

CAPITAL PLANNING ADVISORY BOARD

Minutes

September 13, 2023

Call to Order and Roll Call

The fifth meeting of the Capital Planning Advisory Board was held on September 13, 2023, at 1:00 PM in Room 169 of the Capitol Annex. Representative Nancy Tate, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Nancy Tate Co-Chair; Senator Phillip Wheeler Co-Chair; Senator Adrienne Southworth; Representative William Lawrence; Pat Abell, Katie Comstock, Carole Henderson, John Hicks, Bryan Hix, Holly Johnson, and Danny Rhoades.

LRC Staff: Liz Columbia and Jennifer Luttrell.

Approval of Minutes (August 9, 2023)

A motion to approve the minutes of the August 9, 2023, meeting was made by Senator Wheeler, seconded by Mr. Hicks, and approved by voice vote.

Information Items

Representative Tate said three information items, including the Project Recommendation Instructions, the Criteria List and Scoring Matrix, and the Scoring System, were shared with board members via email detailing the scoring and ranking process used to select the board's project recommendations that will be incorporated into the "2024-2030 Statewide Capital Improvements Plan" (SCIP). All project recommendations should be shared with board staff by Wednesday, September 20, 2023, to provide time to finalize the draft capital plan for final vote and approval at the October 11 meeting.

In response to a question from Senator Southworth regarding a missing project under the Council on Postsecondary Education (CPE), Ms. Columbia stated CPE originally submitted a project in the system but then clarified during their testimony that it was an error that was previously funded in the previous biennium. CPE had no capital projects submitted in the final version and was not on any project list.

In response to a question from Senator Southworth about the best way to choose project recommendations, Mr. Hicks said one option would be to support the concept of an asset preservation pool for the institutions in the policy recommendations rather than pick nine projects from the nine institutions out of the 15 that members are supposed to rank.

In response to a question from Senator Southworth regarding cash financing versus bond funding, Ms. Columbia pointed to page 8 of the SCIP proposed content, which gives a brief historical view of the maintenance pool appropriations under the State Agency Maintenance Pool Policy Recommendations. In the 2022-2024 fiscal biennium, there was a significant increase in general fund support. The board supported those projects with general fund cash financing versus bonds. There is a statement that the 2022 General Assembly adopted the

policy of supplanting the use of bond fund appropriations with traditional general fund cash financing. There is another statement that says it is a top priority. At the beginning, the caption also states that despite its benefits, bond funding should not be used for traditional cash financing. The board may maintain that policy or amend any of these statements.

In response to a question from Chair Tate regarding pass-through dollars and whether grant loan benefits are separate project categories from what is represented, Ms. Columbia stated that the projects are strictly new construction, renovations, or IT and would not be on this list. Those projects are listed as proposed projects and on the cumulative list at the end of the document, but they're not part of each member's project recommendations. Mr. Hicks said the maintenance pools also have a policy and were purposely left off the list. It is still a priority, but the board is not picking projects from it.

In response to a question from Senator Southworth about maintenance pools on the project lists, Ms. Columbia added that the maintenance pools were included in the project list as submitted to the system. Still, the board may decide not to include those in the specific recommendations and address it as a group policy recommendation as it was historically done.

In response to questions from Senator Southworth about the Finance and Administration Cabinet's (FAC) eMars project and federally funded projects, Mr. Hicks said the system is not dependent upon new money for the \$13 million upgrade project being implemented now. It was to add new functionality and other modules, including travel, but not necessary for the existing system. Ms. Columbia said she would provide the board with the specific proposed project details in the system, including more narrative than what's available online and an update on FAC's projects on the Construction - Protect Investment in Plant (PIP) maintenance list.

In response to a question from Senator Southworth regarding the duplicity of fund requests for dam upgrades, Mr. Hicks stated that the Department of Parks (DOP) having a specific item here could be duplicative because that dam could be part of the state-owned dam repair as in the past. The specificity of what DOP is asking for might be helpful. Ms. Columbia said she would clarify which dams they are responsible for versus the Kentucky River Authority and the Energy and Environment Cabinet pools.

Responding to questions from Senator Southworth and Chair Tate about whether the committee could recommend only funding a certain percentage of a project, Mr. Hicks said the board should look at the project's purpose more than the dollar figure and that this committee is recommending which projects the board ranks highest to the decision-makers but leave the amount of money necessary to the budget process.

The board agreed with Senator Southworth and Senator Wheeler that the Court of Appeals building is a well-thought-out and necessary project maximizing the already owned space to reduce the cost to the taxpayer.

In response to a question from Chair Tate about why some projects by area of government were not included or were added to the Project Needs by Area of Government pie chart in the 2024-2026 SCIP Proposed Content and Organization document, Ms. Columbia explained that she ranked these based on total project requests from highest to lowest, and those under one percent were removed. She combined those with the other government agencies and identified them at the bottom.

2024-2030 Statewide Capital Improvements Plan

Chair Tate explained that the last document in the members' packets includes draft sections and planned content of the "2024-2030 Statewide Capital Improvements Plan." The project recommendation on page five is mainly unchanged from the previous six-year capital plan.

In response to a question from Senator Southworth concerning amending the language about cash versus bond funding for maintenance pools, Ms. Columbia suggested adding the sentence, "The board encourages continued use of traditional cash financing as done in the 2020-2024 budget." Mr. Hicks explained that historically the Commonwealth of Kentucky has never implemented a dedicated funding stream for capital maintenance. The Capital Construction Investment Income Account is dedicated to that purpose but is subject to variations in interest rates and balances. He prefers the language in the draft, considering that agencies shouldn't debt finance all maintenance pools. Yet, there is some usefulness to having bond funds and recognizing that the current biennium's general fund value is \$143.8 in the budget. That's a recognition that the funds were available, and it was a good use of cash, not debt, for some pools.

He agreed that the agencies should not rely entirely on debt. Still, to not have any reliance because the practicality is that there is no dedicated revenue source of size. Some maintenance pool projects meet a test of bonds. The board should adjust this to acknowledge the budget's approach in the current biennium because there was a greater emphasis on cash. The board agreed with his recommendations.

Mr. Hicks addressed a long-standing policy of the board about the Budget Reserve Trust Fund. Considering recent significant occurrences, the Budget Reserve Trust Fund is \$3.7 billion due to three consecutive years of billion-dollar surpluses. He suggested that the board remove the word "replenishing" on page 5, maintaining the idea that it is essential. Kentucky is not in a replenished situation any longer. His suggestion is to modernize it slightly for the current circumstances. The board agreed with his proposal.

Ms. Columbia highlighted the maintenance pool policy recommendation on page 10 of the SCIP. Under the heading State Interest Pools for Construction Needs, a bolded sentence says "maintained," the first word on line two of that paragraph. The previous statement was that the board recommends increasing maintenance pool appropriations for all agencies. She changed it to "maintain" due to increased general fund support. The board confirmed the change in wording.

In response to a question from Chair Tate regarding an additional sentence in the SCIP concerning maintenance pools, Ms. Columbia stated that she added the historical information because she thought it was helpful. Chair Tate agreed that it would be beneficial. She said that historical data regarding the number and dollar amounts of projects requested in a table format under the Budget Reserve Trust Fund heading would also be helpful because almost twice as much money is being requested in 2023 compared to 2021. A table to explain that would be beneficial. Senator Southworth suggested adding the total that got funded to see if funding catches up on that table over time. The board agreed that this table would be beneficial.

Adjournment

The next meeting is Wednesday, October 11, 2023, in Room 169 Annex, at 1:00 PM to vote on

the final "2024-2030 Statewide Capital Improvements Plan." A quorum is strongly encouraged to meet the statutory delivery date of November 1. Hence, our next order of business is to provide our recommendations to Ms. Columbia by September 20. There being no further business, the meeting adjourned at 1:45 PM.