

## 2024-2030 STATEWIDE CAPITAL IMPROVEMENTS PLAN

Attached is a draft of sections to be included in the *2024-2030 Statewide Capital Improvements Plan*.

The Summary (pages 1-3) provides a statistical summation of the agency plans submitted this year, and an overview of the capital planning process. In total, the 2024-2030 capital plans submitted by state agencies, postsecondary institutions, and the judicial branch, reported the need for 1,543 projects totaling approximately \$55 billion from all fund sources over the next 6 years. General fund dollars account for about \$11.6 billion of the total need. Maintenance and renovation projects continue to be a top priority for the agencies and postsecondary institutions, representing 52%, or approximately \$28.6 billion, of the total need this planning period, while construction of new facilities represents 42% of the total need.

The Policy Recommendations section (pages 4-8) includes three long-standing recommendations that have been used in past plans. The rationale for each recommendation is included.

The Project Recommendations section (page 9-15) includes three items:

- The recommendations under "**Projects To Be Financed From State Funds**" (page 10) includes recommendations for financing state agency maintenance pools, state agency equipment pools, and replacement schedules. This section also discusses long-range plans for housing state agencies, and encourages the Department for Facilities and Support Services to continue its efforts to reduce the amount of state-leased space through a variety of methods.
- The "**Specific Project Recommendations**" (page 12) are not included in this document. The member-selected project recommendations are due September 20, and will be available for review and approval at the board's October 11 meeting. This section will include member-selected projects in the categories of maintenance/renovation (construction to protect investment in plant), information technology, and new construction. The projects are listed in the capital plan in alphabetical order, and do not reflect a prioritized ranking.
- The recommendations under "**Projects To Be Financed From Other Than State Funds**" (page 13) addresses factors that should be taken into consideration when authorizing projects with restricted funds, federal funds, road funds, agency bonds, cash/private donations, or long-term financing arrangements.

The Comprehensive Listing of Proposed Projects section will comprise the majority of the book, and includes the listings of all projects involving the general fund and other projects proposed by each agency for the 2024-2030 planning period. This section will comprise 1,543 project listings from state agencies, postsecondary institutions, and the judicial branch.

The Status of Major State-Funded Construction Projects will reflect information as reported in the Capital Projects and Bond Oversight Committee Quarterly Report submissions. This section will be updated with the latest information after the system closes September 29.

The Appendices section will include three documents—the board's governing statutes, KRS Chapter 7A.010 to 7A.170, and two reports reviewed by the board this year—the report of the Commonwealth Office of Technology, and the report of the Council on Postsecondary Education.

### **BOARD ACTION:**

This document is provided for information only. The complete draft capital plan, which will include the member-selected project recommendations, comprehensive listing of proposed projects, status of major state-funded construction projects, and appendices will be provided for member review and approval and at the board's October 11 meeting.

**2024-2030  
Statewide Capital Improvements Plan  
Summary**

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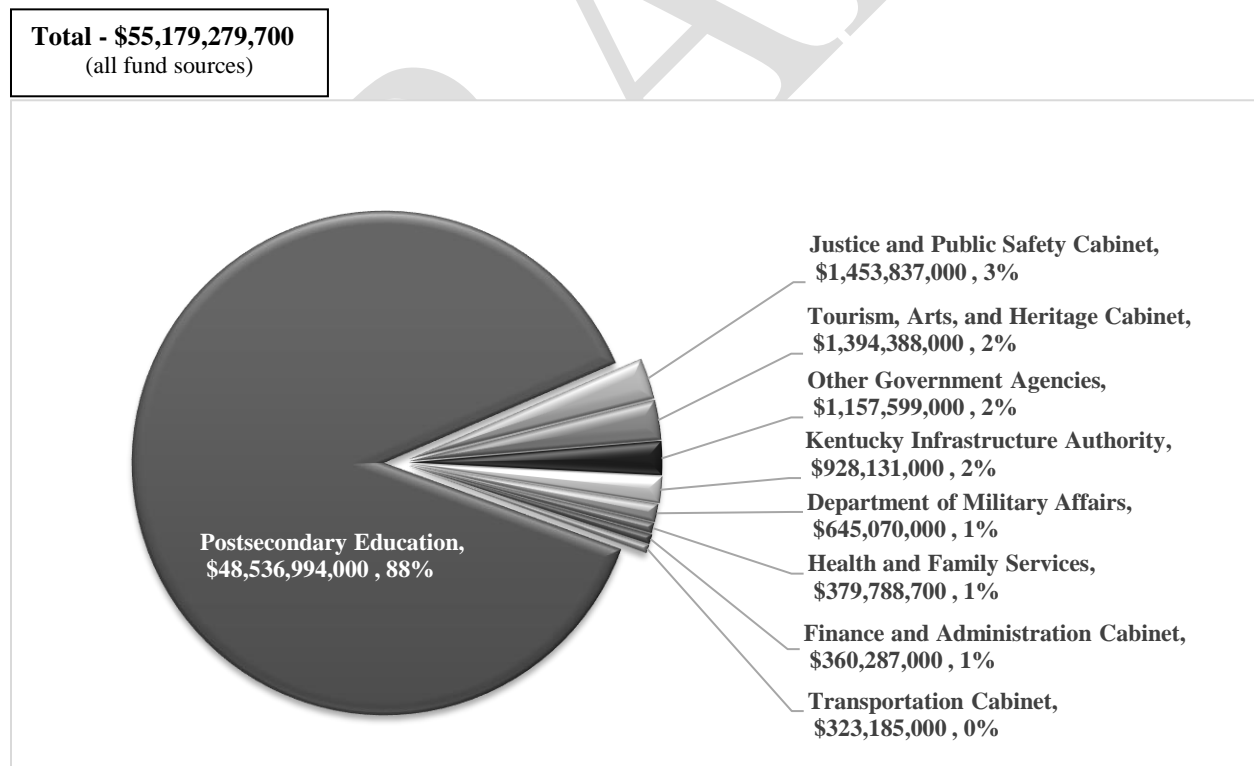
## Summary

The Capital Planning Advisory Board's *2024-2030 Statewide Capital Improvements Plan* focuses on providing the facilities, technology, and equipment that will allow state services to be provided to the citizens of the commonwealth in an efficient and effective manner. To meet these objectives, the plan contains a series of policy and project recommendations.

The state is responsible for administering approximately 91 million square feet of space with an insured value of \$29 billion. State facilities are an important tool for the delivery of the services that citizens need and desire. They include office buildings, hospitals, classrooms, postsecondary educational facilities, penal institutions, juvenile detention and treatment centers, and park lodges and other recreational/conference facilities.

The 2024-2030 capital plans submitted by executive branch state agencies, the judicial branch, and postsecondary institutions reported the need for 1,543 projects totaling approximately \$55.2 billion from all fund sources over the next 6 years. General fund dollars represent approximately \$11.6 billion of the total need. Other funding sources include restricted, federal, and road funds; agency bonds; and cash or third-party financing arrangements.

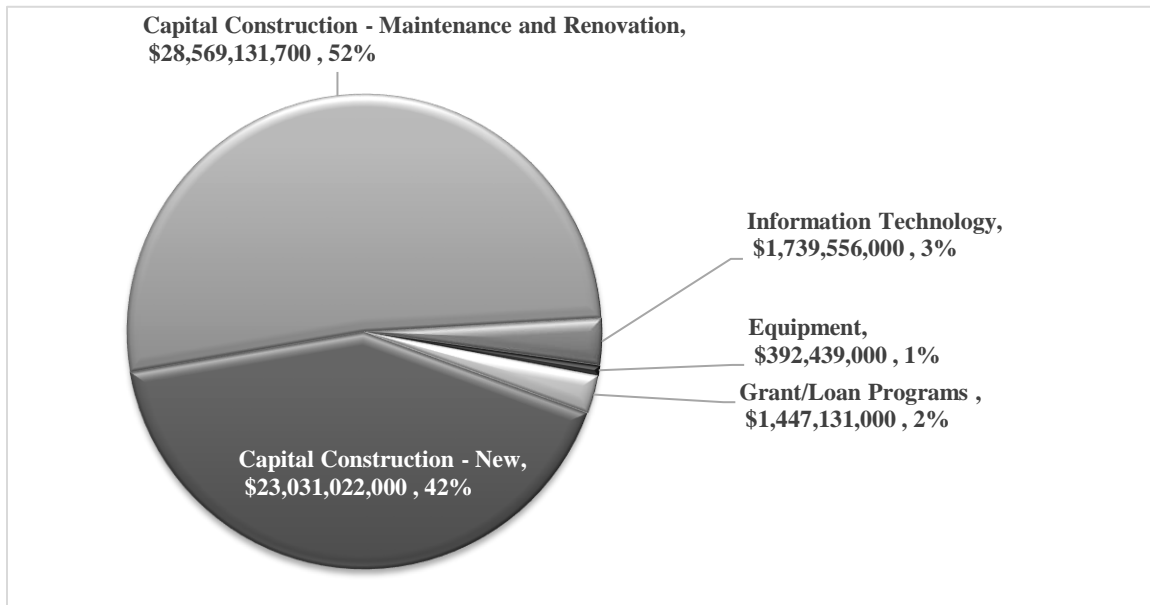
### Project Needs By Area Of Government



\*The category of "Other Government Agencies" represents the Cabinet for Economic Development, Department for Local Government, Department of Education, Department of Veterans' Affairs, Education and Labor Cabinet, Energy and Environment Cabinet, Kentucky Communications Network Authority, Kentucky Court of Justice, Kentucky Higher Education Assistance Authority, Kentucky Lottery Corporation, Kentucky River Authority, Personnel Cabinet, Public Protection Cabinet, School Facilities Construction Commission, State Treasurer, Teachers' Retirement System, and Unified Prosecutorial System.

For the 6-year period, approximately \$55.2 billion from all funding sources is needed. A total of \$23.0 billion is needed for new construction and expansion of existing facilities; plus \$28.6 billion for maintenance and renovation of existing facilities; \$392.4 million for equipment; \$1.7 billion for information technology projects; and \$1.4 billion for the grant and loan programs that provide assistance to nonstate entities for water and sewer infrastructure, schools, and economic development.

### Project Needs By Type



The board and the 6-year capital planning process were established by the 1990 General Assembly and codified as KRS Chapter 7A (Appendix A). The 16-member board has appointees from each of the three branches of state government. The board’s main purpose is to create a 6-year comprehensive statewide capital improvements plan, encompassing all state agencies and postsecondary institutions, to be submitted to the heads of the three branches—the Governor, the Chief Justice, and the Legislative Research Commission (LRC)—by November 1 of each odd-numbered year. The capital plan is used in the subsequent budget process and legislative session.

Agency capital plans were due April 17, 2023, and were submitted using a web-based system developed by the LRC Office of Computing and Information Technology. The plans were required to include information about the agency’s mission and programs, information about the facilities and space that the agency manages or occupies, and information about projects that are proposed to be undertaken during the upcoming 6 years.

The plan review meetings and development of this statewide plan by the board occurred from May through October. At these meetings, the board received testimony from the state agencies and postsecondary institutions concerning the projects reflected in their plans. The board also received reports and recommendations from the Council on Postsecondary Education and the Commonwealth Office of Technology.

**2024-2030**  
**Statewide Capital Improvements Plan**  
**Policy Recommendations**

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**Policy Recommendation**  
**Budget Reserve Trust Fund**

The Capital Planning Advisory Board recommends that the Governor and General Assembly continue to prioritize replenishing budget reserve trust fund balances and consider statutory deposits linked directly to revenue receipts and statutory withdrawal provisions.

The budget reserve trust fund (BRTF) was formally established by House Bill 2, as enacted during the 1995 Third Special Session of the General Assembly and codified as KRS 48.705. The Capital Planning Advisory Board typically recommends that the BRTF, also referred to as a rainy day fund (RDF), be adequately funded in accordance with the provisions of KRS 48.705, which requires deposits of the lesser of either 50 percent of the general fund surplus or the amount necessary, from the general fund revenue surplus plus the unexpended balance of appropriations, to make the balance of the BRTF account equal to 5 percent of general fund revenue receipts.

The following table shows the BRTF's deposits and withdrawals, fiscal year-end balances, and fiscal year-end balance as a percentage of general fund revenues.

**Deposits, Withdrawal, And Fiscal Year Ending Balances**  
**1995 To Present**

<b>Fiscal Year</b>	<b>Deposits</b>	<b>Withdrawals</b>	<b>Ending Balance</b>	<b>As A Percent Of Revenues</b>
1995	\$100,000,000	\$0	\$100,000,000	2.0%
1996	100,000,000	0	200,000,000	3.8
1997	0	0	200,000,000	3.6
1998	0	0	200,000,000	3.4
1999	30,533,000	0	230,533,000	3.8
2000	8,750,400	0	239,283,400	3.8
2001	39,337,536	38,789,073	239,831,863	3.6
2002	182,520	240,014,383	0	0.0
2003	5,087,400	0	5,087,400	0.1
2004	49,677,429	4,000,000	50,764,829	0.7
2005	13,277,315	35,277,300	28,764,844	0.4
2006	90,250,256	0	119,015,100	1.4
2007	112,474,636	0	231,489,736	2.7
2008	0	16,714,300	214,775,436	2.6
2009	11,349,722	219,000,000	7,125,158	0.0
2010	0	7,125,158	0	0.0
2011	0	0	0	0.0
2012	121,722,555	0	121,722,555	1.4
2013	0	0	121,722,555	1.3
2014	25,600,851	70,229,470	77,093,936	0.8
2015	0	0	77,093,936	0.8
2016	146,014,310	13,661,200	209,447,046	2.0
2017	26,354,485	85,310,048	150,491,483	1.4
2018	0	56,711,500	93,779,983	0.9
2019	35,587,800	290,000	129,077,783	1.1
2020	195,064,500	20,957,559	303,184,724	2.6
2021	296,815,258	0	599,999,982	4.7
2022	1,317,559,272	435,432,167	1,482,127,088	10.1
2023	1,263,525,521	485,055,453	2,260,597,156	14.9

Source: *Supplementary Information to the Kentucky Annual Comprehensive Financial Reports*

The Pew Charitable Trusts has released reports regarding RDFs with rating agency input. In one, Pew refers to rating agencies' preferences of linking RDF deposits directly to revenues, noting that "[t]ying rule-based deposits to historical fluctuations in revenue is essential to good reserve policy." The agencies also prefer to link RDF deposits to mechanisms for restoring RDF balances, statutory withdrawal provisions, and a state's compliance with its own policies.<sup>1</sup> In another, Pew states that rating agencies believe that "fund usage should fit into a pattern of reinforcing structural balance, with deposits during times of expansion and revenue growth and withdrawals during times of economic distress. This underscores why withdrawal conditions linked to underlying volatility and established in statute are so important—they provide a clear signal to rating agencies that a state's reserve policy is attentive to the business cycle."<sup>2</sup>

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<sup>1</sup> The Pew Charitable Trusts, *Rainy Day Funds And State Credit Ratings*. May 2017.

<sup>2</sup> The Pew Charitable Trusts, *When To Use State Rainy Day Funds*. April 2017.

**Policy Recommendation**  
**Council On Postsecondary Education—**  
**Strategy For Financing Postsecondary Capital Needs**

The Capital Planning Advisory Board endorses the Council on Postsecondary Education’s strategy for financing the capital needs of the postsecondary institutions and recommends that the Governor and the General Assembly endorse the Council’s proposed asset preservation investment framework and provide funding in the 2024-2026 biennium.

Throughout its history, the Capital Planning Advisory Board has made numerous recommendations regarding the need to adequately and appropriately address major capital renewal, maintenance, and renovation needs of state-owned facilities, including those managed by the postsecondary education institutions.

A report on the condition and needs of the state’s postsecondary facilities, commissioned by the Council on Postsecondary Education (CPE) and the postsecondary institutions, was completed in April 2007 by Vanderweil Facility Advisors Inc. (VFA). In 2013, VFA provided an update of the cost estimates contained in the report. The 2013 update indicated that between 2007 and 2021, \$7.3 billion would be required to bring existing education and general facilities up to good condition and modern standards. CPE acknowledges a need for new and expanded space at the campuses, but it believes asset preservation is of the highest priority. Since 2008, the state has funded \$959 million (approximately 13 percent) of the estimated total \$7.3 billion asset preservation need.

Over the last several biennia, CPE has used a multibiennium, blended approach to address asset preservation and new construction needs simultaneously. This multibiennium funding approach provided a balanced investment as recommended by the VFA study. For the 2020-2022 budget period, CPE recommended state general fund support for asset preservation projects only. For the 2022-2024 budget period, CPE similarly recommended that the highest priority for general fund appropriations be for asset preservation projects. CPE once again recommends that the state and institutions continue to follow the approach to address asset preservation needs for the 2024-2026 budget request.

CPE’s focus represents a much more aggressive approach to funding asset preservation than in previous biennia. The rationale for adopting this funding strategy is based on several factors, including an inventory of aging facilities, infrastructure, and systems in need of asset preservation; increasing construction costs; minimal state investment in asset preservation since 2007; and renovating aging facilities and systems to reduce operating costs through greater efficiencies.

In its 2024-2026 budget request, CPE plans to request a \$700 million bond-funded pool to finance renovation and renewal projects and recommends that the funding be provided without any required institutional match. CPE plans to allocate state funds among institutions based on each institution’s share of system education and general square footage, the approach taken in the 2022-2024 enacted budget. Each institution will have the flexibility to use their pool of funding for any asset preservation projects included in the enacted budget. CPE does not plan to request funds for information technology and equipment because other capital investment components are perceived to be a higher priority for state funding. The board endorsed this recommended funding approach and included it as a policy recommendation in past capital plans.



**Policy Recommendation  
State Agency Maintenance Pools**

The Capital Planning Advisory Board (the board) recommends that in each biennium sufficient funding be appropriated for the agency miscellaneous maintenance pools to allow agencies to address maintenance projects in order to protect taxpayer investment in the state’s physical plant.

The board acknowledges that the long-standing practice of appropriating bond funds for agency maintenance pools has had the positive effect of allowing agencies to undertake needed maintenance projects that otherwise would have required line-item budget authorization. However, this funding reduces the flexibility of agencies to undertake small projects that do not meet the 20-year useful life requirement for bond funding. As such, despite its benefits, bond funding should not be used to the exclusion of the traditional cash funding.

Miscellaneous maintenance pools appropriated to the various state agencies are used primarily for both planned and unanticipated projects (maintenance, minor construction, etc.) costing less than the threshold requiring line-item authorization in the biennial budget bill (currently \$1 million). Funding for these pools has been as follows:

**Maintenance Pool Appropriations (\$ millions)**

<b>Biennium</b>	<b>Agency Bonds</b>	<b>Bond Funds</b>	<b>General Fund</b>	<b>Investment Income</b>	<b>Restricted Funds</b>	<b>Road Fund</b>	<b>Total</b>
<b>2014-2016</b>		\$27.9		\$5.7	\$162.7	\$6.0	\$202.2
<b>2016-2018</b>		\$32.3		\$9.7	\$15.0	\$5.5	\$62.5
<b>2018-2020</b>		\$42.5		\$10.9	\$73.9	\$5.9	\$133.2
<b>2020-2022</b>	\$4.5	\$43.0		\$19.2	\$25.0	\$5.9	\$97.6
<b>2022-2024</b>	\$0.1	\$5.1	\$143.8		\$27.9	\$8.0	\$184.8

Notes: Figures account for miscellaneous maintenance pools and do not reflect pools for specific categories of needs such as chillers, handicapped access, life safety, roofs, or nonconstruction items such as equipment maintenance.

The Capital Planning Advisory Board has long recommended adequate amounts for agency miscellaneous maintenance pools as a top priority for funding in the biennial budget. These small expenditures can keep small items from escalating into major maintenance or renovation needs. The 2022 General Assembly adopted the widespread policy of supplanting the use of bond fund appropriations with traditional general fund cash financing in the 2022 Regular Session Executive Branch, Judicial Branch, and Transportation Cabinet Budget Bills to address rising construction costs and the maintenance needs of aging state facilities. Agency maintenance pool requests represent \$300.1 million in the 2024-2026 fiscal biennium, an increase of \$115.3 million more than appropriated in the 2022-2024 fiscal biennium.

Under a long-standing executive and legislative policy, capital construction investment income has also been the source of state funding used to support agency maintenance pools. Investment income is cash from interest earned on the investment of money appropriated to capital construction accounts, trust and agency accounts, and trust and agency revolving accounts that are not otherwise dedicated.

**2024-2030**  
**Statewide Capital Improvements Plan**  
**Project Recommendations**

- **Projects To Be Financed From State Funds**
- **Projects To Be Financed From Other Than State Funds**

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## **Project Recommendations Projects To Be Financed From State Funds**

### **Recommendation**

The Capital Planning Advisory Board believes that good stewardship of assets acquired with revenues from the taxpayers requires that those assets owned by the commonwealth be adequately maintained in order to continue providing services to the citizens of Kentucky. Adequately maintaining residential facilities (such as hospitals and treatment facilities) that house the state's most vulnerable citizens is particularly important. Maintenance of the state's postsecondary education buildings is also important to protect the state's substantial investment in its facilities.

The board recognizes that the state agencies and postsecondary institutions have proposed many needed and worthwhile projects. However, the following recommendations reflect the desire to emphasize the priority the board believes should be placed on appropriately maintaining existing facilities and equipment.

In making its project recommendations, the board has traditionally emphasized that, as a planning body, its focus should be on the priority and need to be addressed rather than on the specific details of each project (such as cost). The recommendation for projects to be financed with state funds in the 2024-2026 Executive Budget continues that approach.

#### **State Agency Maintenance Pools For Construction Needs**

**The board recommends that maintenance pool appropriations for all agencies be maintained in the 2024-2026 biennium.** In a separate policy recommendation, the board has reiterated its belief in the importance of the state agency maintenance pools to finance minor planned and unanticipated construction project needs. In their 2024-2026 capital plans, state agencies have identified the need for approximately \$694.8 million for maintenance pools over the 6-year period, and \$300 million in the first biennium. This is significantly more than what has been both requested and appropriated for this purpose in past biennia.

#### **State Agency Equipment Maintenance Pools And Replacement Schedules**

**The board also recommends that funds be provided, as appropriate, for equipment and systems maintenance pools.** Similar to the need to protect the state's investment in facilities, agencies that are responsible for major equipment assets of the state need the ability to address ongoing maintenance needs of those items. This would include aircraft, communications, and wildland fire equipment. **The board further recommends that funding be appropriated on a regular basis to allow agencies to establish and adhere to equipment replacement schedules** so that replacement and upgrade needs can be addressed on a periodic basis, rather than accumulating until a major infusion of funds is required.

#### **Long-Range Plan For Housing State Agencies In The Frankfort Area**

The board commends the Department for Facilities and Support Services on its continuing progress toward implementing the plan developed in response to KRS 42.425 to reduce the amount of space leased to house state agencies in Franklin County. This progress has been

accomplished through a combination of approaches, including state-funded new construction, state-funded renovations, and long-term financing arrangements.

The board requests that the department continue to address reducing the amount of space leased by state government in other locations around the state. This action is consistent with KRS 42.425(2)(b)2, which directs the development of long-range plans for housing state agencies in metropolitan areas.

### **Grant And Loan Programs**

Various agencies have proposed significant funding in 2024-2026 for programs that would provide assistance, through a competitive application process, to nonstate entities. Included are programs of the Cabinet for Economic Development, the Department for Local Government, the Kentucky Infrastructure Authority, and the School Facilities Construction Commission. Because of the limited resources available and the significant needs in other areas of government, **the board urges that decision makers carefully analyze existing fund balances/carryforwards prior to authorizing additional appropriations for these programs.**

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## Specific Project Recommendations

The board also recommends various other specific projects in the categories of maintenance/renovation (construction to protect investment in plant), information technology, and new construction. The lists are in alphabetical order; they do not reflect a prioritized ranking.

**This section is not included. The member-selected project recommendations are due September 20, and will be available for board members to review at the October 11 meeting.**

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## **Project Recommendations Projects To Be Financed From Other Than State Funds**

### **Recommendation**

The board recommends that in authorizing projects to be financed 100 percent from other than state funds and for which the other funds may be used for discretionary purposes (e.g., postsecondary education restricted funds), a high priority should be assigned to projects to address life/safety and deferred maintenance needs for which state funds are not provided.

In addition, the board recommends that in authorizing projects to be financed 100 percent from other than state funds, the following factors should be taken into account:

- Will the project require the expenditure of significant additional state funds for its operation and maintenance?
- Will the project commit the state to fund significant costs to complete the project after the available other funds have been expended?
- Are there agency programs or operations also financed by the proposed fund source that would be jeopardized by the use of the funds for a capital project?

### **Background**

Agency-submitted capital plans contain various projects to be financed 100 percent from sources other than the state general fund. These sources, which are defined below, include restricted funds, federal funds, road funds, agency bonds, and other funds such as private contributions or long-term funding arrangements. For the 2024-2030 planning period, projects totaling approximately \$43.6 billion have been proposed from these fund sources.

The postsecondary institutions are the largest users of these fund sources (94 percent), with \$31.0 billion in proposed restricted fund projects, \$1.2 billion in proposed agency bond projects, and \$8.6 billion in proposed other funds for the 6-year period (\$40.8 billion total). Other state agencies, such as the Kentucky Infrastructure Authority, the Department of Military Affairs, the Department of Criminal Justice Training, the Department of Fish and Wildlife Resources, and the Transportation Cabinet, also rely on these sources.

For purposes of the board's recommendations, these fund sources are defined as not being state funds. However, the General Assembly must authorize any funds used for capital projects during the biennial budget process.

**Restricted funds** are derived from licenses and fees, tuition, service charges, sales of goods or products, donations or grants from nonstate sources, and expendable receipts and earnings from trust programs. Revenues generated by the housing and dining systems of the postsecondary institutions are categorized as restricted funds. These funds are collected by state agencies and restricted by statute or the budget bill for expenditure by the collecting agency.

**Federal funds** are received by state agencies in the form of grants, contracts, or other assistance for specific purposes. Main recipients of federal funds have traditionally been agencies within the Justice and Public Safety Cabinet, the Department of Military Affairs, the Department of Veterans' Affairs, and the postsecondary institutions.

**Road funds** are derived from excise or license taxation relating to gasoline or other motor fuels products and other money collected by the Transportation Cabinet.

**Agency bonds** are derived from the issuance of debt for which principal and interest (debt service) are paid from restricted funds. This source of funds can be used by those agencies/projects that can identify a specific revenue stream to finance the debt service requirements for the bond issue.

**Other funds** may include cash from private contributions or gifts. This category is used primarily by the postsecondary institutions. The category has also been used to capture projects to be funded through privatization or other third-party financing arrangements.

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