

CAPITAL PLANNING ADVISORY BOARD

Minutes of the 1st Meeting of the 2022 Calendar

July 20, 2022

Call to Order and Roll Call

The 1st meeting of the Capital Planning Advisory Board was held on Wednesday, July 20, 2022, at 1:00 PM, in Room 171 of the Capitol Annex. Senator Adrienne Southworth, Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Adrienne Southworth, Co-Chair; Representative Bobby McCool, Co-Chair; Senator Phillip Wheeler, Representative Derek Lewis; Laurie Givens, Carole Henderson, John Hicks, Patsy Jackson, Holly Johnson, and Mark Overstreet.

Guests: Mr. Chay Ritter, Division Director, Division of District Support, Kentucky Department of Education.

LRC Staff: Shawn Bowen, Korey Sallee, and Jennifer Luttrell.

Approval of Minutes

A motion to approve the minutes of the October 13, 2021, meeting was made by Ms. Johnson, seconded by Senator Wheeler, and approved by voice vote.

Introduction of New Board Member

Senator Southworth welcomed Mr. John Hicks as a new/returning board member. Governor Beshear appointed John Hicks to replace former Executive Cabinet Secretary J. Michael Brown, who resigned to accept a leadership position with Simmons College in Louisville. Mr. Hicks currently serves as the State Budget Director and the Executive Cabinet Secretary. He has a vast understanding of capital planning and previously served as a board member from 2006-2016.

Information Items

Mr. Sallee and Ms. Bowen reported the following items included in the meeting materials: Budget Updates - 2022 Session of the Kentucky General Assembly, postsecondary institutions' asset preservation pool allocations, and a news article concerning plans to develop the Kentucky Exposition Center.

In reference to House Bill 1, 2022 Executive Budget, Senator Southworth said several capital projects selected by members as "high priority for funding" during the 2022-

28 capital planning period received budget authorization. She noted that miscellaneous maintenance pool funding increased by 133% in the current budget and remarked that the board has always included a policy recommendation in the statewide capital plan encouraging the General Assembly to authorize sufficient funding for miscellaneous maintenance pools. All miscellaneous maintenance pools were funded at or beyond their requested levels.

In reference to allocations to the postsecondary institutions' asset preservation pool, Senator Southworth said during the last capital planning cycle, the Council on Postsecondary Education (CPE) indicated plans to request \$1,050,000,000 (\$700 million state funding and \$350 million agency bonds/restricted matching funds authorization) in its budget request for an asset preservation pool. The current budget includes \$683,500,000 general fund supported bonds and \$137,944,000 agency bond funds/restricted fund authorization for a total pool of \$821,444,000. The asset preservation pool provides funding for individual asset preservation, renovation, and maintenance projects at Kentucky's public postsecondary institutions in education, general, and state-owned and operated residential housing facilities. CPE will oversee the use of asset preservation pool funds.

Mr. Hicks remarked on the current budget's availability of one-time funding sources. He noted the Capital Planning Advisory Board's important role in the budget planning process.

Presentation – Kentucky Department of Education – The impact of inflation on current school facility construction projects (K-12)

Mr. Ritter discussed the school district facility planning and funding process and the impact of inflation on current school facility construction projects (K-12). He referenced four school facility construction projects impacted by inflation in Christian, Menifee, Rowan, and Woodford counties.

Representative McCool said it was his understanding that at least 12-14 additional school facility construction projects are insufficiently funded due to inflation and the rising cost of construction materials. The affected school districts have passed the applicable nickel tax, have exhausted other state and local funding sources, and remain unable to complete their school construction projects. Mr. Ritter stated that the number of school facility projects experiencing funding gaps sounded correct, but he would check to ensure.

In response to a question from Representative McCool, Mr. Ritter said the school facility construction projects experiencing insufficient funding are statewide projects nearing construction or in construction.

In response to another question from Representative McCool, Mr. Ritter said KDE works with the Kentucky Center for School Safety and the Department of Housing and

Building Codes to ensure the safety and security of newly constructed and renovated school facilities. He said he would provide the board with additional information.

Representative McCool stated that it is essential to have additional information regarding K-12 school construction projects still in need of funding. This information will give the General Assembly a better understanding of school funding needs. He then asked Mr. Ritter to provide a report to the Capital Planning Advisory Board (board) at its September 14 meeting identifying the additional 12-14 school construction projects that are insufficiently funded due to inflation, including the specific estimates of funding needs per school district. Additionally, Representative McCool asked that a report be provided at the same meeting regarding the disposition of school facilities that newly constructed buildings have replaced. Mr. Ritter said KDE would follow up with fiscal agents for more recent project construction cost estimates and provide the board with the requested information.

In response to a question from Senator Wheeler, Mr. Ritter said school districts should negotiate construction management fees to the extent possible. He added that language included in the KDE's administrative regulations states that architect fees shall be negotiated. KDE is currently reviewing criteria related to the negotiation of these fees.

Responding to a question from Senator Southworth, Mr. Ritter said funding for the School Facilities Construction Commission is included in the budget as two line item authorizations: regular offers of assistance and special offers of assistance. Regular offers of assistance provide general fund debt service payments for school facility construction projects. Special offers of assistance fund specific schools as specified in Part I of the appropriations act.

Senator Southworth said if budgetary funding for school facility construction is insufficient, the board may want to consider a policy recommendation addressing this issue in its next capital plan.

Other Business

Senator Southworth said the September meeting will include a review of updated figures for the budget reserve trust fund, a study of language in the statewide capital plan policy recommendation regarding the use of state bond funds for maintenance pool funding, and consideration of policy recommendation priorities for the 2024-2030 capital planning period.

Adjournment

The next meeting is scheduled for Wednesday, September 14, 2022, in Room 169, Capital Annex starting at 10:00 AM. There being no further business, the meeting adjourned at 2:03 PM.