



# Council on Postsecondary Education Asset Preservation Update

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Budget Review Subcommittee on Education  
July 6, 2022

# Asset Preservation Update

## *VFA Study Projected Need*

- In 2005, the Council contracted with Vanderweil Facilities Advisors (VFA) to conduct a comprehensive review of Kentucky public postsecondary facilities
- Evaluators examined over 700 E&G facilities and concluded in early 2007 that the facilities inventory was in poor condition compared to industry standards
- Most buildings at the time were over 30 years old and their condition and utility was consistent with their age
- HVAC systems, plumbing, and electrical wiring in many buildings had far exceeded their useful life expectancies
- Many buildings no longer adequately supported the academic programming for which they were intended

# Asset Preservation Update

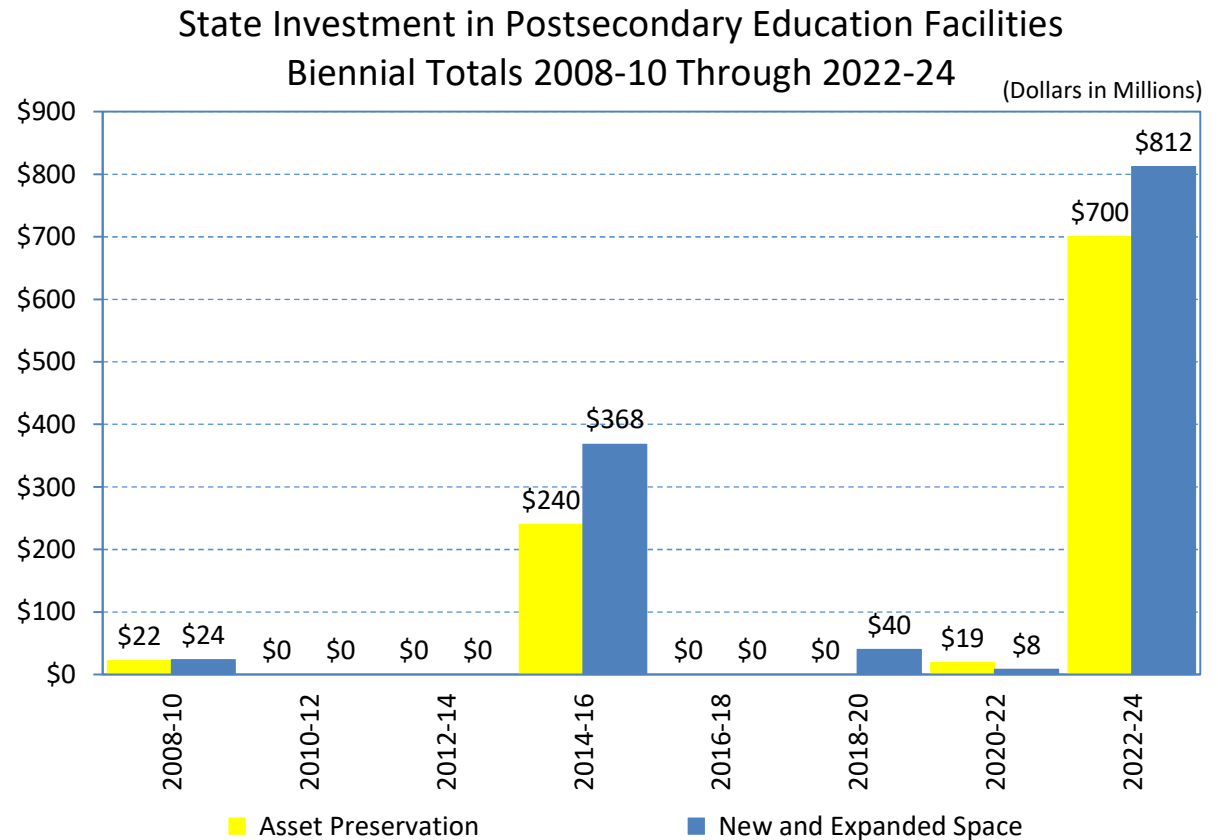
## *VFA Study Projected Need (Cont'd)*

- Overall, evaluators concluded that a total investment of **\$6.1 billion** was needed to bring campus E&G facilities up to industry standards
- During the six years following the study, a combination of factors, resulted in more than a **\$1.0 billion** increase in asset preservation need, including:
  - a growing inventory of aging facilities, infrastructure, and systems
  - increasing construction costs, and
  - minimal state investment in asset preservation
- In a 2013 update to the original study, researchers found that the collective cost of bringing postsecondary facilities up to industry standards would grow to **\$7.3 billion** by 2021

# Asset Preservation Update

## State Investment in Postsecondary Facilities

- Over the previous seven biennia, the state spent **\$280.7 million** on facilities renovation and renewal
- This represented about 3.8% of the projected **\$7.3 billion** system total asset preservation need
- For 2022-24, the General Assembly authorized **\$700.0 million** for asset preservation projects



Source: Kentucky Budget of the Commonwealth, multiple biennia.

# Asset Preservation Update

## *Program Funding*

- In the enacted state budget (22 RS, HB 1), the General Assembly authorized **\$683.5 million** in General Fund supported bond funds for a Postsecondary Education Asset Preservation Pool
- The stated purpose of the pool is to provide funding for individual asset preservation, renovation, and maintenance projects at Kentucky public postsecondary institutions
- The state budget also appropriated **\$16.5 million** for a stand-alone asset preservation project at KCTCS
- In total, the General Assembly authorized **\$700.0 million** for asset preservation, the amount CPE requested in its budget submission

# Asset Preservation Update

## *Allocation of Funds*

- The **\$683.5 million** Asset Preservation Pool was allocated based on each institution's share of system total Category I and II square feet

Institution	Fiscal Year 2022-23	Fiscal Year 2023-24	Biennial Total
University of Kentucky	\$77,098,000	\$77,098,000	\$154,196,000
University of Louisville	40,943,000	40,943,000	81,886,000
Eastern Kentucky University	27,403,000	27,403,000	54,806,000
Kentucky State University	8,039,000	8,039,000	16,078,000
Morehead State University	17,611,000	17,611,000	35,222,000
Murray State University	23,588,000	23,588,000	47,176,000
Northern Kentucky University	23,397,000	23,397,000	46,794,000
Western Kentucky University	34,040,000	34,040,000	68,080,000
KCTCS	89,631,000	89,631,000	179,262,000
Total Appropriation	\$341,750,000	\$341,750,000	\$683,500,000

# Asset Preservation Update

## *Council Guidelines*

- Once HB 1 was enacted, Council staff worked with campus officials and OSBD staff to develop a set of guidelines that will facilitate:
  - identifying eligible projects
  - certifying expenditures
  - requesting reimbursement
- The guidelines developed were supported by all stakeholders
- The Council on Postsecondary Education approved the guidelines at their June 17 meeting

# Asset Preservation Update

## *Matching Requirements*

The enacted budget (HB 1) specifies the following matching requirements for accessing Asset Preservation Pool funds:

- Each project for research institutions shall be matched at 30 percent from funds provided by each research institution (30¢ per state \$1.00)
- Each project for comprehensive institutions and KCTCS shall be matched at 15 percent from funds provided by each comprehensive institution and the KCTCS (15¢ per state \$1.00)

Eligible sources of matching funds include cash, agency bonds, private funds, grants, or other institutional funds

General Fund appropriations cannot be used as a match



# Asset Preservation Update

## *Uses of Funds*

Pool funds will be used for individual asset preservation, renovation, and maintenance projects at institutions in E&G and state-owned and operated residential housing facilities

- Projects that preserve, renovate, or renew **E&G facilities** are eligible to receive funds from the Asset Preservation Pool
- Projects that preserve, renovate, or renew **state-owned and operated residential housing facilities** are eligible
- Routine maintenance and repair projects and ongoing M&O costs are not eligible to receive funds from the pool

# Asset Preservation Update

## *Project Identification*

Before seeking reimbursement, institutions will submit a list of planned projects to CPE to determine eligibility

- The timing for submitting project lists is at the institution's discretion, but it may be helpful for institutions to know if projects are eligible early in the process
- Projects that meet or exceed a **\$1.0 million** threshold for construction and **\$200,000** threshold for an item of equipment must be approved by an institution's governing board
- Council staff will review project lists and certify to institutions that the projects are eligible for reimbursement

# Asset Preservation Update

## *Expenditure Certification*

Asset Preservation Pool funds will be distributed to institutions using an expenditure and reimbursement approach

- Institutions will expend their own funds on eligible projects before seeking reimbursement from the state
- As expenditures are made, institutions will submit reimbursement requests to the Council and OSBD
- The requests will identify project expenditures made during the period, state funds requested, and campus matching funds
- CPE staff will review the requests and verify that project expenditures are eligible for reimbursement

# Questions?



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