scope	General Fund (Bond Funds)	Agency Bonds	Restricted Funds	Third-Party Financing	Attachment C-1	
						Federal Funds	Private Funds - Cash
Eastern Kentucky University							
1 Renovate Alumni Coliseum	72,350,000	31,350,000	25,000,000	5,000,000	-	-	11,000,000
2 Capital Asset Renewal Match Pool	35,000,000	35,000,000	-	-	-	-	-
3 Renovate Moore-Memorial-Roark Buildings	75,000,000	75,000,000	-	-	-	-	-
4 Renovate Whalen Complex	27,500,000	25,500,000	-	-	-	-	2,000,000
5 Renovate and Upgrade Heat Plant	14,000,000	7,000,000	-	7,000,000	-	-	-
6 Renovate Mechanical Systems Pool 2022-2024	20,000,000	10,000,000	-	10,000,000	-	-	-
7 Repair/Replace Infrastructure/Bldg. System Pool	20,000,000	-	-	20,000,000	-	-	-
8 Miscellaneous Maintenance Pool 2022-2024	20,000,000	-	-	20,000,000	-	-	-
9 Commonwealth Hall Partial Repurposing and Renov.	6,000,000	-	-	6,000,000	-	-	-
10 Demolish Building Pool	40,000,000	-	-	20,000,000	-	-	20,000,000
11 Steam Line Upgrades	10,000,000	-	-	-	10,000,000	-	-
12 Guaranteed Energy Savings Performance Contracts	25,000,000	-	-	-	25,000,000	-	-
13 Campus Infrastructure Upgrade	35,000,000	-	-	-	35,000,000	-	-
14 Additional University Services Space (repurpose)	2,500,000	-	-	2,000,000	-	-	500,000
EKU AP Total	402,350,000	183,850,000	25,000,000	90,000,000	70,000,000	-	33,500,000
Kentucky State University							
1 Academic & Student Success Center	29,604,000	29,604,000	-	-	-	-	-
2 Renovation & Renewal Projects Pool 2022	5,967,000	5,967,000	-	-	-	-	-
3 Asset Preservation Matching Pool	9,389,000	-	7,889,000	1,500,000	-	-	-
4 Guaranteed Energy Savings Project	-	-	-	-	-	-	-
KSU AP Total	44,960,000	35,571,000	7,889,000	1,500,000	-	-	-
Morehead State University							
1 Renovate Combs Classroom Building	31,409,000	31,409,000	-	-	-	-	-
2 Asset Preservation Matching Funds Pool	20,142,000	-	20,142,000	-	-	-	-
3 Replace Electrical Switchgear B	3,000,000	3,000,000	-	-	-	-	-
4 Capital Renewal and Maintenance Pool-E&G	17,813,000	17,813,000	-	-	-	-	-
5 Water Plant Sediment Basin	2,015,000	2,015,000	-	-	-	-	-
6 Upgrade Campus Fire & Security Systems	2,789,000	2,789,000	-	-	-	-	-
7 Repair Camden-Carroll Library Facade & Interior	10,221,000	10,221,000	-	-	-	-	-
8 Capital Renewal and Maintenance Pool-Univ. Farm	1,262,000	1,262,000	-	-	-	-	-
9 Comply with ADA - E&G	4,007,000	4,007,000	-	-	-	-	-
10 Renovate Button Auditorium	18,527,000	18,527,000	-	-	-	-	-
11 Renovate Howell-McDowell	5,650,000	5,650,000	-	-	-	-	-
12 Renovate Lappin Hall	7,975,000	7,975,000	-	-	-	-	-
13 Renovate Academic Athletic Center	7,581,000	7,581,000	-	-	-	-	-
14 Guaranteed Energy Savings/Performance Contracting	-	-	-	-	-	-	-
MoSU AP Total	132,391,000	112,249,000	20,142,000	-	-	-	-

Proposed Asset Preservation Projects 2022-24

Attachment C-1

Institution/Count/Title	Total Scope	General Fund	Agency Bonds	Restricted Funds	Third-Party	Private Funds -	
		(Bond Funds)			Financing	Federal Funds	Cash
Murray State University							
1 Asset Preservation Matching Funds Pool	21,487,250	-	12,200,000	9,287,250			
2 Capital Renewal and Building Modernization	25,662,000	25,662,000	-	-			
3 Renovate Applied Science Classrooms & Offices	16,823,000	16,823,000	-	-			
4 Renovate Mason Hall Labs/Classrooms/Systems/Etc	8,347,000	8,347,000	-	-			
5 Modernize Business Bldg Elec, HVAC & Classrooms	15,253,000	15,253,000	-	-			
6 Replace/Retrofit Doyle Fine Arts HVAC & Energy	2,743,000	2,743,000	-	-			
7 Renovate Wells Hall	12,958,000	12,958,000	-	-			
8 Upgrade Sparks Hall Electrical System	2,615,000	2,615,000	-	-			
9 Renovate CFSB Center	6,938,000	6,938,000	-	-			
10 Renovate Lowry Center	2,976,000	2,976,000	-	-			
11 Replace Expo Center Roof	1,500,000	-	-	1,500,000			
MuSU AP Total	117,302,250	94,315,000	12,200,000	10,787,250			
Northern Kentucky University							
1 Renew/Renovate Fine Arts Center Phase II	55,000,000	45,000,000	-	5,000,000	-	-	5,000,000
2 Renew/Renovate Steely Library	45,000,000	35,000,000	-	5,000,000	-	-	5,000,000
3 Renew E&G Building Systems Projects Pool Reauth \$20 M	-	-	-	-	-	-	-
4 Replace Underground Utility Infrastructure	4,400,000	-	-	4,400,000	-	-	-
5 Renovate/Construct Campbell Hall Reauth \$18.0 M	-	-	-	-	-	-	-
6 Renew/Renovate Nunn Hall	10,000,000	-	-	5,000,000	-	-	5,000,000
7 Renovate/Construct Civic Center Building	14,000,000	-	-	-	7,000,000	-	7,000,000
8 Replace Recreation Field Turf	2,000,000	-	-	2,000,000	-	-	-
9 Guaranteed Energy Savings Performance Contracts	-	-	-	-	-	-	-
10 Replace Event Center Technology (\$4.0 M +) Add'l Reauthor	500,000	-	-	-	500,000	-	-
11 Asset Preservation Matching Funds Pool	56,100,000	37,400,000	18,700,000	-	-	-	-
NKU AP Total	187,000,000	117,400,000	18,700,000	21,400,000	7,500,000	-	22,000,000

Proposed Asset Preservation Projects 2022-24

Attachment C-1

Institution/Count/Title	Total Scope	General Fund	Agency Bonds	Restricted Funds	Third-Party	Federal Funds	Private Funds -
		(Bond Funds)			Financing		Cash
Western Kentucky University							
1 Renovate Grise Hall	32,200,000	32,200,000	-	-	-	-	-
2 Replace Underground Infrastructure	25,000,000	25,000,000	-	-	-	-	-
3 Asset Preservation Matching Funds Pool	31,329,000	31,329,000	-	-	-	-	-
4 Renovate Raymond Cravens Library	40,300,000	40,300,000	-	-	-	-	-
5 Ren Ogden College of Science & Engineering Fac	75,800,000	75,800,000	-	-	-	-	-
6 Renovate Potter College Arts & Letters Facilitie	96,400,000	96,400,000	-	-	-	-	-
7 Renovate Academic Complex	27,500,000	27,500,000	-	-	-	-	-
8 Improve Life Safety Pool/Academic Bldgs	27,500,000	27,500,000	-	-	-	-	-
9 Repair/Replace Roof at Ctr Research Development	5,100,000	5,100,000	-	-	-	-	-
10 Capital Renewal Pool	10,000,000	10,000,000	-	-	-	-	-
11 Renovate Kentucky Building	17,500,000	17,500,000	-	-	-	-	-
12 Renovate Central Heat Plant	5,100,000	5,100,000	-	-	-	-	-
13 Renovate Jones Jagers Interior	1,000,000	1,000,000	-	-	-	-	-
14 Energy Saving Performance Contracting	10,000,000	-	-	-	10,000,000	-	-
15 Guaranteed Energy Savings Project	-	-	-	-	-	-	-
16 Renovate South Campus	5,000,000	-	-	5,000,000	-	-	-
17 Renovate State/Normal Street Properties	1,500,000	-	-	1,500,000	-	-	-
18 Renovate CRD Phase I	6,000,000	-	-	6,000,000	-	-	-
19 Renovate and Expand Innovation Campus (CRD)	80,000,000	-	-	7,000,000	-	15,000,000	58,000,000
WKU AP Total	497,229,000	394,729,000	-	19,500,000	10,000,000	15,000,000	58,000,000
KCTCS							
1 Capital Renewal & Deferred Maintenance Pool	40,000,000	40,000,000	-	-	-	-	-
2 Renov Occupational Tech. Ph I-Elizabethtown CTC	16,500,000	16,500,000	-	-	-	-	-
3 Replace Hartford Building Phase I-JCTC	22,500,000	17,500,000	-	5,000,000	-	-	-
4 Renovate Laurel South Campus Phase I-Somerset CC	6,000,000	4,800,000	-	1,200,000	-	-	-
5 Renovate Main Campus Bldgs-Southcentral KY CTC	10,000,000	5,000,000	-	5,000,000	-	-	-
6 Roof Replacements - Gateway CTC	4,000,000	4,000,000	-	-	-	-	-
7 Renov/Const Transport Training Ctr-Ashland CTC	5,900,000	5,900,000	-	-	-	-	-
8 Upgrade HVAC Academic Building - Hopkinsville CC	3,500,000	3,500,000	-	-	-	-	-
9 Renovate Jolly Classroom Ctr - Hazard CTC	6,300,000	6,300,000	-	-	-	-	-
10 Roof Replacements - Big Sandy CTC	3,200,000	3,200,000	-	-	-	-	-
11 Roof Replacements - Southeast KY CTC	1,500,000	1,500,000	-	-	-	-	-
12 Roof Replacements - Maysville CTC	1,300,000	1,300,000	-	-	-	-	-
13 Renovate Tech Campus - Madisonville CC	3,400,000	3,400,000	-	-	-	-	-
14 Replace HVAC System Ph I, Owensboro CTC	4,100,000	4,100,000	-	-	-	-	-
15 Renovate Academic Building-Hopkinsville CC	13,900,000	13,900,000	-	-	-	-	-
16 Renovations Main Campus - West KY CTC	5,000,000	5,000,000	-	-	-	-	-
17 Renovate Main Bldg. Phase II, Ashland CTC	34,000,000	34,000,000	-	-	-	-	-
18 Upgrade HVAC Equip & Controls - Hazard CTC	4,700,000	4,700,000	-	-	-	-	-
19 Upgrade Life and Fire Safety - Owensboro CTC	2,400,000	2,400,000	-	-	-	-	-
20 Renovate Aviation - Madisonville CC	1,700,000	1,700,000	-	-	-	-	-

Proposed Asset Preservation Projects 2022-24

Attachment C-1

Institution/Count/Title	Total Scope	General Fund	Attachment C-1				
		(Bond Funds)	Agency Bonds	Restricted Funds	Third-Party Financing	Federal Funds	Private Funds - Cash
21 Upgrade Life and Fire Safety - Somerset CC	4,300,000	4,300,000	-	-	-	-	-
22 Renovate Science Labs-Jefferson CTC	3,000,000	3,000,000	-	-	-	-	-
23 Renovate Pineville Campus, Southeast KY CTC	3,500,000	3,000,000	-	500,000	-	-	-
24 Upgrade HVAC - Somerset CC South Campus	2,300,000	2,300,000	-	-	-	-	-
25 Renovate Parking Lot & Sidewalks West KY CTC	3,400,000	3,400,000	-	-	-	-	-
26 Upgrade Fire Alarms - Maysville CTC	1,500,000	1,500,000	-	-	-	-	-
27 Roof Replacements -Ashland CTC	2,200,000	-	-	2,200,000	-	-	-
28 Upgrade Welding Shop-Big Sandy CTC, Mayo (Reauth)	1,500,000	-	-	-	-	1,500,000	-
29 Renov Newtown North (Reauth) Add'l \$12.4 M - Bluegrass	12,400,000	-	-	12,400,000	-	-	-
30 Renov Admin Building - Bluegrass CTC Newtown	9,700,000	-	-	9,700,000	-	-	-
31 Renov Science Building Labs - Elizabethtown CTC	6,400,000	-	-	6,400,000	-	-	-
32 Upgrade IT Infrastructure (Reauth)- Gateway CTC	1,500,000	-	-	1,500,000	-	-	-
33 Renov Advance Manuf & Constr-Hazard CTC (Reauth)	4,900,000	-	-	1,000,000	-	3,900,000	-
34 Renov Industrial Education Bldg-Hazard CTC (Reauth)	2,500,000	-	-	-	-	2,500,000	-
35 Relocate Student Center - Henderson CC	2,400,000	-	-	2,400,000	-	-	-
36 Upgrade ADA Somerset Community College	1,600,000	-	-	1,600,000	-	-	-
37 Replace Windows & Doors, Somerset CC	1,200,000	-	-	1,200,000	-	-	-
38 Guaranteed Energy Savings Project Pool	20,000,000	-	-	-	20,000,000	-	-
39 Asset Preservation Matching Funds Pool	46,257,650	-	-	46,257,650	-	-	-
KCTCS AP Total	320,457,650	196,200,000	-	96,357,650	20,000,000	7,900,000	-
225 Asset Preservation Total	5,062,069,900	1,618,314,000	585,395,000	2,421,960,900	260,000,000	62,900,000	113,500,000

New or Expanded Space

Attachment C-2

Institution/Count/Title	Total Scope	General Fund			Third-Party Financing	Attachment C-2	
		(Bond Funds)	Agency Bonds	Restricted Funds		Federal Funds	Private Funds - Cash
University of Kentucky							
1 Construct Health Education Building (Reauthorization)	380,000,000	250,000,000	50,000,000	30,000,000	50,000,000	-	-
2 Construct Agriculture Research Facility #1	20,000,000	-	-	20,000,000	-	-	-
3 Construct Agriculture Research Facility #2	10,000,000	-	-	10,000,000	-	-	-
4 Construct Beam Institute	10,000,000	-	-	10,000,000	-	-	-
5 Construct Engineering Center Building	110,000,000	-	-	110,000,000	-	-	-
6 Construct Equine Campus, Phase 2	11,000,000	-	-	11,000,000	-	-	-
7 Construct Library Depository Facility	20,000,000	-	-	20,000,000	-	-	-
8 Construct Metal Arts/Digital Media Bldg	10,000,000	-	-	10,000,000	-	-	-
9 Construct North Farm Agricultural Research Facility	2,000,000	-	-	2,000,000	-	-	-
10 Construct Teaching Pavilion	28,000,000	-	-	28,000,000	-	-	-
11 Construct Digital Villiage Building 3A	70,000,000	-	-	-	70,000,000	-	-
12 Construct Digital Villiage Building 3B	70,000,000	-	-	70,000,000	-	-	-
13 Construct Agricultural Federal Research Facility I	80,000,000	-	-	-	-	80,000,000	-
14 Construct Agricultural Federal Research Facility II	10,000,000	-	-	-	-	10,000,000	-
15 Acquire Land	50,000,000	-	-	50,000,000	-	-	-
16 Construct Childcare Center Facility	10,000,000	-	-	10,000,000	-	-	-
17 Construct Facilities Shop & Storage Facility	27,000,000	-	-	27,000,000	-	-	-
18 Construct New Alumni Center	38,000,000	-	-	-	38,000,000	-	-
19 Construct Office Park at Coldstream	65,000,000	-	-	-	65,000,000	-	-
20 Construct Police Headquarters	27,000,000	-	-	27,000,000	-	-	-
21 Construct/Relocate Data Center	50,000,000	-	-	50,000,000	-	-	-
UK New or Expanded Total	1,098,000,000	250,000,000	50,000,000	485,000,000	223,000,000	90,000,000	-
University of Louisville							
1 Construct - College of Business Building	120,000,000	-	40,000,000	-	-	-	80,000,000
2 Construct - Medical office/lab building	90,000,000	-	30,000,000	60,000,000	-	-	-
3 Construct - Belknap 3rd Street Improvements	2,180,000	-	-	2,180,000	-	-	-
4 Construct - Belknap Brandeis Corridor Imp	3,100,000	-	-	3,100,000	-	-	-
5 Vivarium Equipment Pool	20,000,000	-	-	20,000,000	-	-	-
6 Public/Private Partnership-LARRI Bldg-Speed Sch	5,500,000	-	-	-	-	-	5,500,000
7 Construct - Administrative Office Building	9,000,000	-	-	9,000,000	-	-	-
8 Construct-Utility Infrastructure Upgrade	21,975,000	-	-	21,975,000	-	-	-
9 Purchase Land	15,000,000	-	-	15,000,000	-	-	-
10 Construct-Multidisciplinary Engineering Bldg #1	65,000,000	-	-	65,000,000	-	-	-
11 Construct - Belknap Century Corridor Improvement	1,250,000	-	-	1,250,000	-	-	-
12 Expand - College of Business Addition	10,000,000	-	-	10,000,000	-	-	-
13 Shelbyhurst Academic Bldg & Conf. Center	50,596,000	-	-	50,596,000	-	-	-
UofL New or Expanded Total	413,601,000	-	70,000,000	258,101,000	-	-	85,500,000

New or Expanded Space

Institution/Count/Title	Total Scope	General Fund (Bond Funds)	Agency Bonds	Restricted Funds	Third-Party Financing	Attachment C-2	
						Federal Funds	Private Funds - Cash
Eastern Kentucky University							
1 Construct New Model Laboratory School	90,000,000	90,000,000	-	-	-	-	-
2 Construct Academic Complex	100,000,000	97,000,000	-	-	-	-	3,000,000
3 Construct Aviation/Aerospace Instr Facility Reallocation	4,540,800	1,890,800	-	250,000	2,000,000	400,000	-
4 Property Acquisitions Pool	8,000,000	-	-	5,000,000	-	-	3,000,000
5 Construct EKU Early Childhood Center	10,000,000	-	-	10,000,000	-	-	-
6 Construct Student Health Center	2,705,000	-	-	-	-	-	2,705,000
7 Construct Alumni & Welcome Center	20,000,000	-	-	-	-	-	20,000,000
8 Innovation and Commercialization Pool	15,000,000	-	-	5,000,000	-	-	10,000,000
9 Natural Areas Improvement Pool	825,000	-	-	825,000	-	-	-
EKU New or Expanded Total	251,070,800	188,890,800	-	21,075,000	2,000,000	400,000	38,705,000
Kentucky State University							
1 Construct Health Sciences Center	18,406,000	18,406,000	-	-	-	-	-
2 Construct Business & Technology Center	42,717,000	42,717,000	-	-	-	-	-
3 Acquire Land/Campus Master Plan	2,000,000	-	-	2,000,000	-	-	-
KSU New or Expanded Total	63,123,000	61,123,000	-	2,000,000	-	-	-
Morehead State University							
1 Construct Science and Engineering Building	98,000,000	98,000,000	-	-	-	-	-
2 Construct Ctr for Excellence in Education	53,533,000	53,533,000	-	-	-	-	-
3 Acquire Land Related to Master Plan	4,000,000	4,000,000	-	-	-	-	-
MoSU New or Expanded Total	155,533,000	155,533,000	-	-	-	-	-
Murray State University							
1 Acquire Agriculture Research Farm Land	1,254,000	-	-	1,254,000	-	-	-
2 Acquire Property	4,180,000	-	-	4,180,000	-	-	-
3 Install CFSB Center Generator	1,611,000	-	-	1,611,000	-	-	-
4 Replace CFSB Center Seating	3,658,000	-	-	3,658,000	-	-	-
MuSU New or Expanded Total	10,703,000	-	-	10,703,000	-	-	-
Northern Kentucky University							
1 Expand Herrmann Science Center	84,900,000	79,900,000	-	-	-	-	5,000,000
2 Acquire Land/Master Plan 2010-2012 Reauth \$25.5 M	-	-	-	-	-	-	-
3 Construct Research/Innovation Building	30,000,000	-	-	-	30,000,000	-	-
NKU New or Expanded Total	114,900,000	79,900,000	-	-	30,000,000	-	5,000,000

New or Expanded Space

Institution/Count/Title	Total Scope	General Fund (Bond Funds)	Agency Bonds	Restricted Funds	Third-Party Financing	Attachment C-2	
						Federal Funds	Private Funds - Cash
Western Kentucky University							
1 Construct New Gordon Ford College of Business	74,400,000	74,400,000	-	-	-	-	-
2 Purchase Prop/Parking& Street Improve	3,000,000	-	-	3,000,000	-	-	-
3 Purch Property for Campus Expansion	3,000,000	-	-	3,000,000	-	-	-
4 Construct South Plaza	3,600,000	-	-	-	-	-	3,600,000
5 Renovate and Expand Clinical Education Complex	8,000,000	-	-	-	-	-	8,000,000
WKU New or Expanded Total	92,000,000	74,400,000	-	6,000,000	-	-	11,600,000
Kentucky Community and Technical College System							
1 Const Student/Classroom-Bluegrass CTC, Newtown	58,000,000	52,200,000	-	5,800,000	-	-	-
2 Expand Leitchfield Campus - Elizabethtown CTC	9,000,000	9,000,000	-	-	-	-	-
3 Const/Procure Transportation Reauth - ECTC	5,000,000	-	-	5,000,000	-	-	-
4 Const Fire Commission NRPC Classroom Bldg (Reauth) Add'l :	1,800,000	-	-	1,800,000	-	-	-
5 Property Acquisition - Fire Commission	2,000,000	-	-	2,000,000	-	-	-
6 Property Acquisition - Hopkinsville CC	3,000,000	-	-	3,000,000	-	-	-
7 Construct Parking Garage - Jefferson CTC	12,500,000	-	-	12,500,000	-	-	-
8 Procure Postsecondary Ed Ctr Phil-Maysville CTC	6,500,000	-	-	6,500,000	-	-	-
9 KCTCS Property Acquisition Pool	5,000,000	-	-	5,000,000	-	-	-
KCTCS New or Expanded Space	102,800,000	61,200,000	-	41,600,000	-	-	-
70 New or Expanded Total	2,301,730,800	871,046,800	120,000,000	824,479,000	255,000,000	90,400,000	140,805,000

Proposed Information Technology and Equipment Projects

Attachment C-3

Institution/Count/Title	Total Scope	General Fund (Bond Funds)	Agency Bonds	Restricted Funds	Third-Party Financing	Federal Funds	Private Funds - Cash
University of Kentucky							
1 Research Equipment Pool	30,000,000	-	-	30,000,000	-	-	-
2 Acquire Transportation Buses	3,000,000	-	-	3,000,000	-	-	-
3 Improve Enterprise Networking 1	5,000,000	-	-	5,000,000	-	-	-
4 Improve Enterprise Networking 2	5,000,000	-	-	5,000,000	-	-	-
5 Lease/Purchase Campus Call Center System	5,000,000	-	-	5,000,000	-	-	-
6 Lease/Purchase Campus IT Systems	10,000,000	-	-	10,000,000	-	-	-
7 Lease/Purchase High Performance Computer	7,000,000	-	-	7,000,000	-	-	-
8 Lease/Purchase Network Security	5,000,000	-	-	5,000,000	-	-	-
9 Lease/Purchase Voice Infrastructure	3,000,000	-	-	3,000,000	-	-	-
UK IT and Equipment Total	73,000,000	-	-	73,000,000	-	-	-
University of Louisville							
1 Purchase - Networking System*	8,000,000	-	-	8,000,000	-	-	-
2 Purchase - Fiber Infrastructure*	3,500,000	-	-	3,500,000	-	-	-
3 Purchase - Computing for Research Infrastructure*	7,000,000	-	-	7,000,000	-	-	-
4 Purchase - Identity Management	2,000,000	-	-	2,000,000	-	-	-
5 Purchase - Computer Processing System & Storage*	3,500,000	-	-	3,500,000	-	-	-
6 Purchase - Content Management System*	4,000,000	-	-	4,000,000	-	-	-
UofL IT and Equipment Total	28,000,000	-	-	28,000,000	-	-	-
Eastern Kentucky University							
1 Campus Data Network Pool*	13,000,000	-	-	13,000,000	-	-	-
2 Administrative Computing Pool*	6,500,000	-	-	6,500,000	-	-	-
3 Academic Computing Pool*	8,000,000	-	-	8,000,000	-	-	-
4 Aviation Acquisition Pool	7,000,000	2,000,000	-	5,000,000	-	-	-
5 Scientific and Research Equipment Pool	7,400,000	-	-	3,000,000	-	2,200,000	2,200,000
6 Chemistry and Translational Research Pool	1,025,000	-	-	675,000	-	-	350,000
7 Lease - Aviation	200,000	200,000	-	-	-	-	-
EKU IT and Equipment Total	43,125,000	2,200,000	-	36,175,000	-	2,200,000	2,550,000
Kentucky State University							
1 Expand Campus Communications Infrastructure	2,407,000	2,407,000	-	-	-	-	-
2 Upgrade Information Tech Infrastructure 2018*	12,263,000	12,263,000	-	-	-	-	-
KSU IT and Equipment Total	14,670,000	14,670,000	-	-	-	-	-
Morehead State University							
1 Enhance Network/Infrastructure Resources - Add'l*	3,219,000	3,219,000	-	-	-	-	-
2 Upgrade Instruct.&Business PCs/LANS/Digitization*	2,088,000	2,088,000	-	-	-	-	-
3 Enhance Library Automation Resources*	1,608,000	1,608,000	-	-	-	-	-
MoSU IT and Equipment Total	6,915,000	6,915,000	-	-	-	-	-
Murray State University							
1 Replace Campus Comm Infrastructure (Fiber Ring)	4,849,000	4,849,000	-	-	-	-	-
2 Agriculture Instructional Lab & Technology Equip	836,000	-	-	-	-	-	836,000
3 Broadcasting Education Lab Equipment	236,000	-	-	-	-	-	236,000
MuSU IT and Equipment Total	5,921,000	4,849,000	-	-	-	-	1,072,000

Northern Kentucky University								
1 Scientific/Technology Equip Pool	10,000,000	-	-	10,000,000	-	-	-	-
2 Upgrade Admin/IT Infrastructure Pool Add'l (Reauth \$21.5 M)	450,000	-	-	450,000	-	-	-	-
NKU IT and Equipment Total	10,450,000	-	-	10,450,000	-	-	-	-
Western Kentucky University								
1 Upgrade IT Infrastructure*	6,000,000	6,000,000	-	-	-	-	-	-
2 Acquire FF&E Diddle Arena	3,000,000	-	-	-	-	-	-	3,000,000
3 Acquire FF&E Equipment Pool	3,000,000	-	-	3,000,000	-	-	-	-
WKU IT and Equipment Total	12,000,000	6,000,000	-	3,000,000	-	-	-	3,000,000
Kentucky Community and Technical College System								
1 KCTCS Information Technology Pool	9,500,000	9,500,000	-	-	-	-	-	-
2 Procure Fire Pumpers - Fire Commission	2,000,000	-	-	2,000,000	-	-	-	-
3 Purchase Construction Grade 3D Printer-Somerset	600,000	-	-	600,000	-	-	-	-
4 KCTCS Equipment Pool	5,000,000	-	-	5,000,000	-	-	-	-
KCTCS IT and Equipment Total	17,100,000	9,500,000	-	7,600,000	-	-	-	-
39 Information Technology & Equipment Total	211,181,000	44,134,000	-	158,225,000	-	2,200,000	-	6,622,000

Proposed Agency Bond Projects (Non-E&G)

Institution/Count/Title	Total Scope	Attachment C-4			
		General Fund (Bond Funds)	Agency Bonds	Restricted Funds	Third-Party Financing
University of Kentucky					
1 Improve Housing	75,000,000	-	40,000,000	-	35,000,000
UK Agency Bond Project Total (Non-E&G)	75,000,000	-	40,000,000	-	35,000,000
UK Healthcare					
1 Construct Ambulatory Facility (Cancer)(Reauthorization)	450,000,000	-	50,000,000	350,000,000	50,000,000
2 Acquire/Improve Medical/Administrative Facility 1	250,000,000	-	50,000,000	150,000,000	50,000,000
3 Acquire/Partnership Medical System	350,000,000	-	50,000,000	300,000,000	-
4 Improve UKHC Facilities - UK Chandler Hospital	310,000,000	-	50,000,000	260,000,000	-
UK Healthcare Agency Bond Project Total (Non-E&G)	1,360,000,000	-	200,000,000	1,060,000,000	100,000,000
Morehead State University					
1 Construct New Residence Hall	38,792,000	-	38,792,000	-	-
MoSU Agency Bond Project Total (Non-E&G)	38,792,000	-	38,792,000	-	-
6 Agency Bond (Non-E&G) total	1,473,792,000	-	278,792,000	1,060,000,000	135,000,000

Proposed Non-E&G Projects and Leases

Attachment C-5

Institution/Count/Title	Total Scope	General Fund (Bond Funds)	Agency Bonds	Restricted Funds	Third-Party Financing	Private Funds - Cash
University of Kentucky						
1 Construct Indoor Track	20,000,000	-	-	10,000,000	10,000,000	-
2 Construct Tennis Facility	35,000,000	-	-	17,500,000	17,500,000	-
3 Construct Retail/Parking Facility 2	75,000,000	-	-	-	75,000,000	-
4 Construct/Improve Greek Housing	72,000,000	-	-	36,000,000	-	36,000,000
5 Construct/Fit-Up Retail Space	15,000,000	-	-	10,000,000	-	5,000,000
6 Construct/Improve Parking I	30,000,000	-	-	30,000,000	-	-
7 Construct/Improve Parking II	30,000,000	-	-	30,000,000	-	-
8 Improve Campus Parking & Transportation System	150,000,000	-	-	75,000,000	75,000,000	-
9 Improve Parking Garage 1	30,000,000	-	-	30,000,000	-	-
10 Improve Parking Garage 2	30,000,000	-	-	30,000,000	-	-
11 Improve Spindletop Hall Facilities	15,000,000	-	-	15,000,000	-	-
12 Construct/Improve Dining Facilities	10,000,000	-	-	10,000,000	-	-
13 Construct Retail/Parking Facility 1	75,000,000	-	-	-	75,000,000	-
14 Acquire Information Technology Systems	2,000,000	-	-	-	-	2,000,000
15 Acquire Equipment/Furnishings Pool	5,000,000	-	-	-	-	5,000,000
16 Acquire/Renovate Golf Facility	8,000,000	-	-	-	-	8,000,000
17 Construct Cross Country Trail	3,000,000	-	-	-	-	3,000,000
18 Construct/Improve Athletic Facility	5,000,000	-	-	-	-	5,000,000
19 Construct/ Improve Athletics Playing Field #1	3,000,000	-	-	-	-	3,000,000
20 Construct/Improve Athletics Playing Field #2	3,000,000	-	-	-	-	3,000,000
21 Construct/Improve Athletics Playing Field #3	2,000,000	-	-	-	-	2,000,000
22 Construct/Improve Gymnastic Practice Facility	10,000,000	-	-	-	-	10,000,000
23 Improve Wildcat Coal Lodge	20,000,000	-	-	-	-	20,000,000
24 Improve Athletic Facility 1	15,000,000	-	-	-	-	15,000,000
25 Improve Athletic Facility 2	10,000,000	-	-	-	-	10,000,000
26 Improve Athletic Facility 3	6,000,000	-	-	-	-	6,000,000
27 Improve Athletic Facility 4	5,000,000	-	-	-	-	5,000,000
28 Improve Athletic Facility 5	5,000,000	-	-	-	-	5,000,000
29 Improve Baseball Facility Phase II	7,000,000	-	-	-	-	7,000,000
30 Improve Joe Craft Center	5,000,000	-	-	-	-	5,000,000
31 Improve Joe Craft Football Training Facility	3,000,000	-	-	-	-	3,000,000
32 Improve Kroger Field Stadium	15,000,000	-	-	-	-	15,000,000
33 Improve Lancaster Aquatic Center-1	14,000,000	-	-	-	-	14,000,000
34 Improve Lancaster Aquatic Center-2	8,000,000	-	-	-	-	8,000,000
35 Improve Nutter Field House	15,000,000	-	-	-	-	15,000,000
36 Improve Nutter Training Facility	7,000,000	-	-	-	-	7,000,000
37 Improve Soccer/Softball Facility	7,000,000	-	-	-	-	7,000,000
38 Improve Boone Tennis Center	15,000,000	-	-	-	-	15,000,000
39 Replace Basketball Playing Floors	3,000,000	-	-	-	-	3,000,000
40 Off-Campus #1	-	-	-	-	-	-

Proposed Non-E&G Projects and Leases

Attachment C-5

Institution/Count/Title	Total Scope	General Fund (Bond Funds)	Agency Bonds	Restricted Funds	Third-Party Financing	Private Funds - Cash
41 Off-Campus #3	-	-	-	-	-	-
42 Off-Campus #4	-	-	-	-	-	-
43 Off-Campus #6	-	-	-	-	-	-
44 Off-Campus #7	-	-	-	-	-	-
45 Off-Campus #11	-	-	-	-	-	-
46 Off-Campus #12	-	-	-	-	-	-
47 Off-Campus #13	-	-	-	-	-	-
48 Off-Campus #14	-	-	-	-	-	-
49 Off-Campus #15	-	-	-	-	-	-
50 Off-Campus #16	-	-	-	-	-	-
51 Off-Campus #17	-	-	-	-	-	-
52 Off-Campus #18	-	-	-	-	-	-
53 Off-Campus #19	-	-	-	-	-	-
54 Off-Campus #20	-	-	-	-	-	-
55 Off-Campus Housing #1	-	-	-	-	-	-
56 Off-Campus Housing #2	-	-	-	-	-	-
57 College of Medicine 3	-	-	-	-	-	-
58 College of Medicine 4	-	-	-	-	-	-
59 College of Medicine 5	-	-	-	-	-	-
60 Athletics 1	-	-	-	-	-	-
61 Athletics 2	-	-	-	-	-	-
62 Off-Campus #2	-	-	-	-	-	-
63 Off-Campus #5	-	-	-	-	-	-
64 College of Medicine 1	-	-	-	-	-	-
65 College of Medicine 2	-	-	-	-	-	-
UK non-E&G Total	788,000,000	-	-	293,500,000	252,500,000	242,000,000

Proposed Non-E&G Projects and Leases

Attachment C-5

Institution/Count/Title	Total Scope	General Fund			Attachment C-5	
		(Bond Funds)	Agency Bonds	Restricted Funds	Third-Party Financing	Private Funds - Cash
UK Healthcare						
1 Implement Energy Performance Contracting	1,000,000	-	-	1,000,000	-	-
2 Replace UKHC IT Systems 1	320,000,000	-	-	320,000,000	-	-
3 Improve UK Good Samaritan Hospital Facilities	25,000,000	-	-	25,000,000	-	-
4 Improve Clinical/Ambulatory Services Facilities	50,000,000	-	-	50,000,000	-	-
5 Improve Markey Cancer Center Facilities	20,000,000	-	-	20,000,000	-	-
6 Construct State Street Medical Facilities	100,000,000	-	-	100,000,000	-	-
7 Improve State Street Medical Facilities	100,000,000	-	-	100,000,000	-	-
8 Acquire Medical Facility 1	75,000,000	-	-	75,000,000	-	-
9 Acquire Medical Facility 2	75,000,000	-	-	75,000,000	-	-
10 Improve Medical Facility 1	25,000,000	-	-	25,000,000	-	-
11 Improve Medical Facility 2	25,000,000	-	-	25,000,000	-	-
12 Construct/Improve Medical/Administrative Facility 1	250,000,000	-	-	250,000,000	-	-
13 Acquire/Improve Medical/Administrative Facility 2	125,000,000	-	-	125,000,000	-	-
14 Construct/Improve Medical/Administrative Facility 2	75,000,000	-	-	75,000,000	-	-
15 Acquire/Improve Medical/Administrative Facility 3	300,000,000	-	-	250,000,000	-	50,000,000
16 Construct/Improve Medical/Administrative Facility 3	200,000,000	-	-	200,000,000	-	-
17 Construct Medical/Administrative Facility 3	150,000,000	-	-	150,000,000	-	-
18 Construct Medical/Administrative Facility 1	100,000,000	-	-	100,000,000	-	-
19 Construct Medical/Administrative Facility 2	75,000,000	-	-	75,000,000	-	-
20 Acquire Data Center Hardware	15,000,000	-	-	15,000,000	-	-
21 Acquire Telemedicine/Virtual ICU	10,000,000	-	-	10,000,000	-	-
22 Acquire/Improve Elevator Systems UKHC	15,000,000	-	-	15,000,000	-	-
23 Acquire/Upgrade UKHC IT System	10,000,000	-	-	10,000,000	-	-
24 Construct Data Center - UKHC	45,000,000	-	-	-	45,000,000	-
25 Construct Hospice Facility - UKHC	25,000,000	-	-	25,000,000	-	-
26 Construct/Expand/Improve Ambulatory Care	50,000,000	-	-	30,000,000	20,000,000	-
27 Construct/Improve Medical/Admn Fac	50,000,000	-	-	50,000,000	-	-
28 Implement Land Use Plan UKHC	150,000,000	-	-	150,000,000	-	-
29 Implement Patient Communication System UKHC	25,000,000	-	-	25,000,000	-	-
30 Improve Building Systems UKHC	50,000,000	-	-	50,000,000	-	-
31 Improve Parking/Transportation Systems 1 UKHC	75,000,000	-	-	75,000,000	-	-
32 Improve Parking/Transportation Systems 2 UKHC	75,000,000	-	-	-	75,000,000	-
33 Improve Site/Civil Infrastructure - UKHC	25,000,000	-	-	25,000,000	-	-
34 Improve Utilities Infrastructure	80,000,000	-	-	80,000,000	-	-
35 Renovate/Improve Nursing Units - UKHC	7,000,000	-	-	7,000,000	-	-
36 Health Affairs Office	-	-	-	-	-	-
37 Health Affairs Office #3	-	-	-	-	-	-
38 Health Affairs Office #5	-	-	-	-	-	-
39 Health Affairs Office #11	-	-	-	-	-	-
40 Health Affairs Office #12	-	-	-	-	-	-
41 Health Affairs Office #14	-	-	-	-	-	-

Proposed Non-E&G Projects and Leases

Attachment C-5

Institution/Count/Title	Total Scope	Attachment C-5				
		General Fund (Bond Funds)	Agency Bonds	Restricted Funds	Third-Party Financing	Private Funds - Cash
42 Health Affairs Office #15	-	-	-	-	-	-
43 Health Affairs Office #16	-	-	-	-	-	-
44 Health Affairs Office #17	-	-	-	-	-	-
45 UKHC Off-Campus Fac #11	-	-	-	-	-	-
46 UKHC Off-Campus Fac #12	-	-	-	-	-	-
47 UKHC Off-Campus Fac #13	-	-	-	-	-	-
48 UKHC Off-Campus Fac #14	-	-	-	-	-	-
49 UKHC Off-Campus Fac #15	-	-	-	-	-	-
50 UKHC Off-Campus Fac #16	-	-	-	-	-	-
51 UKHC Off-Campus Fac #17	-	-	-	-	-	-
52 UKHC Off-Campus Fac #18	-	-	-	-	-	-
53 UKHC Off-Campus Fac #19	-	-	-	-	-	-
54 Health Affairs Office #2	-	-	-	-	-	-
55 Health Affairs Office #4	-	-	-	-	-	-
56 Health Affairs Office #6	-	-	-	-	-	-
57 Health Affairs Office #7	-	-	-	-	-	-
58 Health Affairs Office #8	-	-	-	-	-	-
59 Health Affairs Office #9	-	-	-	-	-	-
60 Health Affairs Office #10	-	-	-	-	-	-
61 Health Affairs Office #13	-	-	-	-	-	-
62 Good Sam Hospital	-	-	-	-	-	-
63 UKHC Off-Campus Fac #1	-	-	-	-	-	-
64 UKHC Off-Campus Fac #2	-	-	-	-	-	-
65 UKHC Off-Campus Fac #3	-	-	-	-	-	-
66 UKHC Off-Campus Fac #4	-	-	-	-	-	-
67 UKHC Off-Campus Fac #5	-	-	-	-	-	-
68 UKHC Off-Campus Fac #6	-	-	-	-	-	-
69 UKHC Off-Campus Fac #7	-	-	-	-	-	-
70 UKHC Off-Campus Fac #8	-	-	-	-	-	-
71 UKHC Off-Campus Fac #9	-	-	-	-	-	-
72 UKHC Off-Campus Fac #10	-	-	-	-	-	-
73 UKHC Off-Campus #8	-	-	-	-	-	-
74 UKHC Off-Campus #9	-	-	-	-	-	-
UK Healthcare non-E&G Total	2,798,000,000	-	-	2,608,000,000	140,000,000	50,000,000

Proposed Non-E&G Projects and Leases

Attachment C-5

Institution/Count/Title	Total Scope	General Fund			Attachment C-5	
		(Bond Funds)	Agency Bonds	Restricted Funds	Third-Party Financing	Private Funds - Cash
University of Louisville						
1 Improve Housing Facilities Pool	10,000,000	-	-	10,000,000	-	-
2 Renovate - Parking Structures	3,600,000	-	-	3,600,000	-	-
3 Belknap Campus Parking Garage	34,229,000	-	-	34,229,000	-	-
4 Public/Private Partnership Resident Hall	52,000,000	-	-	-	-	52,000,000
5 Purchase Housing Facilities	75,000,000	-	-	75,000,000	-	-
6 Acquisition of Dormitories	41,149,000	-	-	41,149,000	-	-
7 Renovate Unitas Resident Hall	22,300,000	-	-	22,300,000	-	-
8 Renovate - University Tower Apartments	2,700,000	-	-	2,700,000	-	-
9 Lease Housing Facilities	10,000,000	-	-	10,000,000	-	-
10 Expand Patterson Stadium /construct indoor facil	16,000,000	-	-	-	-	16,000,000
11 Replace - Electronic Video Boards	10,000,000	-	-	-	-	10,000,000
12 Construct - Athletics Office Building	7,500,000	-	-	-	-	7,500,000
13 Construct - Athletic Grounds Building	1,550,000	-	-	-	-	1,550,000
14 Football Practice Field Lighting	2,000,000	-	-	-	-	2,000,000
15 Replace - Artificial Turf Field III	1,250,000	-	-	-	-	1,250,000
16 Replace - Artificial Turf Field IV	1,250,000	-	-	-	-	1,250,000
17 Expand-Ulmer Softball Stadium/Const Indoor Fac	8,000,000	-	-	-	-	8,000,000
18 Construct - Natatorium	25,000,000	-	-	-	-	25,000,000
19 Basketball/Lacrosse Practice Facility Expansion	25,000,000	-	-	-	-	25,000,000
20 Expand - Marshall Center Complex	5,000,000	-	-	-	-	5,000,000
21 Renovate - Cardinal Football Stadium	25,000,000	-	-	-	-	25,000,000
22 Renovate - Cardinal Park	8,000,000	-	-	-	-	8,000,000
23 Renovate - Bass Rudd Tennis Center	3,000,000	-	-	-	-	3,000,000
24 Renovate - Garvin Brown Boathouse	2,000,000	-	-	-	-	2,000,000
25 Renovate - Marshall Center	1,000,000	-	-	-	-	1,000,000
26 Renovation - Golf Club - Shelby County	1,000,000	-	-	-	-	1,000,000
27 Renovation - Lynn Soccer Stadium	1,000,000	-	-	-	-	1,000,000
28 Renovation - Thornton's Academic Center	1,000,000	-	-	-	-	1,000,000
29 Renovation - Trager Football Practice Facility	1,000,000	-	-	-	-	1,000,000
30 Renovations - Patterson Baseball Stadium	1,000,000	-	-	-	-	1,000,000
31 Capital Renewal for Athletic Venues	7,500,000	-	-	-	-	7,500,000
32 Construct-Practice Bubble	4,000,000	-	-	-	-	4,000,000
33 Construction - Indoor Facility	15,000,000	-	-	-	-	15,000,000
34 Renovation - Cardinal Stadium Club Upgrades	5,000,000	-	-	-	-	5,000,000
35 Demo and Construct-Golf Maintenance/Chemical Bld	2,000,000	-	-	-	-	2,000,000
36 Construct - Athletics Village	90,000,000	-	-	-	-	90,000,000
37 Replacement - Seats in Athletic Venues	7,000,000	-	-	-	-	7,000,000
38 Athletics enhancements in new dormitory	6,000,000	-	-	-	-	6,000,000
39 Expand and Renovate - Wright Natatorium	10,000,000	-	-	-	-	10,000,000
40 Replace - Cardinal Stadium Seats	6,000,000	-	-	-	-	6,000,000
UofL non-E&G Total	550,028,000	-	-	198,978,000	-	351,050,000

Proposed Non-E&G Projects and Leases

Attachment C-5

Institution/Count/Title	Total Scope	General Fund (Bond Funds)	Agency Bonds	Restricted Funds	Third-Party Financing	Private Funds - Cash
Eastern Kentucky University						
1 Leased Space	-	-	-	-	-	-
EKU Lease Total	-	-	-	-	-	-
Morehead State University						
1 Renovate Jayne Stadium	40,637,000	40,637,000	-	-	-	-
2 Capital Renewal and Maintenance Pool-Aux	4,639,000	-	4,639,000	-	-	-
3 Comply with ADA - Auxiliary	2,079,000	-	2,079,000	-	-	-
4 Renovate Alumni Tower Ground Floor	3,897,000	-	3,897,000	-	-	-
5 Renovate Cartmell Residence Hall	15,521,000	-	15,521,000	-	-	-
6 Reno.& Replace Exterior Precast Panels-Nunn Hall	3,148,000	-	3,148,000	-	-	-
7 Replace Turf on Jacobs Field	1,127,000	-	1,127,000	-	-	-
8 Renovate Normal Residence Hall	3,840,000	-	3,840,000	-	-	-
9 Renovate Fields Residence Hall	4,920,000	-	4,920,000	-	-	-
10 Renovate Grote-Thompson Residence Hall	4,920,000	-	4,920,000	-	-	-
11 Renovate Cooper Residence Hall	9,000,000	-	9,000,000	-	-	-
MoSU non-E&G Total	93,728,000	40,637,000	53,091,000			
Murray State University						
1 Repair Stewart Stadium - Structural	7,356,000	7,356,000	-	-	-	-
2 Construct Residential Housing	68,970,000	-	68,970,000	-	-	-
3 Construct Residential Housing - LTF	68,970,000	-	-	-	68,970,000	-
4 Construct/Renovate Alt Dining Facility (1 to 3)	12,540,000	-	-	-	12,540,000	-
5 Enhance Dining Facility	4,884,000	-	-	4,884,000	-	-
6 Renovate Residence Hall Electrical System	4,369,000	-	4,369,000	-	-	-
7 Renovate Residence Hall Electrical System - LTF	4,369,000	-	-	-	4,369,000	-
8 Renovate Residence Hall HVAC System	3,661,000	-	3,661,000	-	-	-
9 Renovate Residence Hall HVAC System - LTF	3,661,000	-	-	-	3,661,000	-
10 Renovate Residence Hall Interior	1,674,000	-	1,674,000	-	-	-
11 Renovate Residence Hall Interior - LTF	1,674,000	-	-	-	1,674,000	-
12 Replace Residence Hall Domestic Water Piping	1,195,000	-	1,195,000	-	-	-
MuSU non-E&G Total	183,323,000	7,356,000	79,869,000	4,884,000	91,214,000	
Northern Kentucky University						
1 Renovate Residence Halls Add'l Reauthor	15,000,000	-	5,000,000	-	-	-
2 Expand/Renovate Regents Hall	2,000,000	-	-	-	1,500,000	500,000
3 Construct Indoor Tennis Facility	12,000,000	-	-	-	6,000,000	6,000,000
4 Reconstruct West Side Parking Reauth (\$13,529,000)	-	-	-	-	-	-
5 Renovate/Expand Baseball Field	6,700,000	-	-	-	-	6,700,000
6 Space Lease	-	-	-	-	-	-
NKU non-E&G Total	35,700,000	-	5,000,000	-	7,500,000	13,200,000

Proposed Non-E&G Projects and Leases

Institution/Count/Title	Total Scope	Attachment C-5				
		General Fund (Bond Funds)	Agency Bonds	Restricted Funds	Third-Party Financing	Private Funds - Cash
Western Kentucky University						
1 Add Club Seating at Diddle Arena	3,600,000	-	-	-	-	3,600,000
2 Construct Football Pressbox	5,200,000	-	-	-	-	5,200,000
3 Expand Track and Field Facilities	4,700,000	-	-	-	-	4,700,000
4 Construct Baseball Grandstand	4,500,000	-	-	-	-	4,500,000
5 Construct Parking Structure IV	25,000,000	-	25,000,000	-	-	-
6 Construct Indoor Athletic Training Facility	25,000,000	-	-	-	-	25,000,000
7 Remove and Replace Student Housing @ Farm	2,500,000	-	-	-	-	2,500,000
8 Improve Softball and Soccer Complex	5,500,000	-	-	-	-	5,500,000
WKU non-E&G Total	76,000,000	-	25,000,000	-	-	51,000,000
217 Non-E&G, Leases, Other Total	4,524,779,000	47,993,000	162,960,000	3,105,362,000	491,214,000	707,250,000

2022-24 Postsecondary Education Budget Recommendation Trust Funds Request

The Kentucky Postsecondary Education Improvement Act of 1997 (HB 1) created six Strategic Investment and Incentive Trust Funds to bring about change and improvement in Kentucky colleges and universities by providing strategic financial incentives for institutions to pursue desired state goals for postsecondary education. These trust funds are listed below.

1. Research Challenge Trust Fund
2. Comprehensive University Excellence Trust Fund
3. Technology Initiative Trust Fund
4. Physical Facilities Trust Fund
5. Postsecondary Education Workforce Development Trust Fund
6. Student Financial Aid and Advancement Trust Fund

When the General Assembly authorizes appropriations for trust fund programs, they are typically maintained and administered by the Council on Postsecondary Education, but represent resources that are passed through to postsecondary institutions based on compliance with Council approved guidelines and procedures.

Every two years, CPE staff works collaboratively with campus presidents, chief budget officers, and Council members to identify programs and recommend funding that will provide incentives for Kentucky colleges and universities to pursue and achieve state goals for postsecondary education. For the upcoming biennium, stakeholders reached consensus that the Council’s 2022-24 budget recommendation should include trust fund requests supporting Bucks for Brains at the research and comprehensive universities and a Competitive Workforce Initiative at KCTCS.

Table 1: Components of 2022-24 Trust Funds Request

Funding Component	Fiscal Year 2022-23	Fiscal Year 2023-24
Additional Budget Requests:		
• Bucks for Brains Program	\$30,000,000	\$30,000,000
- Debt Service	2,418,000	4,836,000
• Competitive Workforce Initiative	\$2,225,000	\$4,450,000

As can be seen in Table 1, staff recommends a total of \$60.0 million (or \$30.0 million each year of the upcoming biennium) for the Bucks for Brains Program, which could either be bond or cash funded, and \$2.2 million in 2022-23 and \$4.5 million in 2023-24

for a new Competitive Workforce Initiative at KCTCS. It is anticipated that any bond funds or cash authorized for Bucks for Brains would be appropriated on a nonrecurring basis (although second-year debt service would be a recurring expenditure if the request is bond funded). Finally, staff recommends that any funds authorized in the second year of the biennium for the Competitive Workforce Initiative be appropriated on a recurring basis. Each of the requested funding components is described in greater detail below.

Bucks for Brains Program

Since the adoption of HB 1 (1997), the Bucks for Brains program has been a key strategic funding component of the state's postsecondary reform agenda. The program encourages private giving to support research faculty, staff, and infrastructure at the University of Kentucky and the University of Louisville, and to strengthen essential programs at the comprehensive universities, by matching state appropriated funds dollar-for-dollar with private donations. Funds are typically endowed, with investment proceeds used to provide a perpetual source of funding for research related activities, but can also be used to support research-related capital projects in accordance with Council guidelines.

Between 1998 and 2010, the General Assembly authorized four rounds of funding for the Bucks for Brains program, totaling \$410 million. About 85 percent of that total (\$350 million) was appropriated to Kentucky's two research universities and 15 percent (\$60 million) was allocated among the state's six comprehensive institutions.

The state's investment in this program was used to leverage an additional \$410 million in private contributions through a dollar-for-dollar matching feature. When the fourth round of funding for the program (i.e., in 2008-10) was fully matched, a total of \$767.9 million was added to public university endowments and a total of \$52.1 million was used to support construction of new research facilities at the University of Kentucky (\$43.8 million) and education and general (E&G) facilities at the comprehensive universities (\$8.3 million).

The Council's *2016-21 Strategic Agenda for Postsecondary and Adult Education* calls for Kentucky universities to increase basic, applied, and translational research to create new knowledge, accelerate innovation, and promote economic growth (Objective 10, page 17). To accomplish this aim, the *Agenda* highlights the importance of advocating for funding for research and innovation through the Endowment Match Program (Bucks for Brains) or other similar funding approaches (Strategy 10.3, page 17). In keeping with this objective and strategy, staff recommends that the Council approve a \$60.0 million request for Bucks for Brains as part of its 2022-24 biennial budget recommendation.

- *Council staff recommends appropriations of \$2,418,000 in fiscal year 2022-23 and \$4,836,000 in 2023-24, recurring at the latter amount in subsequent years, to pay debt service on a \$60,000,000 bond issue (or that amount could be cash funded) to support a fifth round of funding for the Bucks for Brains program.*
- *Staff further recommends that half of the requested Bucks for Brains funds, or \$30,000,000 if authorized in full, be appropriated in the first year of the biennium*

(i.e., 2022-23) and that the other half of the requested funds, or \$30,000,000 if authorized in full, be appropriated in the second year (i.e., 2023-24).

If approved by the Council and authorized by the General Assembly, it is anticipated that requested bond funds for the Bucks for Brains Program will be placed in the Research Challenge Trust Fund (RCTF) and the Comprehensive University Excellence Trust Fund (CUETF), as shown in Table 2 below, pending eventual distribution to postsecondary institutions in accordance with Council approved guidelines.

Table 2: Allocation of Requested 2022-24 Bucks for Brains Program Funds

Trust Fund Allocations	Fiscal Year 2022-23	Fiscal Year 2023-24	Biennial Totals
Additional Budget Requests:			
• Research Challenge Trust Fund (RCTF)	\$25,000,000	\$25,000,000	\$50,000,000
• Comprehensive University Excellence Trust Fund (CUETF)	5,000,000	5,000,000	10,000,000
Program Totals	\$30,000,000	\$30,000,000	\$60,000,000

CPE staff recommends that the \$50.0 million requested for the research universities be allocated one-third to the University of Louisville (i.e., \$16,667,000) and two-thirds to the University of Kentucky (i.e., \$33,333,000), in accordance with statutory provisions of the RCTF (KRS 164.7917). Staff further recommends that the requested \$10.0 million for the comprehensive universities be allocated based on each institution's share of sector total 2021-22 adjusted net General Fund appropriations, in keeping with statutory provisions of the CUETF (KRS 164.7919). The resulting allocation among Kentucky's public comprehensive universities is shown in Table 3 below.

Table 3: Allocation of Requested 2016-18 CUETF Funds

	Fiscal 2021-22 Adjusted Net General Fund	Percent of Total	CUETF Allocation
Eastern Kentucky University	\$60,962,500	22.0%	\$2,196,600
Kentucky State University	18,235,500	6.6%	657,100
Morehead State University	34,931,500	12.6%	1,258,700
Murray State University	40,553,800	14.6%	1,461,300
Northern Kentucky University	53,826,300	19.4%	1,939,500
Western Kentucky University	69,017,800	24.9%	2,486,800
Category Totals	\$277,527,400	100.0%	\$10,000,000

For more detailed information regarding the allocation of proposed Bucks for Brains Program funding see Attachment A. In coming months, a work group comprised of

Council staff and campus officials will review Bucks for Brains Program guidelines and reporting procedures that were in place during the 2008-10 biennium. It is anticipated that staff will bring updated guidelines and revised reporting procedures for the Bucks for Brains Program for review and action at the June 17, 2022, Council meeting.

Competitive Workforce Initiative

On September 10, 2021, KCTCS submitted a proposal to Council staff, requesting \$17.8 million in recurring operating funds to help Kentucky reestablish a competitive workforce through expanded educational and training opportunities (credit and noncredit) at KCTCS institutions. The new trust fund program, named the Competitive Workforce Initiative, is designed to address workforce shortages in targeted industry sectors, facilitate recruitment and retention of business and industry, bolster regional and state economies, and help KCTCS and CPE maintain affordability for Kentucky students and families.

Using 10-year occupational outlook projections (i.e., for 2018-2028) produced by the Kentucky Center for Statistics (KYSTATS) and KCTCS 2020-21 graduate data, campus officials identified supply gaps in five industry sectors. As can be seen in Table 4, this past year, estimated annual job demand exceeded the number of KCTCS graduates in five fields, including healthcare, advanced manufacturing, transportation and logistics, business services and information technology, and construction and trades.

Table 4: KCTCS Graduates and Job Demand in Targeted Industry Sectors

Industry Sector	2020-21 Graduates	Est. Annual Job Demand	Supply Gap
• Healthcare	6,722	14,042	7,320
• Advanced Manufacturing	2,657	6,604	3,947
• Transportation and Logistics	1,113	7,001	5,888
• Business Services and Information Technology	2,985	6,816	3,831
• Construction and Trades	1,658	2,816	1,158
Totals	15,135	37,279	22,144

Sources: KCTCS Official Data Reported to CPE; Kentucky Center for Statistics, 2018-2028 KY Occupational Outlook.

If authorized, these funds would be used to increase credential production capacity at all levels (i.e., certificate, diploma, and associate degree) at every KCTCS institution and to address worker skills and supply gaps in targeted industry sectors. Specifically, campus officials project that the annual number of graduates could be increased by 719 in healthcare, 284 in advanced manufacturing, 119 in transportation and logistics, 319 in business services and information technology, and 177 in construction and trades.

In sum, KCTCS officials contend that funding this request will increase Kentucky's educational attainment, strengthen its workforce, and promote its attractiveness for new

businesses and industries, while at the same time, bettering communities in every region of the Commonwealth. For more detailed information regarding the Competitive Workforce Initiative proposed by KCTCS see Attachment B.

The Council's *2016-21 Strategic Agenda* challenges Kentucky colleges and universities to expand regional partnerships, outreach and public service that improve the health and quality of life of Kentucky communities (Objective 11, page 18). Strengthening communication and planning between higher education and regional and community leaders to identify priorities and challenges and aligning resources to address those challenges are identified as ways to accomplish that objective (Strategy 11.2, page 18).

KCTCS estimates that targeted workforce program expansion will cost \$17.8 million. CPE staff anticipates that three-fourths of that cost will be covered by added tuition and fee revenue, operating efficiencies, or other fund sources. Toward that end, for the 2022-24 biennium, CPE staff recommends \$2.2 million in the first year and \$4.5 million in the second year for a KCTCS Competitive Workforce Initiative.

- *Council staff recommends appropriations of \$2,225,000 in 2022-23 and \$4,450,000 in 2023-24, recurring at the latter amount in subsequent years, to support expanded education and training opportunities and increased student completion at KCTCS institutions that addresses worker skills and supply gaps in targeted industry sectors.*

It is also recommended that any funds authorized and distributed under this program be treated as a mandated program and deducted from the allocable resources of receiving institutions during application of the two-year college funding model. This will ensure that disbursed funds will be retained for targeted program expansion at the original institutions that received the funds, rather than being redistributed to other institutions over subsequent iterations of the performance funding model.

- *Staff recommends that any authorized and distributed funding in support of the Competitive Workforce Initiative be treated as a mandated program within the two-year sector funding model, so the funds can be retained by the initial KCTCS institutions that receive the funds.*

If the requested funds are authorized, staff recommends that they be appropriated to the Postsecondary Education Workforce Development Trust Fund for distribution to KCTCS upon submission and approval of a spending plan that meets guideline requirements for the newly created program. It is anticipated that staff will work with campus officials to develop a set of guidelines and related reporting procedures for the Competitive Workforce Initiative and will bring those guidelines for review and action at the June 17, 2022 Council meeting.

Council on Postsecondary Education
 2022-24 Biennial Budget Recommendation
 Bucks for Brains Allocation by Institution

Attachment A

Research Institutions	RCTF Allocation ¹
University of Kentucky	\$33,333,300
University of Louisville	16,666,700
Category Total	\$50,000,000 A

Comprehensive Institutions	Fiscal 2021-22 Adjusted Net General Fund ²	Percent of Total	CUETF Allocation ³
Eastern Kentucky University	\$60,962,500	22.0%	\$2,196,600
Kentucky State University	18,235,500	6.6%	657,100
Morehead State University	34,931,500	12.6%	1,258,700
Murray State University	40,553,800	14.6%	1,461,300
Northern Kentucky University	53,826,300	19.4%	1,939,500
Western Kentucky University	69,017,800	24.9%	2,486,800
Category Total	\$277,527,400	100.0%	\$10,000,000 B

Postsecondary Sectors	Sector Allocation ⁴
Research Institutions	\$50,000,000
Comprehensive Institutions	10,000,000
Request Total	\$60,000,000 (A + B)

RCTF = Research Challenge Trust Fund

CUETF = Comprehensive University Excellence Trust Fund

¹ Appropriations to the RCTF are required by statute to be distributed one-third to the University of Louisville and two-thirds to the University of Kentucky.

² Each institution's regular General Fund appropriation, minus debt service and mandated programs, plus applicable distributions from the Postsecondary Education Performance Fund.

³ Appropriations to the CUETF are required by statute to be distributed based on each institution's share of total comprehensive university General Fund appropriations, excluding debt service and specialized, noninstructional appropriations.

⁴ The sector allocation reflects historical precedent on the part of the Kentucky General Assembly, whereby \$20 million of a total \$120 million match program appropriation was allocated to the comprehensive universities in 2000-02 and 2002-04, and \$10 million of a total \$60 million appropriation was allocated to the comprehensive universities in 2008-10.



THE
COMPETITIVE
WORKFORCE
INITIATIVE

EXECUTIVE SUMMARY
2022-24



Request for Funding

FY 2022-23: \$17.8 million

FY 2023-24: \$17.8 million

KCTCS is requesting recurring funding to help Kentucky reestablish a competitive workforce through additional educational and training opportunities (credit and noncredit). These investments address the unemployed, underemployed, unskilled, and under-skilled adult. According to the Kentucky Chamber of Commerce, Kentucky has the third lowest workforce participation rate in the nation. This means that many Kentuckians who lost their jobs during the pandemic are not looking for work as compared to others in the U.S. Many of those who are working, are underemployed. Through training or learning new skills, the unemployed and the underemployed could improve their education and skill level resulting in additional earnings for an improved quality of life for themselves and their families. In February 2021, Wallet Hub ranked Kentucky 45th in the nation in educational attainment.

KCTCS is the one institution with the demonstrated track record of delivering the relevant short term educational and workforce programs with the skill sets designed for and required by today's businesses and industries. The colleges of KCTCS offer the speed, agility, and the flexibility in educational programming at the lowest cost while providing the greatest return on investment of Kentucky's tax dollar. The 16 KCTCS colleges awarded 39,458 credentials for the 2020-21 academic year, which included degrees, diplomas, and certificates. KCTCS saw a nearly 5 percent year-over-year increase in Associate in Applied Science degrees, designed to prepare graduates to directly enter the workforce. KCTCS awards 98% of the short-term certificates in Kentucky, trains 82% of Kentucky's skilled trades workers, and awards 66% of Kentucky's nursing and allied health credentials. (Source: Kentucky Council on Postsecondary Education Press Release June 10, 2021 - [Short-term credentials have surged 110% in Kentucky](#))

Over 72% of KCTCS graduates work in Kentucky, which is 30% higher than university graduates. On September 14, 2021, the CPE issued a report that shows higher education pays for college completers from the Kentucky High School Class of 2011, documenting that certificate and diploma holders earned \$37,369 (or 26.8%) higher than high school graduates in the cohort after 8 years in the workforce and associate degree holders earned \$38,268 (or 29.8%) higher. These differences grow even more pronounced over time. (Source: Kentucky Council on Postsecondary Education Press Release September 14, 2021 - [CPE report shows that higher education pays for college completers from Kentucky high school Class of 2011](#))

KCTCS has colleges in communities across the Commonwealth, regularly partners with local businesses and industries, utilizes industry advisory boards to ensure relevancy and rigor of programming and required skill sets, and is uniquely positioned to address Kentucky's skilled workers shortage like no other institution.



The Strategic Priority

This funding will be used to increase the capacity at all credential levels (certificate, diploma, and associate degree) at each of the sixteen KCTCS Colleges. This funding request not only benefits the more than 80,000 KCTCS students statewide, but Kentucky's businesses, industries, and communities across the state.

Recurring funding to raise the KCTCS Colleges to the SREB median of net state appropriations for KCTCS's two-year colleges will:

- 1) Address Kentucky's shortage of skilled workers in Health Care, Advanced Manufacturing, Transportation/Logistics, Business Services/Information Technology, and Construction/Trades.
- 2) Create a catalyst for business and industries located and seeking to locate in Kentucky via access to a highly skilled and trained workforce.
- 3) Support the economic viability of Kentucky through the communities and service regions of KCTCS's 16 Colleges.
- 4) Help minimize tuition increases going forward.
- 5) Align KCTCS Colleges with Kentucky's 4-year sector of public postsecondary education net general fund appropriation levels.

In 2020-21, KCTCS produced 15,135 graduates in targeted industry sector programs, which corresponds to about 40% of the total job demand that requires an associate degree or below. Skills gaps in these key areas would be greatly reduced with additional investment in KCTCS's targeted industry sector training and education programs.

KCTCS Graduates and Job Demand for Kentucky's Targeted Industry Sectors			
Industry Sector	2020-21 Graduates	Estimated Annual Job Demand (Growth + Exits)	Supply Gap
Healthcare	6,722	14,042	7,320
Advanced Manufacturing	2,657	6,604	3,947
Transportation/Logistics	1,113	7,001	5,888
Business Services/ Information Technology	2,985	6,816	3,831
Construction/Trades	1,658	2,816	1,158
TOTAL	15,135	37,279	22,144

Notes: Estimated Annual Job Demand includes positions that need to be filled due to growth and exits (workers transferring between occupations are excluded). KCTCS graduates are unduplicated based on the highest credential earned. If students earned the same level of credential in two or more sectors, they are counted once per sector (total duplication in graduates is less than 3%). Supply Gap was determined by subtracting graduates from estimated job demand.

Sources: KCTCS official data as reported to CPE; Kentucky Center for Statistics, 2018-2028 KY Occupational Outlook, Retrieved 9/8/2021 from: https://kystats.ky.gov/Reports/Tableau/2021_OCC

To address this supply gap, KCTCS projects, (based on the current number of graduates and credentials produced annually) with this additional funding the number of annual graduates and credentials could be increased as noted in the table on the next page.



Projected Growth of KCTCS Graduates and Credentials Awarded with Additional Funding by Targeted Industry Sector (TIS) and Credential Level		
TIS/Credential Level	Projected Annual Increase in Graduates	Projected Annual Increase in Credentials
Healthcare	719	920
Associate of Applied Science	203	203
Diploma	53	84
Certification	464	633
Advanced Manufacturing	284	811
Associate of Applied Science	77	79
Diploma	11	66
Certification	196	667
Transportation/Logistics	119	331
Associate of Applied Science	12	12
Diploma	6	10
Certification	101	309
Business Services/Information Technology	319	758
Associate of Applied Science	90	90
Diploma	1	6
Certification	228	662
Construction/Trades	177	482
Associate of Applied Science	25	25
Diploma	15	28
Certification	138	429
TOTAL	1,619	3,302

Notes: KCTCS graduate projections are unduplicated based on the highest anticipated credential earned. KCTCS credentials are duplicated counts of credentials earned within each credential level and industry sector.

Source: KCTCS official data as reported to CPE.

This request was formulated based on the growing need for skilled workers in these industries and the insufficient number of trained graduates currently being produced.

Career and technical education costs significantly more than general education offerings. Skilled instructional personnel require competitive salaries and modern technology to train the advanced skills desired by today's businesses and industries. Adult students also need wrap-around support services like tutoring, counseling, transportation, and child support offered at alternative times and meeting the student at his or her level and on his or her schedule.

While career and technical education programming and training is costly, the economic, social, and demographic returns to Kentucky's communities in terms of solid middle-class jobs, lower crime, less social welfare, and community involvement are immeasurable.



Basis for Additional Funding

Historically, KCTCS has had to offset diminishing state appropriations with higher tuition. The limited increases in KCTCS's tuition had to be used to meet ever increasing fixed and unavoidable costs. This remained true even after internal reallocation and elimination of almost 800 positions in recent years. As a result, no new funding has been available help address the skills gap and reinvest in high wage/high demand career and technical educational programming. (**Note:** to help remain affordable for all Kentuckians, KCTCS did not increase tuition in FY 2015-16, nor FY 2021-22.)

This request will provide funding to target career and technical programing and the needed wrap-around services for the areas of Health Care, Advanced Manufacturing, Transportation/Logistics, Business Services/Information Technology, and Construction/ Trades. This request was formulated based on identified service area needs by each of KCTCS's Colleges to serve current unmet business and industry demands.

SREB Benchmark for Comparison Purposes

As an independent informative source for comparison, KCTCS Colleges' state appropriation is significantly below the median state appropriation funding for two-year colleges in the Southern Regional Education Board (SREB - the SREB works to improve public education at every level with informed information by policy makers per independent, accurate data, and proven practices to accomplish greater outcome).

This request highlights the most recent year SREB data that is available, 2019-20, and that KCTCS Colleges currently rank 12th in state appropriation funding per full-time equivalent (FTE) student (at \$3,174) among the 16 SREB states (the SREB average is \$3,629). This difference is \$455 per FTE student and equates to \$17.8 million annually. When compared to the median state appropriations per FTE for SREB states, KCTCS Colleges fall even further behind at \$747 per FTE student. This difference in funding equates \$29.2 million annually.

In relative comparison, Kentucky's other public postsecondary education institutions enjoy a much higher net general fund state appropriation. This has led to KCTCS having one of the highest net tuition and fee revenues among the SREB states – the third highest in 2019-20. Even with the heavier reliance on tuition and fee revenue, KCTCS Colleges rank 13th in total revenues for educational and general operations per full-time equivalent student among all SREB states.

Summary

Despite this disproportionate funding, KCTCS Colleges ranked 2nd in credentials awarded per capita and 8th in the number of credentials awarded in the nation (FY 2019-20). Funding this request will increase Kentucky's educational attainment, strengthen its workforce, and promote its attractiveness for new businesses and industries all the while bettering communities in every region of the Commonwealth.





THE
COMPETITIVE WORKFORCE
INITIATIVE

EXECUTIVE SUMMARY
2022-24

TITLE: 2022-24 Postsecondary Education Budget Recommendation
CPE Agency Budget Request

DESCRIPTION: Staff recommends that the Finance Committee review and endorse the proposed agency budget request for full Council approval at its November 5, 2021 meeting.

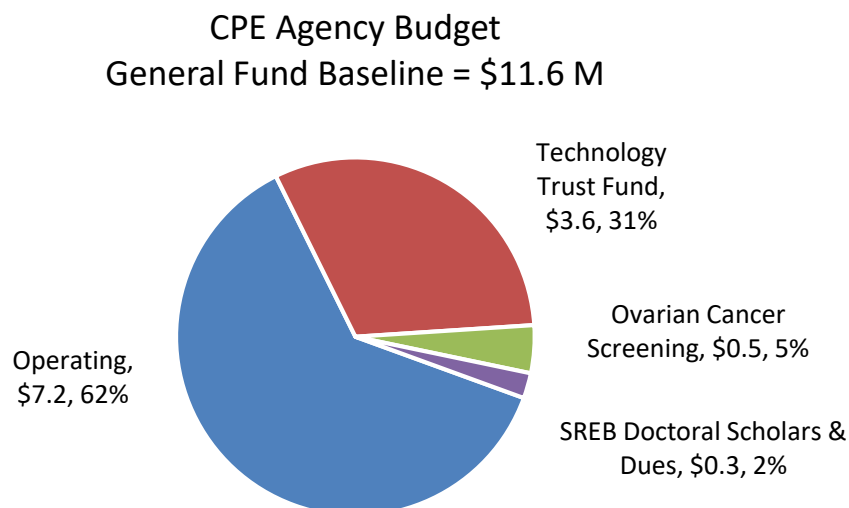
PRESENTER: Shaun McKiernan, Executive Director of Finance and Budget, CPE

BUDGET OVERVIEW

The Council’s General Fund agency budget can be broken down into five main categories: (1) Operating; (2) Technology Trust Fund; (3) Ovarian Cancer Screening; and (4) SREB Doctoral Scholars Program and Dues. Each of these components is described briefly below.

General Fund appropriations for agency operations support expenditures associated with the Council’s higher education coordinating board role, including resources for policy leadership, strategic planning, regulation of the state’s postsecondary education system, financial policy analysis and development (biennial budget recommendation, performance funding, and tuition setting), administrative services, communications, academic affairs and program review, and information, research, and data analysis.

Chart 1.



The Council's Operating funds include agency operations and special initiatives, which in the past was often referred to as Senate Bill 1 funds. These funds support staff, operating funds, and grants to the public postsecondary institutions to advance the Council's *2016-2021 Strategic Agenda for Postsecondary Education*.

Three program areas use Technology Trust Fund General Fund dollars: technology support, the Kentucky Virtual Library (KYVL), and the Kentucky Postsecondary Education Network (KPEN). About 31 percent of the CPE's total General Fund budget is allocated to the Technology Trust Fund.

In prior biennia, a portion of the Council's Tobacco Funds were directed by the General Assembly to support ovarian cancer screenings. Beginning in 2018-20, the General Assembly made General Fund appropriations of \$500,000 for each year, or about 5% of CPE's 2021-22 General Fund budget, for ovarian cancer research and screening.

CPE pays the Commonwealth's dues to be a part of the Southern Region Education Board (SREB). This organization provides the state with education research and professional development opportunities for staff and elected leaders. It also plays a key role in maintaining licensure reciprocity for postsecondary institutions and in administering the Academic Common Market, which allows students to pursue programs in other states at in-state rates. During the 2020-22 biennium, the General Assembly provided CPE with \$50,000 each year to sponsor two underrepresented minority (URM) doctoral candidates in SREB's Doctoral Scholars program. That level of funding provides scholarships and networking opportunities and professional development for two doctoral candidates (one at UK, one at UofL); however, UK and UofL match that funding, so the program provides sponsorships to a total of four candidates each year. In the current fiscal year, 5 percent of the agency's General Fund budget is allocated to SREB dues and the doctoral scholars program.

2022-24 Agency Budget Request

CPE staff has identified several high priority agency budget requests for the upcoming 2022-24 biennium. Staff recommends additional General Fund appropriations for personnel and operating cost increases (consistent with the state's budget instructions, or defined calculations), for supporting expanded duties and responsibilities, for the SREB doctoral scholars program, and new funding for two initiatives: the Commonwealth Education Continuum and a Healthcare Initiative.

Defined Calculations

Every biennium, Office of State Budget Director staff instruct CPE staff to request cost increases associated with pension, healthcare, and other fixed and unavoidable cost increases. This figure also includes a 1% employee salary cost-of-living adjustment, in accordance with budget instructions. Funding requested for the current year will allow the June 30 payroll in fiscal year 2022 to be paid on time, and not at the start of fiscal year 2023.

- *Council staff recommends increases in General Fund appropriations of \$222,900 in 2021-22, \$214,900 in 2022-23 and \$323,900 in 2023-24 to fund the Council's defined calculations.*

SREB Doctoral Scholars Program

For 2022-24, CPE is proposing additional funding to build upon the current SREB Doctoral Scholars Program, which provides support to underrepresented minority doctoral candidates. The funding identified by staff (\$50,000 in 2022-23 and \$100,000 in 2023-24) will allow the program to grow from the current four students to eight in 2022-23 and 12 in 2023-24. As the SREB Doctoral Scholars program is a three-year program, this funding will provide funding for three "classes" of students (four each year). While the program cost is \$25,000 per student, UK and UofL have traditionally matched the state's funding.

Kentucky's participation in the SREB program began in 1994, the second year of SREB's existence. Kentucky did not participate in the program in the 2018-20 biennium due to budgetary constraints. The program is intended to help underrepresented minority doctoral candidates complete a doctorate more quickly and to encourage them to join the ranks of the professoriate. The program provides opportunities for professional development, as well as, encouragement and support for students to matriculate from their doctoral programs and achieve their scholarly goals.

- *CPE staff recommends additional appropriations of \$50,000 in fiscal 2022-23 to support two additional SREB doctoral scholar's students at the University of Kentucky and two additional students at the University of Louisville in the first year of the upcoming biennium, and recommends \$100,000 in fiscal year 2023-24 to support two additional doctoral scholar's students at each institution in the second year of the biennium.*

Expanded Duties and Responsibilities

Staff has identified the need for funds to hire seven additional staff in fiscal year 2022-23 to effectively respond to the challenges confronting the Commonwealth: namely, to

build stronger connections between postsecondary institutions and economic development and workforce leaders and employers, to better align academic programs with the needs of the Commonwealth, and provide greater financial oversight of Kentucky's postsecondary institutions. This funding, if approved, will fund an associate vice president, executive director, director, and four senior associate positions, all to begin work in fiscal 2022-23.

In addition, in February 2020, the James Graham Brown Foundation (JGBF) Board of Trustees reviewed a proposed initiative that would lead to the creation of a Kentucky Student Success Collaborative (KYSSC). The board understood the potential impact of the initiative and requested additional details needed for a decision on whether to commit time and resources toward the KYSSC. JGBF staff engaged Sova Solutions, a national consulting firm with Kentucky ties, to help flesh out the business case for the initiative and make specific recommendations for its design and structure.

Building on the business case developed by Sova and after extensive consultation with JGB staff and members of the Sova team, the Kentucky Council on Postsecondary Education (CPE) proposed a partnership with JGBF to implement the KYSSC vision. CPE's expertise in developing student success policies and programs as well as the existing infrastructure and relationships within the state helped CPE secure a three-year, \$2.1 million grant for the Student Success Collaborative. The Collaborative has a staff of three, who are supported by funding from the time-limited grant.

This additional funding in fiscal 2023-24 (\$350,900) will allow the individuals hired, an executive director and two assistants, to continue the work of the Collaborative in the second year of the biennium.

- *CPE staff recommends an appropriation of \$1,032,500 in fiscal year 2022-23 and \$1,383,400 in 2023-24 to support the Council's expanded duties and responsibilities in the areas of workforce and economic development, academic program evaluation, financial oversight, and the Student Success Collaborative.*

Commonwealth Education Continuum

The Commonwealth Education Continuum (CEC) is a multi-agency effort that seeks to retain students at every level to help the state achieve greater economic success and works to close achievement gaps and diversify the education workforce. The CEC is a partnership of the Council on Postsecondary Education (CPE), the Kentucky Education and Workforce Development Cabinet, and the Kentucky Department of Education. Its

governing committee is co-chaired by Lt. Gov. Jacqueline Coleman, CPE President Aaron Thompson and Commissioner of Education Jason E. Glass. The committee has 28 members from all levels of the education community.

The CEC has three priorities:

- Providing more and better information on planning and paying for college;
- Improving access to dual-credit and other college preparatory programs for all students; and
- Diversifying the teaching force by attracting more men and people of color.

The budget request identified by the CEC for 2022-24 is comprised of three main components: successful transition to postsecondary, early postsecondary opportunities (EPOs), and staffing.

The successful transition to postsecondary component aims to strengthen postsecondary transition advising practices through the creation of local communities of practice, and state and national networks in order to aid school counselors, college and career coaches, and Family Resource and Youth Service Center Coordinators in better understanding the ever-changing postsecondary landscape and opportunities across the state. CPE requests \$4.0 million over the biennium to provide sufficient funding to provide the training and networks needed to improve advising-related practices and implement early postsecondary opportunities component.

The EPO component will accomplish three primary objectives over the upcoming biennium: development of a toolkit to identify and share best practices, development of an online interactive advising tool, and the re-establishment of the Dual Credit Advisory board.

Two additional staff members, an advising program manager and an EPO program manager will be needed to oversee these initiatives, estimated at \$280,500 per year.

- *CPE staff recommends appropriations of \$1,280,500 in fiscal 2022-23 and \$3,280,500 in fiscal year 2023-24 to support the work of the Commonwealth Education Continuum.*

Healthcare Workforce Initiative

Over the past two years Kentucky and the rest of the nation and world have witnessed the selflessness of doctors, nurses and other healthcare professionals who have put themselves at risk to help others and bring an end to the COVID-19 pandemic. Their

challenges have often been exacerbated by staff shortages at all levels. While Kentucky has struggled with a healthcare workforce shortage for some time, particularly rural and other underserved regions, the pandemic has highlighted the gaps in Kentucky's healthcare workforce, and the importance of strengthening and expanding this talent pipeline. The Healthcare Workforce Initiative (HWI) would strengthen and expand the pipeline of nursing professionals and other healthcare providers in the Commonwealth, and it would provide a mechanism to help rapidly respond to the state's immediate healthcare workforce needs.

The Kentucky Healthcare Workforce Initiative would provide a dedicated pool of funding that would be administered by the Council on Postsecondary Education and directed to Kentucky's public universities and community and technical colleges to support and grow programs dedicated to training healthcare providers in disciplines leading to professional certification and/or licensure.

While guidelines for the use of these funds have not been finalized, staff expects that funds would be able to be used for the following purposes:

- Increasing faculty salaries to attract and retain top talent, to include increasing the number of year-round faculty to allow for the education and training of more students.
- Developing and expanding more flexible programming (including virtual and competency-based options) to meet the needs of changing student demographics.
- Expanding apprenticeships, additional clinical experiences and other work-based learning opportunities.
- Development and delivery of professional development opportunities so that faculty can learn new and innovative teaching technologies.
- Purchase of simulators and other healthcare training equipment and supplies.
- Increased student advising, tutoring, and support services to help retain students in these demanding programs and encourage program completion.

Funds will be designated to the institutions as follows: 50% to KCTCS, with the universities receiving base funding of \$50,000 with the remaining funds distributed according to each institution's share of Net General Fund appropriations.

- *CPE staff recommends General Fund appropriations of \$20,000,000 in fiscal 2022-23 and \$20,000,000 in 2023-24 to support the Healthcare Workforce Initiative.*

If the requested funding is authorized and added to the agency’s current General Fund base (i.e., \$11,598,800 in 2021-22), these increases will result in total General Fund appropriations of \$34,176,100 in fiscal year 2022-23 and \$36,686,600 in fiscal year 2023-24. Funding components and request amounts of the CPE agency budget request are shown in Table 1.

Table 1: General Fund Components of CPE's Agency Budget Request

Funding Component	Fiscal 2021-22	Fiscal 2022-23	Fiscal 2023-24
Beginning Base	\$11,598,800	\$11,598,800	\$11,598,800
Defined Calculations	\$222,900	\$214,900	\$323,900
SREB Doctoral Scholars		\$50,000	\$100,000
Expanded Duties and Responsibilities		\$1,032,500	\$1,383,400
Education Continuum		\$1,280,500	\$3,280,500
Healthcare Initiative		\$20,000,000	\$20,000,000
General Fund Total	\$11,821,700	\$34,176,700	\$36,686,600

Other Fund Sources

Several programs administered by CPE receive funding from sources other than the state General Fund, including cancer research funded with tobacco settlement funds, the Cancer Research Match program and the licensure program funded with restricted funds, and the GEARUP program, which is made possible through federal funds. As part of the biennial budget process, the Council will request spending authority to use these funds. For each of these fund sources, with the exception of federal funds, CPE staff is requesting the current year (i.e., fiscal 2021-22) level of expenditure authority for each year of the upcoming biennium. The level of federal expenditure authority needed has not been fully determined as of this date.

Tobacco Settlement Funds

The 2000 General Assembly created the Lung Cancer Research Fund to support research at the University of Kentucky’s Markey Cancer Center and the University of Louisville’s Brown Cancer Center. Research conducted by these centers explore the causes, detection, and treatment of lung cancer. The program benefits Kentuckians through discovery of new cancer therapies, clinical trials, and an early detection

program. In the *2018-20 Budget of the Commonwealth*, the General Assembly specified that these funds should support cancer research more generally and be allocated 50:50 between the University of Kentucky and the University of Louisville.

- *Council staff recommends Tobacco Settlement Fund appropriations of \$7,693,800 in 2022-23 and \$7,693,800 in 2023-24 for cancer research at the University of Kentucky and the University of Louisville.*

Restricted Funds

Every biennium, a request for Restricted Funds spending authority must be included in the Council's budget request. The Cancer Research Matching Fund is the largest program in CPE's agency budget that is financed with Restricted Funds. Funding for that program is obtained through a one-cent-per-pack cigarette tax, and the proceeds are allocated and disbursed to UK and UofL to conduct lung cancer research.

The Council also receives restricted funds from the federal government through indirect cost recovery on federal grants and from licensure of non-public bachelor's and above degree granting institutions doing business in Kentucky.

- *Council staff recommends a Restricted Funds appropriations request of \$4,923,900 in fiscal year 2022-23 and \$4,923,900 in fiscal year 2023-24.*

Federal Funds

Federal Fund spending authority will be requested for GEAR UP (Gaining Early Awareness and Readiness for Undergraduate Programs) at the fiscal year 2019-20 level: \$4,000,000 in both 2022-23 and 2023-24. Federal funds are received and disbursed in accordance with the terms and conditions of the federal grants.

- *Council staff recommends annual, total appropriations of \$4,000,000 in fiscal year 2022-23 and \$4,000,000 in fiscal year 2023-24 to enable federal fund expenditures related to the GEAR UP program.*
- *Staff will also be seeking expenditure authority for Governor's Emergency Education Relief Funds in the upcoming biennium, however, that total has not been determined as of this date.*

TITLE: Special Appropriation Request

DESCRIPTION: Staff recommends that the Finance Committee review and endorse the proposed Special Appropriations request, and request approval by the full Council at its November 5, 2021 meeting.

PRESENTER: Bill Payne, Vice President of Finance and Administration, CPE

DESCRIPTION

In July of 2021, Kentucky State University (KSU) staff members alerted the KSU Board of Regents about a number of financial concerns. The Board then informed the Kentucky Council on Postsecondary Education (CPE) and the Governor's Office. Those financial concerns led to a leadership transition at the University on July 20, 2021.

That same day, Governor Andy Beshear issued Executive Order 2021-504, which directed CPE to provide an assessment of the current financial status of KSU, and provide a report to the Governor detailing its assessment prior to providing recommendations concerning appropriations for the next biennial budget.

KSU financial statements indicate that the university's cash position began to deteriorate in fiscal 2017-18. Prior to 2017-18, cash as reported in the financial statements remained stable at a level between \$18 and \$20 million before declining to \$14 million in fiscal year 2017-18. Cash then declined precipitously to between \$2 and \$3 million in fiscal years 2018-19 and 2019-20. Audited financial data are not available for fiscal year 2020-21, but a review of year-end bank balances and unpaid invoices indicate that the cash position will likely show a further decline.

During the period that cash declined, current liabilities (accounts payable, lines of credit, accrued absences, current portion of long-term debt) increased significantly as well. Current liabilities averaged approximately \$8 million per year until fiscal year 2018-19 when they increased to \$12.3 million and then to \$18.3 million in fiscal year 2019-20. For Fiscal 2020-21, current liabilities will remain in the \$15 to \$19 million range, pending completion of audited financial statements.

The combination of declining cash balances and increasing current liabilities have resulted in a significant liquidity crisis for KSU, with the university increasingly relying on

lines of credit, beginning in the third quarter of fiscal 2019-20. By the third week of July 2021, only \$2.8 million in cash was available for use, with no significant revenue anticipated until September. Further complicating the problem, approximately \$3 to \$4 million was owed to vendors, \$5.2 million was owed to the state, with payroll averaging \$3 million per month.

To manage this crisis, the university worked with the CPE and the Office of the State Budget Director to advance the university's fourth quarter General Fund allotment of \$5.4 million. The university also implemented a debt forgiveness plan using CARES Act funding, essentially paying \$2.5 million in outstanding student balances. This one-time action also provided much needed liquidity during this period.

KSU employed a number of measures prior to the close of fiscal year 2020-21 to meet expenses. CPE's report on the financial status of KSU will go into greater detail, but some of these measures are listed below:

- **Delaying payment to vendors.**
- **Failure to reimburse state construction accounts.** Beginning in 2019, the university stopped providing reimbursements to the state, and apparently used the cash from the drawn down federal funds for working capital.
- **Inappropriate draws from the university endowment.** The university maintains in its investment account the university endowment, which was originally funded from various sources. The university does not have a full set of donor agreements on file or clear information about the requirements of those endowment accounts in all cases. However, beginning in 2019, the university drew down approximately \$1 million in earnings per year, ostensibly for scholarship support. However, only approximately 43% of endowment earnings can be used to support scholarships.
- **Draws from Revenue Anticipation Notes.** While revenue anticipation notes are a legitimate way to provide short term liquidity for entities that receive cash revenues sporadically throughout the year, KSU did not close and settle these notes as required by year-end for several years. The balance on the note grew over those three years, reaching \$5 million before it was settled in July 2021.

As a result of the liquidity situation outlined above, the university has very little left in reserves. Expenditures have exceeded revenues by over \$35 million over the past four years and have depleted both the unrestricted university fund balance and unrestricted asset balances.

In July and August, the university operated with approximately 13 days cash on hand. This has improved in September to approximately 24 days cash, though most experts would consider 90 days cash on hand to be the minimum level of cash reserves required for a university, with 180 days more typical. Current projections indicate that all cash reserves will be depleted by the end of March 2020.

The use of a revenue anticipation note would allow the university to operate late into April, but at that point, no remaining sources of cash other than an additional appropriation from the General Assembly, would be available. Without a special appropriation, KSU will have a cash deficit \$23.0 million by June 30, 2022. Listed below is a snapshot of KSU's current financial status that was verified and presented to the KSU Board of Regents by CPE staff on October 19, 2021.

Deficit construction accounts with State Finance Cabinet	\$ 5.2 million
Prior year invoices paid in FY 2022	4.3 million
Asset Preservation Fee Receipts Not Reserved (2019-21)	1.2 million
July Repayment of prior year Revenue Anticipation Note	<u>5.0 million</u>
FY 2022 Cash Shortfall due to prior year deficits	\$15.7 million
Structural Imbalance in FY 2022 University Budget	<u>7.3 million</u>
FY 2022 Total Projected Cash Shortfall	\$23.0 million

- *Council staff recommends a nonrecurring General Fund appropriation of \$23,000,000 in fiscal year 2021-22 and recurring appropriations of \$1,000,000 each year of the 2022-24 biennium to provide ongoing financial stability and support targeted strategic initiatives at Kentucky State University.*

As can be seen in Table 1, staff recommends that the Council's special appropriation request include two funding components for Kentucky State University: (1) a financial stabilization fund; and (2) strategic operating funds. The stabilization fund is necessary to address a current year structural deficit and allow the university to pay vendors, reduce debt, and achieve financial stability. The request for strategic operating funds will support the expansion of teacher education and public administration programs at KSU, which is well aligned with state student success goals and with objectives and strategies in the Council's *2016-2021 Strategic Agenda for Postsecondary Education*. Additional information about these funding components is provided.

Table 1: Components of 2022-24 Special Appropriation Request

Funding Component	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24
Additional Budget Requests:			
Financial Stabilization Fund (NR)	\$23,000,000	\$0	\$0
Strategic Operating Funds	0	1,000,000	1,000,000
Total Additional Requests	\$23,000,000	\$1,000,000	\$1,000,000

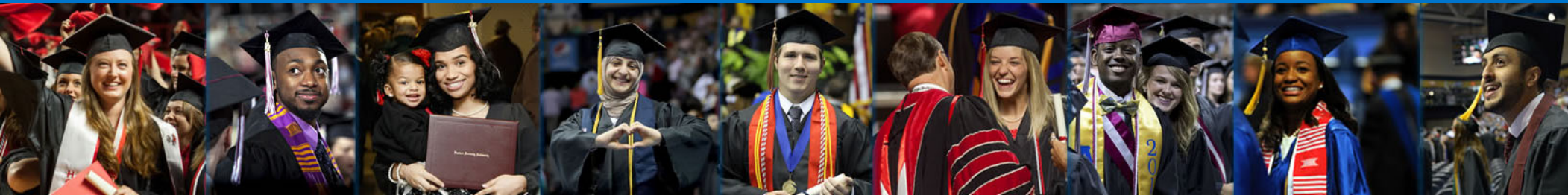
NR = Nonrecurring funds

Financial Stabilization Fund

The financial stabilization fund will be used to manage KSU through fiscal 2021-22, and will allow the institution to pay vendors promptly and reimburse the state’s construction account. CPE will ask that these funds be placed in a newly created Funding Program for KSU and be released to the university only after CPE verifies that proper financial controls are in place, as outlined in a new Management and Improvement Plan.

Strategic Operating Funds

The strategic operating funds requested will provide KSU with resources of \$1.0 million in each year of the upcoming biennium to expand and improve two of its signature programs: Education and Public Administration. As a primarily liberal arts institution and a historically black college or university (HBCU), KSU is well positioned to help the Commonwealth meet its needs for a more diverse K-12 teacher corps, which is necessary to educate students in an increasingly diverse school environment and world. KSU’s location in the state capital also makes investment in public administration programs a worthy pursuit. As will be detailed in the Management and Improvement Plan, KSU will submit annual reports to CPE detailing the uses of these funds and the results of the investment.



2022-24 Biennial Budget Recommendation for Postsecondary Education

Finance Committee Meeting
October 28, 2021



Overview

- Postsecondary Institution Request
 - Operating Funds
 - Capital Investment
 - Trust Funds
- CPE Agency Budget Request
- Special Appropriation



Postsecondary Institution Request

Operating Funds Request

<u>Component</u>	<u>Fiscal 2022-23</u>	<u>Fiscal 2023-24</u>
• Performance Funding	\$67,500,000	\$90,000,000
• Pension Relief Funds	\$2,209,900	\$4,419,800
• KSU Land-Grant Program ¹	\$671,500	\$671,500

¹ Also included in KSU's land-grant request, but not shown in this table is a request for an additional \$671,500 current-year appropriation (i.e., fiscal 2021-22).

Operating Funds Request

Performance Funding

Component	2022-23	2023-24	Biennium
Performance Funding	\$67,500,000	\$90,000,000	\$157,500,000

➤ Request Features

- Appropriations of \$67.5 M in 2022-23 and \$90.0 M in 2023-24 to provide incentives for institutions to pursue state goals for higher education
- It is anticipated that \$17.3 M in performance funds distributed in 2021-22 will not become recurring to campus budgets, but returned to the fund
- This means that \$84.8 M and \$107.3 M could be available for distribution
- It is anticipated that mandated program funding will continue to be line-itemed in the budget bill

Operating Funds Request

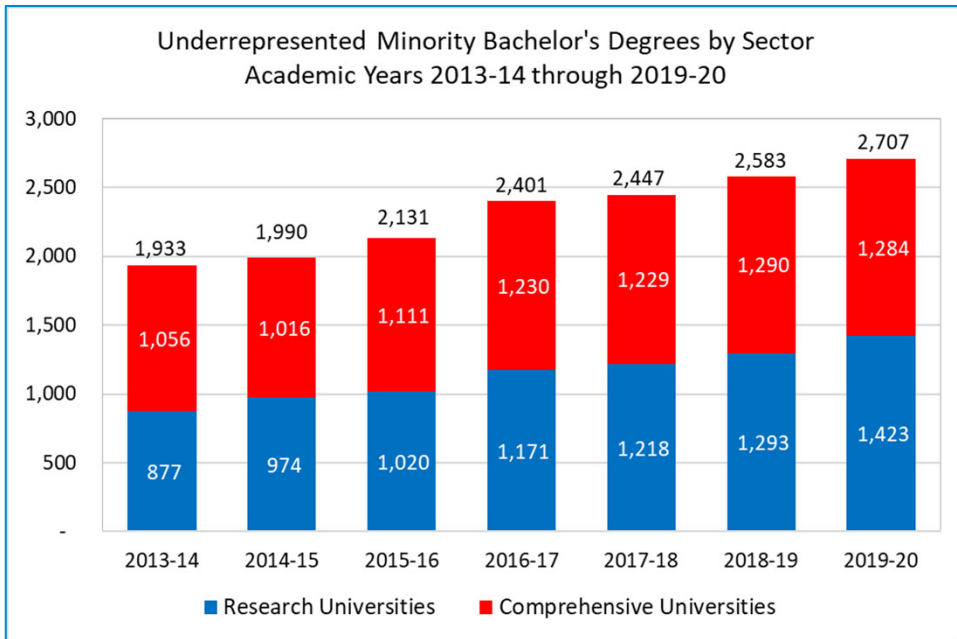
Performance Funding (Cont'd)

➤ Rationale

- Provides incentives for institutions to increase student success and course completion outcomes
- Requested funds will help Council and campus officials maintain affordability and access for Kentucky citizens
- Provides resources necessary for institutions to continue making progress toward the state's student success goals
- Performance funding is working!
- Institutions are closing achievement gaps, growing STEM+H degrees, and making progress toward the state's 60x30 goal

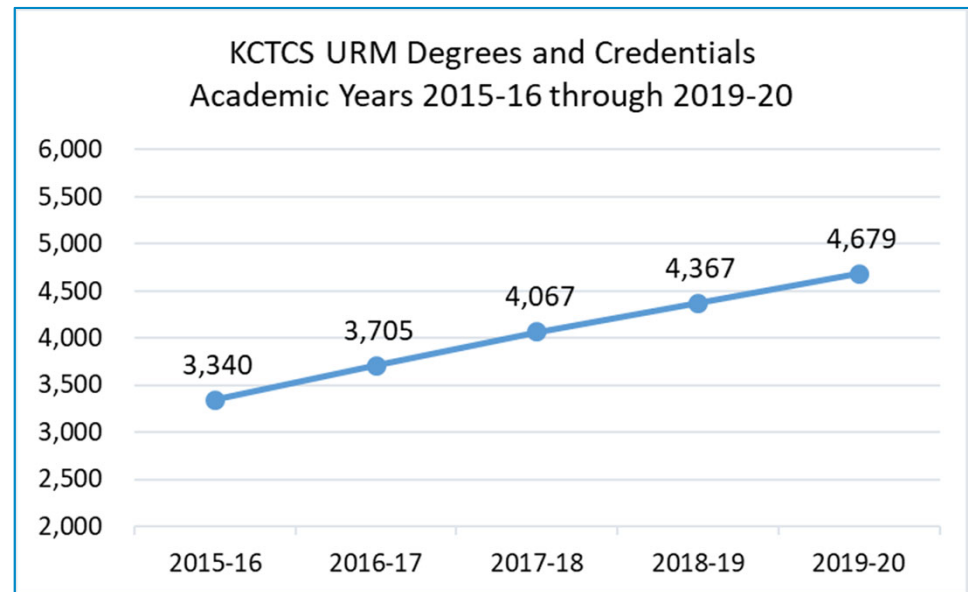
Performance Funding

Growth in URM Degrees and Credentials



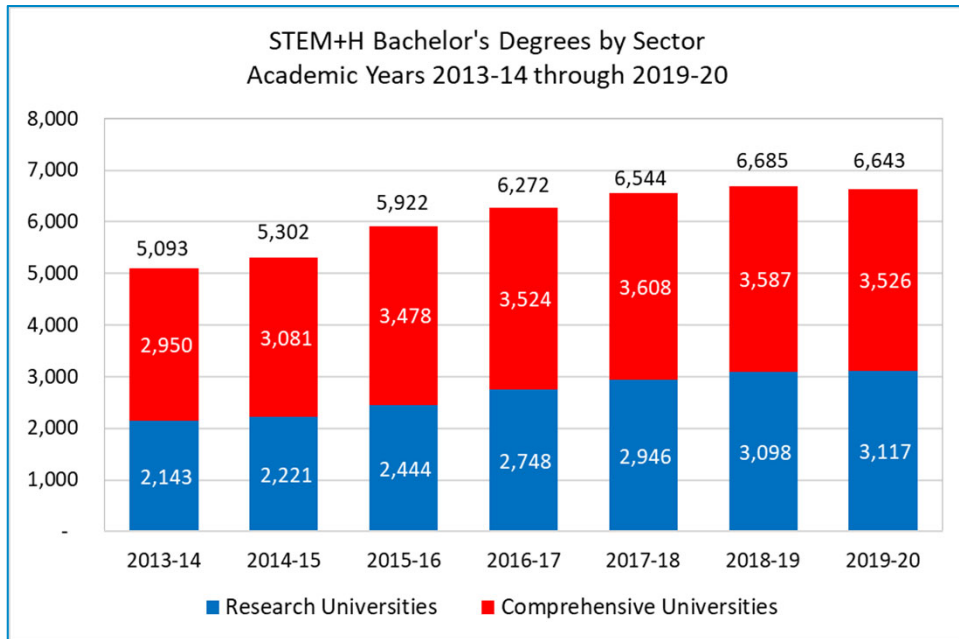
- Between 2014 and 2020, bachelor's degrees awarded to URM students grew by 774 degrees, or by 40%
- The research sector accounted for 71% of that increase, with URM degrees growing by 62% at the research universities and by 22% at comprehensive universities

- Between 2016 and 2020, KCTCS degrees and credentials awarded to URM students increased by 1,339, or by 40%
- This represents an average annual growth rate of 8.8% in URM degrees and credentials



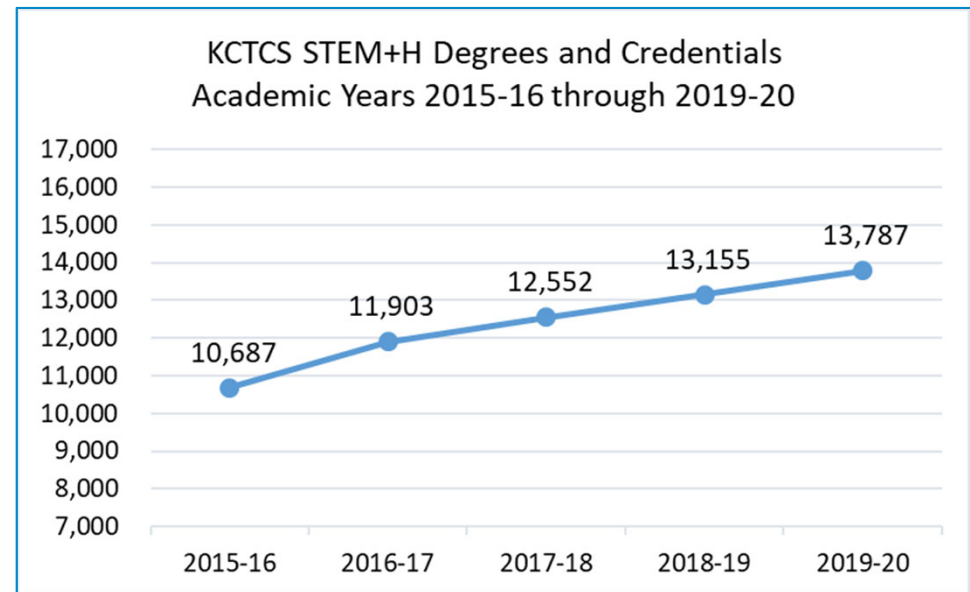
Performance Funding

Growth in STEM+H Degrees and Credentials



- Between 2014 and 2020, STEM+H bachelor's degrees grew by 1,550 degrees, or by 30%
- The research sector accounted for 63% of that increase, with STEM+H degrees growing by 45% at the research universities and by 20% at comprehensive universities

- Between 2016 and 2020, STEM+H degrees and credentials at KCTCS increased by 3,100 awards, or by 29%
- This represents an average annual growth rate of 6.6% in STEM+H degrees and credentials

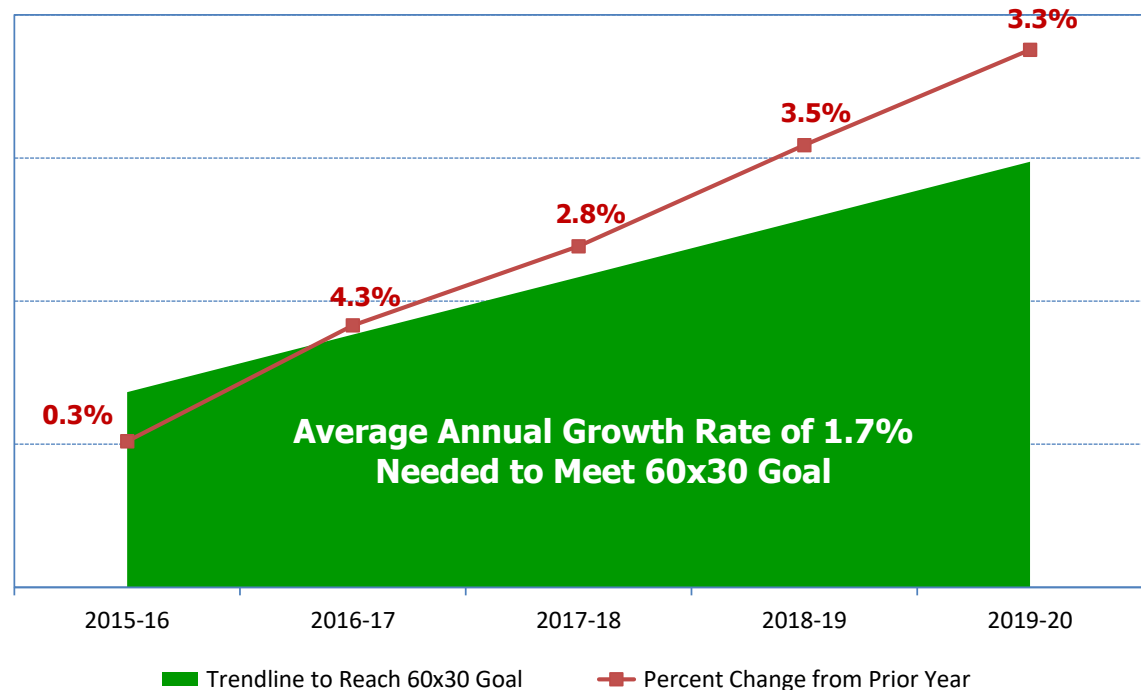


Performance Funding

Progress Toward 60x30 Goal

- Performance funding and student success initiatives have supported degree and credential production
- We are exceeding the growth in undergraduate degrees and credentials needed for Kentucky to achieve its 60x30 goal
- Between 2016 and 2020, undergraduate degrees and credentials grew by 3.5% per year

Kentucky Public and Private Postsecondary Institution Undergraduate Degrees and Credentials¹ Surpassing Growth Rate Needed Academic Years 2015-16 Through 2019-20



Source: Kentucky Postsecondary Education Data System (KPEDS).

¹ Unduplicated Completers.

Operating Funds Request

Pension Relief Funds

Component	2022-23	2023-24	Biennium
Pension Relief Funds	\$2,209,900	\$4,419,800	\$6,629,700

➤ Request Features

- Appropriations of \$2.2 M in 2022-23 and \$4.4 M in 2023-24 to maintain KERS pension subsidies at 2021-22 levels for participating institutions
- Five comprehensive universities and KCTCS transitioned to a fixed-dollar allocation method of determining pension contributions in 2021-22
- The General Assembly appropriated \$22.1 M in 2021-22, intended to cover 100% of transition costs
- HB 8 calls for 10% reductions in pension subsidies each year for five years

10

Operating Funds Request

Pension Relief Funds (Cont'd)

➤ Rationale:

- Reductions in pension subsidies are essentially a budget cut (as high as 7.3% at EKU, 7.0% at MoSU, and 4.0% at MuSU at the end of five years)
- Institutions are still incurring COVID-19 costs and forgone revenue
- If authorized, requested funds would:
 - reduce stress on campus budgets
 - help the Council and institutions maintain affordability and access
 - provide resources for institutions to pursue student success goals
 - eliminate a potential disadvantage for comprehensive universities in the university funding model

Operating Funds Request

Pension Relief Funds (Cont'd)

KERS Participating Postsecondary Institutions
 Planned Reductions in KERS Pension Subsidies (HB 8)
 Fiscal Years 2021-22 Through 2026-27

Cost Coverage ¹	HB 192	Future Appropriations Bills				
	100%	90%	80%	70%	60%	50%
Institution ²	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
EKU	\$8,909,700	\$8,018,700	\$7,127,800	\$6,236,800	\$5,345,800	\$4,454,900
KSU	558,200	502,400	446,600	390,700	334,900	279,100
MoSU	4,913,000	4,421,700	3,930,400	3,439,100	2,947,800	2,456,500
MuSU	3,270,900	2,943,800	2,616,700	2,289,600	1,962,500	1,635,500
WKU	3,592,500	3,233,300	2,874,000	2,514,800	2,155,500	1,796,300
KCTCS	854,900	769,400	683,900	598,400	512,900	427,500
Total	\$22,099,200	\$19,889,300	\$17,679,400	\$15,469,400	\$13,259,400	\$11,049,800

¹ Cost coverage as specified in HB 8 (21 RS)

² UK, UofL, and NKU do not participate in the Kentucky Retirement System.

KERS = Kentucky Employees Retirement System

Operating Funds Request

KSU Land Grant Program

Component	2022-23	2023-24	Biennium
KSU Land Grant Program	\$671,500	\$671,500	\$1,343,000

➤ Request Features

- Appropriations of \$671,500 in 2022-23 and \$671,500 in 2023-24 to meet the federal matching requirement for KSU's land-grant program
- Plus a current-year appropriation of \$671,500 to meet the match in 2021-22
- If authorized, it is recommended that funds be appropriated directly to KSU
- KSU will have a total of \$8,881,900 in state General Fund supporting its land-grant program (excluded from the performance model)

Operating Funds Request

KSU Land Grant Program (Cont'd)

➤ Rationale:

- As an 1890 land-grant institution, KSU is eligible to receive federal funds to support land-grant program activities
- Grant conditions require federal funds to be matched by the state on a dollar-for-dollar basis (Public Law 95-113)
- Other sources of federal funds and tuition and fee revenue cannot be used for match
- KSU's 2021-22 Request for Application indicates the university does not have sufficient state funds to meet the match (\$671,500 deficit)

Capital Investment Request

<u>Component</u>	<u>Fiscal 2022-23</u>	<u>Fiscal 2023-24</u>
• New Construction	\$0	\$0
• Asset Preservation	\$350,000,000	\$350,000,000
- Debt Service	25,217,000	50,434,000
• Technology Infrastructure	\$0	\$0

Capital Investment Request

Asset Preservation

Component	2022-23	2023-24	Biennium
Asset Preservation	\$350,000,000	\$350,000,000	\$700,000,000

➤ Request Features

- Appropriations of \$350 M in 2022-23 and \$350 M in 2023-24 to finance renovation and renewal of postsecondary institution E&G facilities
- Allocated using agreed upon 10% base, 90% VFA Study need method
- Staff recommends that institutions provide a 50 cents on the \$1.00 match
 - with flexibility to meet match over three biennia (2020-22, 2022-24, 2024-26)
 - option for zero match in 1st year and \$1.00 for \$1.00 match in 2nd year
- State funds plus campus match would address 15% of system total need 16

Capital Investment Request

Asset Preservation (Cont'd)

➤ Rationale:

- Total asset preservation need projected to reach \$7.3 B by 2021
- There has been minimal state investment in facilities renovation and renewal since 2008 (i.e., \$281 M or 3.8% of projected need)
- Investment is needed to maintain the value, functionality, and safety and security of state-owned facilities
- Modern facilities and systems reduce operating costs and better serve students
- Construction costs continue to increase with each passing year

Asset Preservation

Projected Need versus State Investment

Vanderweil Facilities Advisors:

- Initial VFA Study was completed in 2007, updated in 2013
- Identified investment needed to bring campus E&G facilities up to industry standards
- Over the past seven biennia, the state spent \$281.0 million on facilities renovation and renewal
- This represents about 3.8% of the projected \$7.3 billion system total asset preservation need

Projected Asset Preservation Need versus State Investment Fiscal Years 2007 through 2022

VFA Study Projections:

<u>Time Period</u>	<u>Projected Asset Preservation Need¹</u>
2007-2011	\$5.1 billion
2012-2016	6.3 billion
2017-2021	\$7.3 billion

¹ Cumulative Need

State Investment:

<u>Biennium</u>	<u>Appropriations for Asset Preservation</u>
2008-10	\$22.0 million
2010-12	0.0
2012-14	0.0
2014-16	240.0 million
2016-18	0.0
2018-20	0.0
2020-22	\$19.0 million
	<u>\$281.0 million</u>

Trust Funds Request

<u>Component</u>	<u>Fiscal 2022-23</u>	<u>Fiscal 2023-24</u>
• Endowment Match Program	\$30,000,000	\$30,000,000
- Debt Service	2,418,000	4,836,000
• Competitive Workforce Initiative	\$2,225,000	\$4,450,000

Trust Fund Request

Endowment Match Program

Component	2022-23	2023-24	Biennium
Endowment Match Program	\$30,000,000	\$30,000,000	\$60,000,000
- Debt Service	2,418,000	4,836,000	7,254,000

➤ Request Features

- Appropriations of \$2.4 M in 2022-23 and \$4.8 M in 2023-24 to pay debt service on \$60.0 M bond issue to support 5th round of Bucks for Brains
- Housed in two trust funds until matched (\$50 M in RCTF, \$10 M in CUETF)
- Allocated \$33.3 M to UK, \$16.7 M to UofL, and comprehensive universities based on share of sector total net General Fund
- State funds will be matched dollar-for-dollar with institutional funds from external sources (could add \$120.0 M to university endowments)

Trust Fund Request

Endowment Match Program (Cont'd)

➤ Rationale:

- Highly successful program that encourages private investment in higher education research activities (\$410 M state investment)
- Matching feature doubles state investment in postsecondary research
- The *2016-21 Strategic Agenda* calls for universities to increase basic, applied, and translational research (Objective 10)
- Helps attract faculty with established research agendas to Kentucky
- Bucks for Brains funding is highly correlated with growth in endowment values and sponsored research
- There is no metric rewarding research in performance funding model

Trust Fund Request

Competitive Workforce Initiative

Component	2022-23	2023-24	Biennium
Competitive Workforce Initiative	\$2,225,000	\$4,450,000	\$6,675,000

➤ Request Features

- Appropriations of \$2.2 M in 2022-23 and \$4.5 M in 2023-24 to address worker skills and supply gaps in targeted industry sectors
- Used to support expanded education and training and increased completion in healthcare, advanced manufacturing, transportation, business services and IT, and construction and trades fields
- Any authorized funding should be treated as a mandated program and excluded from the KCTCS funding model

Trust Fund Request

Competitive Workforce Initiative (Cont'd)

➤ Rationale:

- Designed to address workforce shortages in targeted industry sectors:
 - Healthcare
 - Advanced manufacturing
 - Transportation
 - Business services and information technology
 - Construction and trades
- Facilitate recruitment and retention of businesses and industries
- Bolster regional and state economies
- Help maintain affordability for Kentucky students and families

Trust Fund Request

Competitive Workforce Initiative (Cont'd)

Industry Sector	2020-21 Graduates	Est. Annual Job Demand	Supply Gap
• Healthcare	6,722	14,042	7,320
• Advanced Manufacturing	2,657	6,604	3,947
• Transportation and Logistics	1,113	7,001	5,888
• Business Services and Information Technology	2,985	6,816	3,831
• Construction and Trades	1,658	2,816	1,158
Totals	15,135	37,279	22,144

Recommendation

- CPE staff recommends that the Finance Committee approve, and endorse to the full Council, the **Postsecondary Institution Request**, including operating funds, capital investment, and trust fund components as proposed

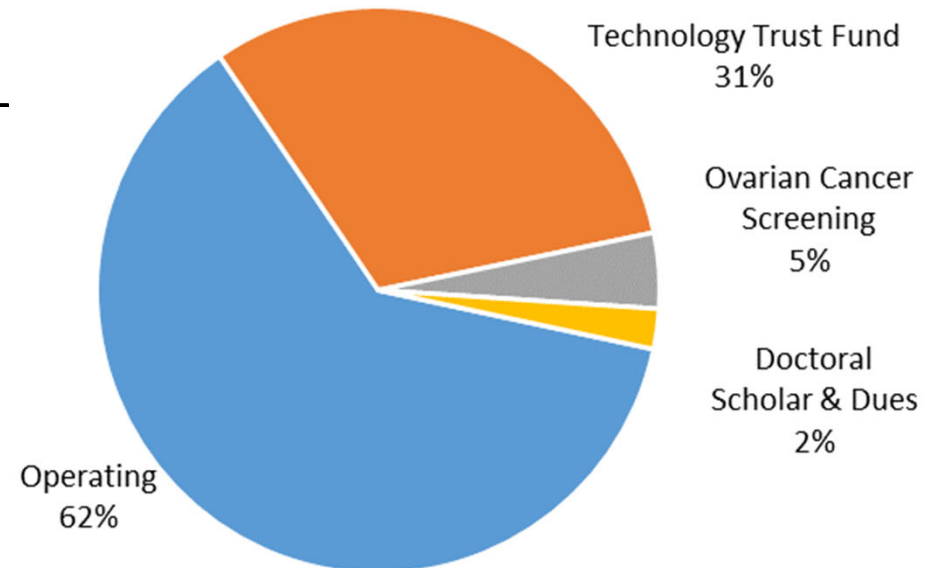


CPE Agency Budget Request

CPE Agency Budget – Operating (Baseline)

Operating Funds - General Fund Base

<u>Component</u>	<u>Fiscal 2021-22</u>
• Operating Funds	\$7,205,700
• Technology Trust Fund	3,628,300
• Ovarian Cancer Screening	500,000
• SREB Doctoral Scholars	50,000
• SREB Dues	214,800
	<u>\$11,598,800</u>



CPE Agency Budget – Operating (Additional)

Operating Funds - General Fund

<u>Component</u>	<u>Fiscal 2021-22</u>	<u>Fiscal 2022-23</u>	<u>Fiscal 2023-24</u>
• Defined Calculations	\$222,900	\$214,900	\$323,900
• SREB Doctoral Scholars		50,000	100,000
• Expanded Duties and Responsibilities ¹		1,032,500	1,383,400
• Education Continuum		1,280,500	3,280,500
• Healthcare Initiative		\$20,000,000	\$20,000,000

¹ Includes costs associated with expanded responsibilities in workforce and economic development, academic program evaluation, financial oversight, and the Student Success Collaborative.

CPE Agency Budget - Operating

Defined Calculations

Component	2021-22	2022-23	2023-24
Defined Calculations	\$222,900	\$214,900	\$323,900

➤ Request Features

- Defined calculations are provided to CPE by the state budget office to cover fixed and unavoidable cost increases
- The current year appropriation will cover the General Fund needed to pay June 30 payroll in FY22 (as opposed to delaying payment until FY23)
- Includes 1% salary increase, healthcare costs (10% increase per year), Workers Comp premium (from \$42,000 to \$196,000), and lease increase

CPE Agency Budget - Operating

SREB Doctoral Scholars

Component	2022-23	2023-24
SREB Doctoral Scholars	\$50,000	\$100,000

➤ Request Features

- Current budget for SREB Doctoral Scholars in \$50,000 per year, which funds one URM scholar at UK and one URM scholar at UofL.
- UK and UofL match the funding, bringing the total to four URM scholars.
- Requested funding will allow another class of scholars in FY23 and in FY24
- The program is intended to create a community of scholars on each campus who have shared experiences through this three-year program

CPE Agency Budget - Operating

Expanded Duties and Responsibilities

Component	2022-23	2023-24
Expanded Duties and Responsibilities	\$1,032,500	\$1,383,400

➤ Request Features

- Funding will allow expansion of CPE's role in connecting higher education and workforce and economic development, monitoring postsecondary institution finances, and evaluating academic programs
- Will support seven additional positions at CPE in 2022-23 (1 associate vice president, 1 executive director, 1 director, and 4 senior associates)
- Needed to effectively respond to growth in CPE's statutory duties and responsibilities and expanded due diligence and oversight role

CPE Agency Budget - Operating

Expanded Duties and Responsibilities (Cont'd)

➤ Request Features (Cont'd)

- Additional funding in fiscal 2023-24 will replace private grant funding for the Student Success Collaborative executive director and two assistants
- Private grant dollars will not be available for the Collaborative in 2023-24
- The Student Success Collaborative aims to improve student success (improving graduation rates, closing equity gaps, etc.) at both two-year and four-year campuses through improving credit transfer, redesigning developmental education and working with mid-level managers (deans, directors, program chairs)

CPE Agency Budget – Operating

Education Continuum

Component	2022-23	2023-24
Commonwealth Education Continuum	\$1,285,500	\$3,285,500

➤ Request Features

- Led by CPE, the Kentucky Department of Education (KDE), and the Education and Workforce Development Cabinet (EWDC), the Continuum seeks to improve connections between P-12, postsecondary education, and employers, which benefits Kentucky students and families and the state
- This funding would support additional and improved advising for high school students (\$4.0 M) and improve early postsecondary opportunities (\$600 K) such as dual credit, through online resources and professional development opportunities

CPE Agency Budget - Operating

Healthcare Initiative

Component	2022-23	2023-24
Healthcare Workforce Initiative	\$20,000,000	\$20,000,000

➤ Request Features

- Pass-through and program support funds to help public postsecondary institutions respond to shortage of workers in the healthcare industry
- 50% of pass-through funding would be designated to KCTCS, remaining funds designated to universities (10% base with remainder distributed by share of Net General Fund)
- Funding will be used to expand and improve programs needed most in a given region (guidelines will be fully developed once funding is authorized)

CPE Agency Budget - Capital

Component	2022-23	2023-24
Student Portal	\$2,000,000	\$0
Upgrade Regional Optical Network	\$1,000,000	\$0

➤ Request Features

- Student portal will help students from all backgrounds understand career options and college costs and pathways, leading to preferred careers. This site will facilitate course and program comparisons across institutions, transfer of credits, and credit for prior learning
- Upgrade of the optical network will fund technology equipment to connect public universities and KCTCS to Kentucky Wired (firewalls and routers)

Recommendation

- Staff recommends that the Finance Committee approve, and endorse to the full Council, the **CPE Agency Budget Request**, including expanded duties and responsibilities, Education Continuum, and Healthcare Initiative components as proposed
- Staff recommends that the Finance Committee, approve and endorse to the full Council, restricted funds, and tobacco fund appropriations at 2021-22 funding levels



Special Appropriation

Special Appropriation

<u>Component</u>	<u>Fiscal 2021-22</u>	<u>Fiscal 2022-23</u>	<u>Fiscal 2023-24</u>
• Financial Stabilization Fund	\$23,000,000	\$0	\$0
• Strategic Operating Funds		\$1,000,000	\$1,000,000

Special Appropriation

KSU Stabilization and Strategic Operating Funds

Component	2021-22	2022-23	2023-24
Financial Stabilization Fund	\$23,000,000		
Strategic Operating Funds		\$1,000,000	\$1,000,000

➤ Request Features

- Appropriations of \$23.0 M in 2021-22 and \$1.0 M in 2022-23 and 2023-24
- Budget bill language will allow CPE to verify that proper financial controls are in place and other milestones are reached before KSU has access to funds
- Strategic operating funds will be used to bolster education and public administration programs at KSU
- CPE will have considerable financial oversight of KSU in upcoming biennium

Special Appropriation

KSU Stabilization and Strategic Operating Funds

- KSU's current financial status as verified and presented to the KSU Board of Regents by CPE staff on October 19, 2021:

Deficit construction accounts with State Finance Cabinet	\$5.2 million
Prior year invoices paid in FY 2022	\$4.3 million
Asset Preservation Fee Receipts Not Reserved (2019-21)	\$1.2 million
July Repayment of prior year Revenue Anticipation Note	<u>\$5.0 million</u>
FY 2022 Cash Shortfall due to prior year deficits	\$15.7 million
Structural Imbalance in FY 2022 University Budget	<u>≈\$7 million</u>
FY 2022 Total Projected Cash Shortfall	\$23 million

Recommendation

- Staff recommends that the Finance Committee approve, and endorse to the full Council, the **Special Appropriation** for Kentucky State University, including financial stabilization fund and strategic operating funds components as proposed
- CPE staff further recommends that any authorized funding be placed in a newly created funding program, requiring Council approval for funds to be accessed and expended by KSU

Questions?



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