

**Council on Postsecondary Education  
January 16, 2009**

**Capital Project Pools Update**

The following is a brief update on several capital or institutional infrastructure related issues.

**2008-10 Capital Renewal Pool (HB 406)**

The 2008 General Assembly restored a \$13.9 million Capital Renewal and Maintenance (CR&M) Pool of matching funds to address critical upgrades and replacement of building systems (e.g., HVAC systems, electrical systems, and roofs) that was vetoed following the 2006 session. Similar capital renewal pools of \$20.6 million and \$30 million were funded in the 1998-2000 and 2000-02 biennia, respectively. However, these pools provide only a small fraction of the resources needed to adequately upgrade and preserve what is increasingly an aging institutional infrastructure according to the comprehensive facilities assessment study completed in 2007. There is a requirement that the institution provide a match for each dollar received from the pool.

In accordance with the Council's adopted guidelines, the following institutions have submitted projects for staff review and are implementing the projects to preserve the existing physical assets on their campuses.

**Eastern Kentucky University**

In accordance with the guidelines, EKU selected one project to be implemented at this time. The total scope is \$2,361,250 (\$1,353,200 state and \$1,008,050 institution). The project and funding proposal meet the requirements of the Council and HB 406.

**Kentucky Community and Technical College System**

In accordance with the guidelines, KCTCS selected 18 projects to be implemented at this time. The projects are distributed across 16 colleges of the system. The total scope is \$5,408,900 (\$3,181,700 state and \$2,227,200 institution). The projects and funding proposal meet the requirements of the Council and HB 406.

**Kentucky State University**

In accordance with the guidelines, KSU selected two projects to be implemented at this time. The total scope is \$702,800 (\$369,900 state and \$332,900 institution). The projects and funding proposal meet the requirements of the Council and HB 406.

### **Murray State University**

In accordance with the guidelines, MuSU selected seven projects to be implemented at this time. The total scope is \$1,677,220 (\$986,600 state and \$690,620 institution). The projects and funding proposal meet the requirements of the Council and HB 406.

### **2008-10 Research Challenge Trust Fund and Comprehensive University Excellence Trust Fund Program Activities**

The 2008 General Assembly authorized \$50 million in General Fund supported bonds in 2008-09 for the Research Challenge Trust Fund (RCTF) to support the Endowment Match Program and a newly created Research Capital Match Program. In accordance with KRS 164.7917, these funds are allocated two-thirds to the University of Kentucky (\$33.3 million) and one-third to the University of Louisville (\$16.7 million).

The 2008 General Assembly also authorized \$10 million in bond funds in 2008-09 for the Comprehensive University Excellence Trust Fund (CUETF) to support Endowment Match Program activities or to fund capital projects at the comprehensive universities. These funds are allocated among the comprehensive institutions based on their respective share of total 2007-08 General Fund appropriations, excluding debt service and specialized noninstructional appropriations.

In accordance with the Council's adopted guidelines, two institutions (Murray State University and the University of Kentucky) have designated a portion of the B4B funding to complete capital projects and have notified the Council. The final deadline for institutions to identify/report the funds split is June 30, 2009. Following the January 16 meeting, certification of the project awards under the Research Capital Match Program and the Comprehensive University Excellence Trust Fund will be communicated to the secretary of the Finance and Administration Cabinet, the Capital Projects and Bond Oversight Committee, and the Interim Joint Committee on Appropriations and Revenue. There is a dollar-for-dollar matching requirement. The projects are described below.

### **Murray State University**

Total CUETF funds	\$1,580,000	15.8% of Pool
Allocated for capital to date	\$298,500	18.9% of Share
Private/institution match pending	\$298,500	\$ for \$ Match
Institution Funds	\$0	
Total Project Scope	\$597,000	Fully Funded

The Murray State University board of regents approved an initial allocation of CUETF funds between the capital and endowment matches – 18.9 percent capital and 81.1 percent endowment match. The university and board are now in the process of identifying specific capital projects and gifts to match the allocation. The board action was completed November 14, 2008. If the project chosen is new construction, the cost of opening and annual operation will be estimated and reported at the time the selected project is reported.

## University of Kentucky

Total RCTF funds	\$33,300,000	66.7% of Pool
Allocated for capital to date	\$8,300,000	25% of Share
Private/institution match confirmed	\$8,328,125	\$ for \$ Match
Additional Institution Funds	\$3,371,875	No Pool Match
Total Project Scope	\$20,000,000	Fully Funded

The UK board of trustees approved the initiation of a capital project and confirmed the receipt of private gifts and pledges sufficient to match pool funds to implement the project. The project selected is Digital Village Building #2. The board took action December 9, 2008. The annual cost of operation and maintenance is estimated to be \$500,000. The university will request state General Funds in the 2010-12 biennial budget to cover these expenses. To the extent that funds are required, the university has certified that nonstate General Funds are available to cash flow the project until the pledge and state bond funds are available.

*Description of Project:* The Digital Village Building #2 is the second of four buildings in the digital village (the Hardyman Building is building #1). Building #2 will be a 43,000 gross square foot facility housing the research activities of the Center for Visualization and Virtual Environments as well as selected research activities in the departments of computer science, electrical engineering, and computer engineering. The facility will strengthen the university's ability to compete in nanotechnology research leading to significant increases in external research funding, serve as a magnet to high-tech industries, and foster the spin-off and development of small companies. While not a requirement for implementation, this project is authorized by HB 406 (page 159 of 247) at a scope of \$20 million in restricted funds.