KENTUCKY COUNCIL ON POSTSECONDARY EDUCATION
FINANCE COMMITTEE MEETING

November 15, 2024 - 1:00 p.m., ET
Virtual Meeting via ZOOM - https://us02web.zoom.us/j/89129396618

Next Finance Committee Meeting: January 27, 2025 @ 1:00 p.m. ET

MEETING MINUTES

Draft for Approval by the Finance Committee, November 15, 2024

Who:	Kentucky Council on Postsecondary Education
Meeting Type:	Finance Committee
Date:	September 9, 2024
Time:	1:00 p.m. ET
Location:	Virtual Meeting via ZOOM Webinar

CALL TO ORDER

The Finance Committee met Monday, September 9, 2024, at 1:00 p.m., ET. The meeting occurred virtually via ZOOM webinar. Committee Chair Jacob Brown presided.

ROLL CALL

Attended: Jacob Brown, Lindsey Case, Jennifer Collins, Kellie Ellis, and Elaine Walker.

Did not attend: Chloe Marstiller and Madison Silvert.

Heather Faesy, CPE's senior associate for board relations, served as recorder of the meeting minutes.

APPROVAL OF THE MINUTES

The minutes of the June 10, 2024, Finance Committee meeting were approved as presented.

MEMORANDUM OF UNDERSTANDING – NONRESIDENT TUITION AND FEES AT NORTHERN KENTUCKY UNIVERSITY

Dr. Bill Payne, Vice President of Finance Policy and Programs, presented the staff recommendation to approve a Memorandum of Understanding (MOU) between the Council and Northern Kentucky University (NKU) regarding nonresident student tuition and fees.

On April 24, 2020, the Council approved an MOU between NKU and the Council, which launched a tuition scholarship program at the institution called the Educational Discount to Graduate and Excel (EDGE) program. At that time, the Council acknowledged that, although NKU would not meet the 130% threshold required in the Council's Policy as a result of the EDGE program, the increased nonresident student enrollment would benefit both the Commonwealth and NKU.

On July 18, 2024, NKU submitted proposed modifications to its MOU that would launch a new undergraduate tuition program, beginning in the Fall 2025 semester, called the NKU Tri-state program. Under the NKU Tri-state program, new first-time freshmen from Kentucky, Ohio, and Indiana would pay the in-state annual tuition rate plus all mandatory fees. All students outside of Kentucky, Ohio, and Indiana (domestic and international) would be charged a single tuition rate, one that is at least 130% of the NKU Tri-state rate. Furthermore, the proposed agreement would eliminate the EDGE scholarship program, as featured in NKU's 2020 MOU, for new students from 2025 on.

MOTION: Ms. Walker moved the Finance Committee endorse for Council approval the proposed Memorandum of Understanding between the Council and Northern Kentucky University regarding nonresident student tuition and fees. Ms. Collins seconded the motion.

VOTE: The motion passed.

PROPOSED RAZE AND REPLACE ASSET PRESERVATION POOL PROJECT: SOMERSET COMMUNITY COLLEGE, LAUREL SOUTH CAMPUS, PHASES I AND II

Mr. Ryan Kaffenberger, Director of Finance Policy and Programs, presented KCTCS's request to use funds from the 2022-24 and 2024-26 Asset Preservation Pools to raze the Somerset Community College Laurel South Campus building and replace it with a new building at the Laurel North Campus. Phase I of the project would fund the building design with a project scope of $3,000,000 and would use 2022-24 Asset Preservation Pool funds. Phase II of the project would fund demolition and construction costs using 2024-26 Asset Preservation Pool funds at a project scope of $30,000,000. The proposed raze and replace project is a combination and modification of two projects previously approved by the Council as part of the 2022-24 and 2024-26 biennial budget requests.

MOTION: Ms. Walker moved that the Finance Committee endorse for Council approval the proposed raze and replace project at Somerset Community College. Dr. Ellis seconded the motion.

VOTE: The motion passed.

PROPOSED RAZE AND REPLACE ASSET PRESERVATION POOL PROJECT: SOUTHEAST KY COMMUNITY AND TECHNICAL COLLEGE, WHITESBURG CAMPUS PEDESTRIAN BRIDGE

Mr. Kaffenberger presented KCTCS's request to use funds from the 2024-26 Asset Preservation Pool to raze and replace a pedestrian bridge on the Southeast KY Community and Technical College's Whitesburg Campus. The proposed raze and replace project was previously approved by the Council as part of the 2024-26 biennial budget request with a general fund or state bonds fund source and had a scope of $1,800,000. The last study completed on the project was conducted in early 2020 and due to the increases in building

costs over the last several years and Council staff advised the Committee that the amount provided for the scope was based on an estimate.

MOTION: Ms. Walker moved the Finance Committee table the matter and move the item to be presented to the full Council at its meeting on September 16, 2024. Ms. Case seconded the motion.

VOTE: The motion passed.

PERFORMANCE FUNDING UPDATE

CPE President Aaron Thompson and Dr. Payne provided an update on the first meeting of the 2024 Postsecondary Education Working Group on Performance funding.

During the 2024 Regular Session, the Kentucky General Assembly adopted Senate Bill 191, which was the mechanism by which recommendations of the 2023 Postsecondary Education Working Group were operationalized, signed by the Governor, and eventually codified in KRS 164.092. Included in that bill was language specifying that the comprehensive funding model for the public postsecondary system implemented by the Council on Postsecondary Education "shall include a public university sector formula and a KCTCS sector formula and shall not include any race-based metrics or targets in the formulas". In this manner, underrepresented minority student degree and credential metrics were removed from public university and KCTCS funding models. Additionally, several places in Senate Bill 191 the word "minority" in the phrase "underrepresented minority student" was struck through.

The working group was reconvened on September 4, 2024, to address the charge as determined by the General Assembly to "convene during the 2024 Interim for the sole purpose of considering how to define 'underrepresented students' in the comprehensive funding model for the public postsecondary education system..." Additionally, SB 191 directed the Council on Postsecondary Education to report the recommendations of the working group to the Governor and to the Legislative Research Commission by December 1, 2024.

Dr. Payne reported that the meeting focused on proposed metrics and discussion and no recommendations were made. The working group meets again on October 2 to continue discussions.

UNIVERSITY OF LOUISVILLE, 2024-25 TUITION AND FEE RATES

Dr. Payne reported that the University of Louisville's tuition and fee rate proposal for academic year 2024-25 was approved as submitted. At the June 21 meeting, staff requested, and the Council approved, a delegation of authority to the CPE president to approve UofL's 2024-25 tuition and fee rates provided they complied with Council

parameters. This delegation of authority was necessary because UofL's Board of Trustees did not meet until June 27 to approve the university's proposed 2024-25 tuition and fee rates, or nearly a week after the Council's June 21 meeting.

The university proposed to increase its annual base-rate charge for resident undergraduate students by $308.00, or 2.4 percent. This increase complies with the Council's approved ceiling for resident undergraduate tuition and fee base rates, which stipulates that those rates cannot increase by more than 3.0 percent in any one year, nor by more than 5.0 percent over two years. The university proposed to increase nonresident undergraduate base rates by 1.1 percent and increase both resident and nonresident graduate rates by 5.0 percent, which also adhered to Council adopted parameters.

2022-24 ENDOWMENT MATCH PROGRAM UPDATE

Mr. Kaffenberger provided an update regarding universities' use of 2022-24 Endowment Match Program funds to date. In the 2022-24 biennial budget bill, the General Assembly appropriated $40 million in state bond funds for the Endowment Match Program, also called Bucks for Brains, with $30 million authorized for the research universities through the Research Challenge Trust Fund and $10 million authorized for the comprehensive universities through the Comprehensive University Excellence Trust Fund to support efforts to grow endowments for initiatives in fields of science, technology, engineering, mathematics, and health (i.e., STEM+H fields). The state funds are used as a dollar-for-dollar match for private endowment gifts and pledges raised by institutions.

ADJOURNMENT

The Finance Committee adjourned at 2:55 p.m., ET.

TITLE: Proposed revisions to the *2024-2026 Asset Preservation Pool Guidelines* and *2022-2024 Asset Preservation Pool Guidelines*

DECRIPTION: Staff recommends that the Finance Committee endorse for full Council approval the proposed revisions to the *2022-2024 Asset Preservation Pool Guidelines* and *2024-2026 Asset Preservation Pool Guidelines* as shown in Attachments A and B.

STAFF CONTACTS: Ryan Kaffenberger, Director, Finance Policy and Programs
Bill Payne, Vice President, Finance Policy and Programs

SUPPORTING INFORMATION

In the *2022-2024 Budget of the Commonwealth* (22 RS, HB 1), the Kentucky General Assembly authorized $683.5 million in General Fund supported bond funds for a Postsecondary Education Asset Preservation Pool to provide funding for individual asset preservation, renovation, and maintenance projects at Kentucky public postsecondary institutions. In 2024-2026, the General Assembly made another major investment in the renovation and renewal of existing postsecondary education facilities. The enacted *2024-2026 Budget of the Commonwealth* (24 RS, HB 6) authorized $563.0 million in General Fund supported bond funds for a Postsecondary Education Asset Preservation Pool to provide 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".

In each biennium, the General Assembly included language in the budget bill authorizing capital projects, as defined in KRS 45.750(1)(f), funded from the Asset Preservation Pools. Per KRS 164.020(11)(a), CPE is also required to "review and approve all capital construction projects covered by KRS 45.750(1)(f), including real property acquisitions, and regardless of the source of funding for projects or acquisitions". Furthermore, CPE, in collaboration with the Office of the State Budget Director, certifies that individual projects are eligible for Asset Preservation Pool funds. As such, on June 17, 2022, and June 21, 2024, the Council approved *the 2022-2024 Asset Preservation Pool Guidelines* and *2024-2026 Asset Preservation Pool Guidelines* (the Guidelines), respectively, which specify the criteria institutions' capital projects must meet in order to be eligible for funding from the Asset Preservation Pools. *The 2022-2024 Asset Preservation Pool Guidelines* were revised at the June 21, 2024, Council meeting to incorporate new language, which was also included in the *2024-2026 Asset Preservation Pool Guidelines*. At each of these meetings, the Council also delegated authority to CPE staff to review and

approve capital projects submitted for Asset Preservation Pool funds to expedite the reimbursement process.

As asset preservation pool projects have been planned, submitted, and reviewed for eligibility, it has become apparent to both CPE staff and campus Chief Budget Officers (CBOs) that the Guidelines could be improved by adding and removing language. Attachments A and B contain marked up versions of the Guidelines showing proposed additional language in green and proposed language to be removed in ~~red strikethrough~~. There are a number of minor clarifying revisions included in the suggested changes. The sections below highlight the major suggested changes to each set of guidelines and their rationale. Campus CBOs and CPE leadership are supportive of the suggested changes and clarifications and propose the *2022-2024 Asset Preservation Pool Guidelines* and *2024-2026 Asset Preservation Pool Guidelines* be revised as shown in Attachment A and B.

SUGGESTED CHANGES TO BOTH 2022-2024 AND 2024-2026 ASSET PRESERVATION POOL GUIDELINES

- *Suggested Language*:
  *"*For the purposes of these guidelines, "facilities" includes buildings and key building systems, such as the plumbing system, electrical system and permanently affixed power generators, mechanical and HVAC system, elevator system, escalator system, fire protection and alarm system, gas distribution system, and the security system."
  - *Rationale*: In the Eligibility Criteria section, a list of "key building systems" has been added to improve clarity and resemble those found in the IRS's tangible property regulations (i.e., Internal Revenue Bulletin: 2013-43) and its "Facts and Circumstance Analysis" that has aided in CPE staff's evaluation of proposed asset preservation pool projects.

- *Suggested Language*:
  "For the purposes of these guidelines, *"*campus infrastructure", includes infrastructure, such as roads, walkways, ~~electrical grids~~ high voltage distribution systems, steam tunnels, and water chiller plants, that support current and ongoing use of eligible facilities."
  - *Rationale*: In the Eligibility Criteria section, "campus infrastructure" has been broken out into its own bullet and defined to improve clarity. Additionally, "electrical grid" has been replaced with "high voltage distribution systems" to use appropriate nomenclature.

- *Suggested Language*:
  "If it would be more cost effective to raze and replace rather than renovate an existing facility, then asset preservation funds may be used for demolition and reconstruction. For such a project to be considered cost effective, the cost to raze and replace may not exceed 115% of the cost required to renovate a facility. The cost of each option must be certified in writing by an independent third-party industry professional, with the

assessment dated not more than six months prior to the initial date the raze and replace request was submitted to CPE staff."

- *Rationale*: In the Eligibility Criteria section, additional language is proposed to provide guidance regarding the acceptable length of time between when the required assessment for a proposed raze and replace project was conducted and when the project is initially submitted to CPE staff to determine eligibility for asset preservation pool funds. This additional language will address an issue raised by a previous raze and replace request.

- *Suggested Language*:
  "~~To qualify as an individual project, the project must be bid and awarded as a complete project and be overseen and administered by a single prime or general contractor or be completed pursuant to another delivery method as allowed by statute (KRS 45A), such as employing the construction management-at-risk (CMR) method~~."
  "~~If time and cost savings can be achieved, a project or portion of a project may be overseen by an institution's chief facilities officer. In such cases, campus facilities officers will adhere to all applicable state laws governing procurement and bidding and awarding of construction contracts~~."
  - *Rationale*: In the Project Identification section, removal of two bullets regarding how asset preservation projects are bid, awarded, overseen, and administer is suggested. This is in recognition that institutions' capital projects must abide by the Kentucky Model Procurement Code (i.e., Kentucky Revised Statutes Chapter 45A) and that CPE is not the agency tasked with ensuring institutions comply with the procurement code. Per KRS 45A.045, the Finance and Administration Cabinet is the central procurement and contracting agency of the Commonwealth. As such, the current language is unnecessary.

- *Suggested Language*:
  *"*As institutions incur expenses on eligible asset preservation, renovation, and maintenance projects, they can submit requests for reimbursement to the Council on Postsecondary Education (CPE) and Office of State Budget Director (OSBD), which will include a certification letter with expenditures listed by project. ~~CPE staff will review the requests, verify that the projects and related expenditures meet guideline requirements, and notify OSBD staff that project expenditures are eligible to be reimbursed.~~*"*
  …
  "~~CPE staff will review requests and certify to OSBD staff that project expenditures are eligible for reimbursement~~."
  - *Rationale*: In the Expenditure Certification section, removal of two sentences regarding CPE staff review of institutions' reimbursement requests is suggested. OSBD staff has indicated that they do not need us to review institutions' requests for reimbursement so long as we provide them with the most up to date list of each institution's certified projects. As such, OSBD staff has indicated that their preference is for them to handle reviewing reimbursement requests.

SUGGESTED CHANGES TO THE 2024-2026 ASSET PRESERVATION POOL GUIDELINES

- *Suggested Language*:
  *"*If an individual project adds a permanently affixed power generator to an eligible building or upgrades or expands the existing high voltage distribution system or steam or chilled water system to create redundancy and ensure the proper functioning of eligible facilities in the event of an outage or natural disaster, then asset preservation funds may be used to finance the project."
  - *Rationale*: This additional language in the Eligibility Criteria section was suggested by officials at Murray State University. Per campus staff, "The issue of building redundancy for our electrical/high voltage infrastructure is to protect buildings and occupants in the event of a deferred maintenance or natural disaster event." Furthermore, "Redundancy will go a long way to preserving our facility assets when the need arises. Redundancy will also provide us more opportunity to maintain our current electrical yard (which is currently very difficult since it is our only campus power source), by having an alternative to providing power to the campus."

- *Suggested Language*:
  *"*The process described above will be different for Kentucky State University ~~and KCTCS~~. Capital projects at the~~se~~ institution~~s~~ are administered by the Finance Cabinet. Instead of submitting reimbursement requests to CPE and OSBD, KSU ~~and KCTCS~~ will deposit campus matching funds into project specific eMars accounts and the Finance Cabinet will expend state and campus matching funds for requested projects."
  …
  "Since capital projects at Kentucky State University ~~and KCTCS~~ are administered by the Finance Cabinet, the existing process will remain in place, whereby cabinet staff will report capital projects funded from the Asset Preservation Pool for these institutions to CPBOC upon request of the institution."
  - *Rationale*: The language "and KCTCS" has been removed in the Expenditure Certification and Reporting sections as KCTCS staff has notified CPE staff that they have opted out of having the Finance and Administration Cabinet manage their capital construction projects for the 2024-26 Asset Preservation Pool. Per KCTCS officials:

    > "The Huron Study 2021-2023 indicated that KCTCS could improve its capital investment efforts by assuming the management of the Capital Project Management as enabled by KRS 164A.560. This provision of the statute authorizes the governing boards of public institutions of higher education to elect to perform financial management functions pursuant to KRS 164A.555 through KRS 164A.630 by issuing administrative regulations. The KCTCS has issued administrative regulation which implements the provisions established in KRS 164A.580 at the Kentucky Community and Technical College System… The KCTCS has received

approval of two Kentucky Administrative Regulations, 739 KAR 001.060 and 739 KAR 001.070 from the Administrative Regulation Review Subcommittee in October 2024 and is awaiting approval of these two regulations from the Education Committee. Once that approval is received the KCTCS will begin managing their own Capital Projects."

RECOMMENDATION

Staff recommends that the Finance Committee endorse for full Council approval the proposed revisions to the *2022-2024 Asset Preservation Pool Guidelines* and *2024-2026 Asset Preservation Pool Guidelines* as shown in Attachments A and B.

Council on Postsecondary Education
2022-2024 Asset Preservation Pool Guidelines

Introduction

In 2005, the Council on Postsecondary Education (CPE) and Kentucky colleges and universities contracted with Vanderweil Facilities Advisors, Inc. (VFA), Paulien & Associates, and NCHEMS to conduct a comprehensive review and assessment of the state's public postsecondary facilities. Evaluators took more than a year and examined over 700 Education and General (E&G) facilities located on college and university campuses across the system and concluded in early 2007 that Kentucky's facilities inventory was in relatively 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. Heating, ventilation, and air conditioning (HVAC) systems, plumbing, and electrical wiring in many buildings had far exceeded their useful life expectancies and many buildings no longer adequately supported the academic programming for which they were originally intended. Overall, evaluators identified a cumulative amount of $6.1 billion in asset preservation needs for the postsecondary system, projected to come due by 2018 (*Facility Condition Assessment & Space Study*, VFA, 2007).

During the six years following the VFA study, a combination of factors, including a growing inventory of aging facilities, infrastructure, and systems in need of renovation and renewal, increasing construction costs, and minimal state investment in asset preservation resulted in more than a $1.0 billion increase in asset preservation need. In a 2013 update to the original VFA Study, researchers found that the cumulative cost of bringing the state's postsecondary education facilities up to industry standards was projected to reach to $7.3 billion by 2021.

Every biennium since 2008, the Council has included a relatively large request for asset preservation in its biennial budget recommendation. Between 2008 and 2022, the state appropriated $282.0 million for asset preservation projects. For 2022-2024, the Council requested $700.0 million in state funding to address the estimated $7.3 billion cumulative need for asset preservation and renovation on state college and university campuses. The Governor and General Assembly supported this request and the 2022-2024 state budget (22 RS, HB 1) funded the Council's proposal in its entirety.

Program Funding

In the *2022-2024 Budget of the Commonwealth* (22 RS, HB 1), the Kentucky General Assembly authorized $683.5 million in General Fund supported bond funds for a Postsecondary Education Asset Preservation Pool to provide funding for individual asset preservation, renovation, and maintenance projects at Kentucky public postsecondary institutions. In addition to funds appropriated to the pool, the budget bill appropriated $16.5 million for a stand-alone asset preservation project at KCTCS. Combined, the $683.5 million pool and the line-itemed $16.5 million KCTCS project total $700.0 million, which was the amount of asset preservation funding requested in the Council's biennial budget submission.

Allocation of Funds

The $683.5 million Asset Preservation Pool was allocated among institutions based on each institution's share of system total Category I and II square feet. Allocated pool funds were appropriated to institutions in both years of the biennium, with each institution receiving an appropriation for half (50%) of its allocation in 2022-23 and receiving an appropriation for the other half (50%) of its allocation in 2023-24. The resulting allocation of Asset Preservation Pool funds is shown in the table below.

Asset Preservation Pool Allocations

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

In addition to the $683.5 million appropriated to the Asset Preservation Pool, the General Assembly authorized a stand-alone asset preservation project for $16.5 million at KCTCS. This bond funded project was appropriated as a line-item for KCTCS and is not included in the Asset Preservation Pool. For this reason, it is not subject to campus matching requirements.

Matching Requirements

Included in the 2022-2024 budget bill (HB 1) is language, specifying institutional matching requirements for accessing allocated Asset Preservation Pool funds:

- each project for research institutions shall be matched at 30 percent from funds provided by each research institution, and
- each project for comprehensive institutions and the Kentucky Community and Technical College System shall be matched at 15 percent from funds provided by each comprehensive institution and the Kentucky Community and Technical College System (pages 167-168).

Also included in the budget bill is the amount of state bond funds appropriated to each institution for asset preservation, along with the amount of agency bond or restricted funds authority provided to each institution to meet state matching requirements. Although universities are authorized to issue agency bonds to finance asset preservation projects and meet matching requirements, they can also use cash, private funds, grants, or other institutional funds to achieve the required match.

For KCTCS, the General Assembly provided a restricted fund appropriation (i.e., authority for the institution to use its own resources) each year of the upcoming biennium to meet its required match. The table below shows the amount of agency bond authority provided to each

university and the amount of restricted funds authority provided to KCTCS each year of the upcoming biennium, which can be used to meet the match on Asset Preservation Pool funds.

As can be seen in the table below, the General Assembly operationalized the Asset Preservation Pool matching requirement by requiring research universities to spend thirty cents ($0.30) for every state dollar ($1.00) used to complete an individual asset preservation project and by requiring the comprehensive universities and KCTCS to spend fifteen cents ($0.15) for every state dollar ($1.00) used to complete an individual asset preservation project.

Agency Bond and Restricted Funds Authority

Institution	Fiscal Year 2022-23	Fiscal Year 2023-24	Biennial Total
University of Kentucky	$23,130,000	$23,130,000	$46,260,000
University of Louisville	12,283,000	12,283,000	24,566,000
Eastern Kentucky University	4,111,000	4,111,000	8,222,000
Kentucky State University	1,206,000	1,206,000	2,412,000
Morehead State University	2,642,000	2,642,000	5,284,000
Murray State University	3,539,000	3,539,000	7,078,000
Northern Kentucky University	3,510,000	3,510,000	7,020,000
Western Kentucky University	5,106,000	5,106,000	10,212,000
KCTCS	13,445,000	13,445,000	26,890,000
Total Matching Funds	$68,972,000	$68,972,000	$137,944,000

These ratios, when applied using an expenditure and reimbursement approach for accessing pool funds (i.e., described in the Reimbursement Process section of these guidelines) result in campus matching fund rates of 23.08% (i.e., 30/130 = .2308) at the research universities and 13.04% (15/115 = .1304) at comprehensive universities and KCTCS. In addition, the match ratios result in state reimbursement rates of 76.92% (i.e., 1 - .2308 = .7692) and 86.96% (i.e., 1 - .1304 = .8696), respectively, which are the reciprocals of campus matching rates.

Uses of Funds

Language included in the budget bill (22 RS, HB 1) stipulates that Asset Preservation Pool funds are to be used for individual asset preservation, renovation, and maintenance projects at Kentucky's public postsecondary institutions in Education and General, and state-owned and operated residential housing facilities.

Eligibility Criteria

In order for an asset preservation project and related expenditures to be eligible for reimbursement, the following criteria must be met:

- Projects that preserve, renovate, or renew Education and General facilities and campus infrastructure that supports such facilities are eligible to receive funds from the Asset Preservation Pool.
- Projects that preserve, renovate, or renew state-owned and operated residential housing facilities and campus infrastructure that supports such facilities are eligible to receive

funds from the Asset Preservation Pool. Housing facilities owned and operated by a university, or its affiliated corporations are state-owned.

- For the purposes of these guidelines, "facilities" includes buildings and key building systems, such as the plumbing system, electrical system and permanently affixed power generators, mechanical and HVAC system, elevator system, escalator system, fire protection and alarm system, gas distribution system, and the security system.
- For the purposes of these guidelines, "campus infrastructure" includes infrastructure, such as roads, walkways, ~~electrical grids~~ high voltage distribution systems, steam tunnels, and water chiller plants, that support current and ongoing use of eligible facilities.
- Projects that preserve, renovate, or renew non-Education and General athletics facilities, hospitals, or auxiliary enterprise facilities are not eligible to receive funds from the pool.
- Only project expenditures made after April 15, 2022, can be used to meet state matching requirements.
- Sources of campus matching funds for a project must be cash, agency bonds, private funds, grants, or other institutional funds. General Fund appropriations cannot be used as a match.
- If an individual project contains both asset preservation and expansion of space components, asset preservation funds may be used for the renovation and renewal portion of the project.
- Generally, new construction and expansion projects are not eligible to receive funds from the Asset Preservation Pool. However, under certain limited circumstances, as described below, use of asset preservation funds to finance new construction or expansion may be permissible.
- If it would be more cost effective to raze and replace rather than renovate an existing facility, then asset preservation funds may be used for demolition and reconstruction. For such a project to be considered cost effective, the cost to raze and replace may not exceed 115% of the cost required to renovate a facility. The cost of each option must be certified in writing by an independent third-party industry professional, with the assessment dated not more than six months prior to the initial date the raze and replace request was submitted to CPE staff.
- It is anticipated that requests to raze and replace rather than renovate an existing facility will be infrequent occurrences. For this reason, CPE staff will bring such requests along with certified cost estimates from independent third-party industry professionals to the Finance Committee and full Council for review and approval.
- If an asset preservation project includes a minor expansion component that supports or enhances the accessibility, functionality, or safety and security of a facility, then asset preservation funds may be used to finance the project.
- Routine maintenance and repair projects and ongoing building maintenance and operations (M&O) costs, typically funded through an institution's operating budget, are not eligible to receive funds from the Asset Preservation Pool.

Project Approval

Generally, a number of boards, agencies, and committees are involved in the postsecondary institution capital project approval process in Kentucky, including campus governing boards, the Council on Postsecondary Education, Capital Projects and Bond Oversight Committee, the Office of State Budget Director (OSBD), and the Kentucky General Assembly. Identified below are actions that each of these entities either have taken or will undertake in the review, approval, and oversight of projects funded from the Asset Preservation Pool.

- Asset preservation, renovation, and maintenance projects that are listed in the *2022-2024 Budget of the Commonwealth* (22 RS, HB 1) are authorized by the General Assembly.
- If an asset preservation project is not specifically listed in the enacted budget, language included in the bill authorizes capital projects, as defined in KRS 45.750(1)(f), funded from the Asset Preservation Pool (22 RS, HB 1, p. 168).
- Capital projects funded from the pool that meet or exceed the $1.0 million threshold for construction or the $200,000 threshold for an item of equipment (defined in KRS 45.750) must be reported to the Capital Projects and Bond Oversight Committee.
- All asset preservation, renovation, and maintenance projects that were identified by an institution and included in the Council's 2022-2024 biennial budget submission already have CPE approval.
- Previously unidentified projects above the threshold (i.e., those that were not listed in the Council's budget submission) require Council approval. Given that the General Assembly has authorized capital projects (i.e., those that exceed the threshold) from Asset Preservation Pool funds in HB 1, CPE staff will recommend that the Council delegate authority to staff to approve asset preservation and renovation capital projects.
- Asset preservation projects that fall below the threshold do not require Council approval, however, CPE staff will review all planned projects and certify that they meet eligibility criteria to receive Asset Preservation Pool funds.
- CPE staff will also review campus reimbursement requests and certify to OSBD that they comply with budget bill language (HB 1) and Council approved guidelines.
- Once projects are certified by CPE, OSBD will transfer funds to institutions using the existing reimbursement process for capital projects.
- Regardless of funding source, campus governing board approval is required for all projects funded from the Asset Preservation Pool that meet or exceed an anticipated scope of $1.0 million for construction and $200,000 for an item of equipment.

Reimbursement Process

Asset Preservation Pool funds will be distributed to postsecondary institutions primarily using an expenditure and reimbursement approach. Specifically, an institution will be required to expend its own agency bond funds, cash, private funds, grants, or other institutional funds on eligible asset preservation projects before seeking reimbursement from the state. Under this approach, the state will reimburse 76.92% (i.e., 1.0 - 0.2308) of eligible asset preservation project expenditures at research universities (i.e., or about $0.77 for every $1.00 spent) and 86.96% (i.e., 1.0 - 0.1304) of eligible asset preservation project expenditures at comprehensive

universities and KCTCS (i.e., or about $0.87 for every $1.00 spent), up to the total amount of Asset Preservation Pool funds allocated to each institution.

A different process will be used for asset preservation project expenditures made between April 15, 2022 and June 30, 2022. Although campus spending during this period can be used to match Asset Preservation Pool funds, only the amount spent up to the level of the required match on each individual project is eligible for that purpose. For example, if a research university initiates a $1.3 million project after April 15 and spends $300,000 on the project before July 1, then the entirety of that expenditure can be used as a match. Upon project completion, if $1.3 million in total was spent on the project, the institution would be able to request $1.0 million in state funds (or one state dollar for every thirty cents in campus match). However, in this example, any expenditure made above $300,000 between April 15 and June 30 would not count toward the match or be eligible to be used as a match for another project, due to the "individual project" language included in the budget bill.

Project Identification

Before seeking reimbursement for asset preservation project expenditures, each institution will submit to the Council a list (or several lists) of projects that it plans to initiate, or already has initiated, for which it intends to request funding from the Asset Preservation Pool. CPE staff will work with campus officials to develop a Project Identification Template for submitting project lists, which will include a unique identifier, title, and description for each individual project, building numbers and building names associated with each project, the anticipated scope, state funds, and campus matching funds for each project, sources of matching funds, and anticipated start and completion dates for each project. Listed below is additional information regarding the project identification process.

- Each institution will be allowed flexibility to submit a single list (or several lists) to CPE, identifying planned asset preservation projects, with the total combined scope of the projects <u>not</u> to exceed its Asset Preservation Pool allocation.
- Project lists can be adjusted as needed. An additional project or projects can be added at a later time, or a project or projects can be removed from the list.
- The timing for submitting a project list to the Council is at the institution's discretion, however it may be helpful for an institution to know whether projects are eligible early in the process. At a minimum, project identification <u>must</u> precede reimbursement requests.
- Projects do <u>not</u> need to reach a given cost threshold to be eligible for Asset Preservation Pool funding, but <u>all</u> planned projects and related buildings must be identified and submitted to the Council, and the required campus match must be maintained on each individual project.
- For the purposes of these guidelines, an individual project can either be one type of renovation or renewal activity undertaken in a single building or across several buildings, or multiple types of renovation and renewal activities within a single building. Roof replacement, HVAC and mechanical systems, plumbing, and electrical wiring are examples of renovation and renewal activity types.
- ~~To qualify as an individual project, the project must be bid and awarded as a complete project and be overseen and administered by a single prime or general contractor or be~~

~~completed pursuant to another delivery method as allowed by statute (KRS 45A), such as employing the construction management-at-risk (CMR) method.~~

- ~~If time and cost savings can be achieved, a project or portion of a project may be overseen by an institution's chief facilities officer. In such cases, campus facilities officers will adhere to all applicable state laws governing procurement and bidding and awarding of construction contracts.~~
- As indicated in the Project Approval section of these guidelines, projects that meet or exceed the $1.0 million threshold for construction and the $200,000 threshold for an item of equipment must be approved by an institution's governing board.
- Before seeking reimbursement, each institution must submit documentation of board approval to the Council for each project that meets or exceeds the threshold.
- During the project identification phase, CPE staff will review project lists and certify to submitting institutions and to OSBD staff that the planned projects meet guideline requirements and are eligible for reimbursement from the Asset Preservation Pool.

Expenditure Certification

As institutions incur expenses on eligible asset preservation, renovation, and maintenance projects, they can submit requests for reimbursement to the Council on Postsecondary Education (CPE) and Office of State Budget Director (OSBD), which will include a certification letter with expenditures listed by project. ~~CPE staff will review the requests, verify that the projects and related expenditures meet guideline requirements, and notify OSBD staff that project expenditures are eligible to be reimbursed~~.

Once campus spending has been certified, OSBD staff will transfer funds to a requesting institution's 2022-2024 Capital Projects Pool account and then institutions can request Statewide Accounting to wire them the funds. If an institution is using agency bond funds to finance a project (or projects), it will also need to request those funds in the reimbursement letter. This process is consistent with the existing reimbursement process for capital projects that use agency bond funds. Listed below is additional information regarding the expenditure certification process.

- Requests for reimbursement of asset preservation expenditures will be submitted to both CPE and OSBD staffs.
- Request submissions will include a certification letter with expenditures listed by project.
- In the certification letter, campus officials will indicate that project expenditures are eligible to be reimbursed in accordance with language included in the *2022-2024 Budget of the Commonwealth* (22 RS, HB 1) and the Council's Asset Preservation Pool Guidelines.
- The letter will identify the total amount of project expenditures made during the request period, state funds requested, and campus matching funds.
- Requests can be submitted on an ongoing basis, as asset preservation expenditures are made. The timing of submissions is flexible, although the Council encourages institutions to accumulate expenditures and submit no more than one request per month.

- ~~CPE staff will review requests and certify to OSBD staff that project expenditures are eligible for reimbursement.~~
- As indicated in the Reimbursement Process section of these guidelines, the state will reimburse 76.92% of eligible asset preservation project expenditures at the research universities and 86.96% of eligible expenditures at comprehensive universities and KCTCS.
- In terms of reimbursement timing, distributions from the Asset Preservation Pool cannot begin until July 1, 2022. However, as indicated in the Reimbursement Process section of these guidelines, some asset preservation expenditures made between April 15, 2022 and June 30, 2022 may count toward an institution's matching requirement.

The process described above will be different for Kentucky State University and KCTCS. Capital projects at these institutions are administered by the Finance Cabinet. Instead of submitting reimbursement requests to CPE and OSBD, KSU and KCTCS will deposit campus matching funds into project specific eMars accounts and the Finance Cabinet will expend state and campus matching funds for requested projects.

Reporting

The *2022-2024 Budget of the Commonwealth* (22 RS, HB 1, p. 168) requires postsecondary institutions to report capital projects funded from the Asset Preservation Pool that meet or exceed the $1.0 million threshold for construction and the $200,000 threshold for an item of equipment (as defined in KRS 45.750) to the Capital Projects and Bond Oversight Committee (CPBOC). Campus officials should report such projects to CPBOC as they become active (i.e., after project bids are received or after projects are approved by campus governing boards) and begin including the projects in their quarterly reports to CPBOC.

Since capital projects at Kentucky State University and KCTCS are administered by the Finance Cabinet, the existing process will remain in place, whereby cabinet staff will report capital projects funded from the Asset Preservation Pool for these institutions to CPBOC upon request of the institution.

CPE staff will provide the Council on Postsecondary Education with periodic updates regarding the status of Asset Preservation Pool distributions and campus matching funds by project and institution. Much of the information for these updates will come from Project Identification Templates and certification letters previously submitted by institutions. Staff will work with campus officials to develop the format of asset preservation reports provided to the Council.

Council on Postsecondary Education
2024-2026 Asset Preservation Pool Guidelines

Introduction

In 2005, the Council on Postsecondary Education (CPE) and Kentucky colleges and universities contracted with Vanderweil Facilities Advisors, Inc. (VFA), Paulien & Associates, and NCHEMS to conduct a comprehensive review and assessment of the state's public postsecondary facilities. Evaluators took more than a year and examined over 700 Education and General (E&G) facilities located on college and university campuses across the system and concluded in early 2007 that Kentucky's facilities inventory was in relatively 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. Heating, ventilation, and air conditioning (HVAC) systems, plumbing, and electrical wiring in many buildings had far exceeded their useful life expectancies and many buildings no longer adequately supported the academic programming for which they were originally intended. Overall, evaluators identified a cumulative amount of $6.1 billion in asset preservation needs for the postsecondary system, projected to come due by 2018 (*Facility Condition Assessment & Space Study*, VFA, 2007).

During the six years following the VFA study, a combination of factors, including a growing inventory of aging facilities, infrastructure, and systems in need of renovation and renewal, increasing construction costs, and minimal state investment in asset preservation resulted in more than a $1.0 billion increase in asset preservation need. In a 2013 update to the original VFA Study, researchers found that the cumulative cost of bringing the state's postsecondary education facilities up to industry standards was projected to reach to $7.3 billion by 2021.

Program Funding

Every biennium since 2008, the Council has included a relatively large request for asset preservation funds in its biennial budget recommendation. For more than a decade, ongoing budget constraints limited the state's investment in existing postsecondary facilities. For example, between 2008 and 2022, the state appropriated a total of $282.0 million for campus renovation and renewal projects. Beginning in 2022, the cycle of persistent underinvestment was broken.

In 2022-2024, the Council requested $700.0 million in state funds to address the estimated $7.3 billion need for facilities renovation and renewal on state college and university campuses. The Governor and General Assembly supported this request and provided $700.0 million in bonds funds to finance individual asset preservation projects at Kentucky public postsecondary institutions during the 2022-2024 biennium. That amount included $683.5 million for an asset preservation pool and $16.5 million for a line-itemed renewal project at KCTCS (22 RS, HB 1).

In 2024-2026, the General Assembly made another major investment in renovation and renewal of existing postsecondary education facilities. The enacted *2024-2026 Budget of the*

Commonwealth (24 RS, HB 6) authorized $563.0 million in General Fund supported bond funds for a Postsecondary Education Asset Preservation Pool to provide 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"

(HB 6, p. 199), and "for fixed asset pedestrian and student parking areas, and for the razing of university-owned buildings" (SB 91, p. 17).

Allocation of Funds

In 2022-2024, the General Assembly allocated asset preservation pool funds among institutions based on each institution's share of system total Category I and Category II square feet. For the upcoming biennium (i.e., 2024-2026), the methodology used to allocate the asset preservation pool differed from the previous approach, in that it provided a fixed base level of funds for each institution, before the remainder was allocated based on square feet. Then legislators made individual adjustments to the amounts that had been allocated to KSU and KCTCS.

Specifically, the General Assembly started with a target total appropriation of $600.0 million for the asset preservation pool. Each university received a $15.0 million base allocation (i.e., a total of $120.0 million for the eight universities), KCTCS received a $30.0 million base allocation, and the remaining $450.0 million (i.e., $600.0 million minus $150.0 million base total) was allocated among institutions based on share of system total Category I and II square feet. Finally, KSU's allocation was increased from the calculated total of $25.7 million to $60.0 million and KCTCS's allocation was reduced from $142.3 million to $71.0 million.

This method of allocating funds among institutions resulted in a total asset preservation pool appropriation of $563,042,000 for the 2024-2026 biennium. Each institution's biennial total was asset preservation funds shown in the table below.
divided by two and apportioned equally each year of the biennium, resulting in the allocation of

Asset Preservation Pool Allocations

Institution	Fiscal Year 2024-25	Fiscal Year 2025-26	Biennial Total
University of Kentucky	$61,725,000	$61,725,000	$123,450,000
University of Louisville	34,553,000	34,553,000	69,106,000
Eastern Kentucky University	25,910,000	25,910,000	51,820,000
Kentucky State University	30,000,000	30,000,000	60,000,000
Morehead State University	18,835,000	18,835,000	37,670,000
Murray State University	23,341,000	23,341,000	46,682,000
Northern Kentucky University	23,076,000	23,076,000	46,152,000
Western Kentucky University	28,581,000	28,581,000	57,162,000
KCTCS	35,500,000	35,500,000	71,000,000
Total Appropriation	$281,521,000	$281,521,000	$563,042,000

Matching Requirements

Included in the 2024-2026 budget bill (24 RS, HB 6) is language, specifying institutional matching requirements for accessing allocated Asset Preservation Pool funds:

- each project for research institutions shall be matched at 25 percent from funds provided by each research institution (p. 199), and
- no match is required for comprehensive institutions or Kentucky Community and Technical College System institutions.

The enacted 2024-2026 state budget (24 RS, HB 6) authorizes the research universities to issue agency bonds to finance asset preservation projects and meet matching requirements, but they can also use cash, private funds, grants, or other institutional funds to achieve the match. The General Assembly provided agency bond authorization of $15,431,000 at the University of Kentucky and $8,638,000 at the University of Louisville each year of the upcoming biennium.

The General Assembly operationalized the Asset Preservation Pool matching requirement by requiring research universities to spend twenty-five cents ($0.25) for every state dollar ($1.00) used to complete an individual asset preservation project. This ratio, when applied using an expenditure and reimbursement approach for accessing pool funds results in a campus matching fund rate of 20.0% (i.e., $0.25/$1.25 = .20) at the research universities. Thus, the state reimbursement rate would be 80.0% (i.e., 1 - .20 = .80), which is the reciprocal of the campus matching rate.

Uses of Funds

Language included in the budget bill (24 RS, HB 6) stipulates that Asset Preservation Pool funds are to be used 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" (p. 199). Senate Bill 91 (24 RS) modified the budget bill language, adding that asset preservation funds could be used for "fixed asset pedestrian and student parking areas, and for the razing of university-owned buildings" (p. 17).

Eligibility Criteria

In order for an asset preservation project and related expenditures to be eligible for reimbursement, the following criteria must be met:

- Projects that preserve, renovate, or renew Education and General facilities and campus infrastructure that supports such facilities are eligible to receive funds from the Asset Preservation Pool.
- Projects that preserve, renovate, or renew state-owned and operated residential housing facilities and campus infrastructure that supports such facilities are eligible to receive funds from the Asset Preservation Pool. Housing facilities owned and operated by a university, or its affiliated corporations are state-owned.
- Projects that preserve, renovate, or renew pedestrian and student parking areas, or raze university-owned buildings are eligible to receive funds from the Asset Preservation Pool.
- For the purposes of these guidelines, "facilities" includes buildings and key building systems, such as the plumbing system, electrical system and permanently affixed power

generators, mechanical and HVAC system, elevator system, escalator system, fire protection and alarm system, gas distribution system, and the security system.

- For the purposes of these guidelines, "campus infrastructure" includes infrastructure, such as roads, walkways, ~~electrical grids~~ high voltage distribution systems, steam tunnels, and water chiller plants, that support current and ongoing use of eligible facilities.
- Projects that preserve, renovate, or renew non-Education and General athletics facilities, hospitals, or auxiliary enterprise facilities are not eligible to receive funds from the pool.
- Only project expenditures made after July 1, 2024 are eligible to be reimbursed from the 2024-2026 asset preservation pool, provided they meet all other guideline requirements.
- Sources of campus matching funds for a project must be cash, agency bonds, private funds, grants, or other institutional funds. General Fund appropriations cannot be used as a match.
- If an individual project contains both asset preservation and expansion of space components, asset preservation funds may be used for the renovation and renewal portion of the project.
- Generally, new construction and expansion projects are not eligible to receive funds from the Asset Preservation Pool. However, under certain limited circumstances, as described below, use of asset preservation funds to finance new construction or expansion may be permissible.
- If it would be more cost effective to raze and replace rather than renovate an existing facility, then asset preservation funds may be used for demolition and reconstruction. For such a project to be considered cost effective, the cost to raze and replace may not exceed 115% of the cost required to renovate a facility. The cost of each option must be certified in writing by an independent third-party industry professional, with the assessment dated not more than six months prior to the initial date the raze and replace request was submitted to CPE staff.
- It is anticipated that requests to raze and replace rather than renovate an existing facility will be infrequent occurrences. For this reason, CPE staff will bring such requests along with certified cost estimates from independent third-party industry professionals to the Finance Committee and full Council for review and approval.
- If an asset preservation project includes a minor expansion component that supports or enhances the accessibility, functionality, or safety and security of a facility, then asset preservation funds may be used to finance the project.
- If an individual project adds a permanently affixed power generator to an eligible building or upgrades or expands the existing high voltage distribution system or steam or chilled water system to create redundancy and ensure the proper functioning of eligible facilities in the event of an outage or natural disaster, then asset preservation funds may be used to finance the project.
- Routine maintenance and repair projects and ongoing building maintenance and operations (M&O) costs, typically funded through an institution's operating budget, are

not eligible to receive funds from the Asset Preservation Pool.

Project Approval

Generally, a number of boards, agencies, and committees are involved in the postsecondary institution capital project approval process in Kentucky, including campus governing boards, the Council on Postsecondary Education, Capital Projects and Bond Oversight Committee, the Office of State Budget Director (OSBD), and the Kentucky General Assembly. Identified below are actions that each of these entities either have taken or will undertake in the review, approval, and oversight of projects funded from the Asset Preservation Pool.

- Asset preservation, renovation, and maintenance projects that are listed in the *2024-2026 Budget of the Commonwealth* (24 RS, HB 6) are authorized by the General Assembly.
- If an asset preservation project is not specifically listed in the enacted budget, language included in the bill authorizes capital projects, as defined in KRS 45.750(1)(f), funded from the Asset Preservation Pool (24 RS, HB 6, p. 199).
- Capital projects funded from the pool that meet or exceed the $1.0 million threshold for construction or the $200,000 threshold for an item of equipment (defined in KRS 45.750) must be reported to the Capital Projects and Bond Oversight Committee.
- All asset preservation, renovation, and maintenance projects that were identified by an institution and included in the Council's 2024-2026 biennial budget submission already have CPE approval.
- Previously unidentified projects above the threshold (i.e., those that were not listed in the Council's budget submission) require Council approval. Given that the General Assembly has authorized capital projects (i.e., those that exceed the threshold) from Asset Preservation Pool funds in HB 6, CPE staff will recommend that the Council delegate authority to staff to approve asset preservation and renovation capital projects.
- Asset preservation projects that fall below the threshold do not require Council approval, however, CPE staff will review all planned projects and certify that they meet eligibility criteria to receive Asset Preservation Pool funds.
- CPE staff will also review campus reimbursement requests and certify to OSBD that they comply with budget bill language (HB 6) and Council approved guidelines.
- Once projects are certified by CPE, OSBD will transfer funds to institutions using the existing reimbursement process for capital projects.
- Regardless of funding source, campus governing board approval is required for all projects funded from the Asset Preservation Pool that meet or exceed an anticipated scope of $1.0 million for construction and $200,000 for an item of equipment.

Reimbursement Process

Asset Preservation Pool funds will be distributed to postsecondary institutions primarily using an expenditure and reimbursement approach. Specifically, an institution will be required to

expend its own agency bond funds, cash, private funds, grants, or other institutional funds on eligible asset preservation projects before seeking reimbursement from the state. Under this approach, the state will reimburse 80.0% (i.e., 1.0 - 0.20) of eligible asset preservation project expenditures at the research universities (i.e., or $0.80 for every $1.00 spent), up to the total amount of Asset Preservation Pool funds allocated to each institution.

Project Identification

Before seeking reimbursement for asset preservation project expenditures, each institution will submit to the Council a list of projects for which it intends to request funding from the Asset Preservation Pool. CPE staff will work with campus officials to develop a Project Identification Template for submitting project lists, which will include a unique identifier, title, and description for each individual project, building numbers and building names associated with each project, the anticipated scope, state funds, and campus matching funds for each project, sources of matching funds, and anticipated start and completion dates for each project. Listed below is additional information regarding the project identification process.

- Each institution will submit a single list to CPE, identifying planned asset preservation projects, with the total combined scope of the projects not to exceed its respective Asset Preservation Pool allocation.
- Project lists can be adjusted as needed. An additional project or projects can be added at a later time, or a project or projects can be removed from the list.
- The timing for submitting a project list to the Council is at the institution's discretion, however it may be helpful for an institution to know whether projects are eligible early in the process. At a minimum, project identification must precede reimbursement requests.
- Projects do not need to reach a given cost threshold to be eligible for Asset Preservation Pool funding, but all planned projects and related buildings must be identified and submitted to the Council, and the required campus match must be maintained on each individual project.
- For the purposes of these guidelines, an individual project can either be one type of renovation or renewal activity undertaken in a single building or across several buildings, or multiple types of renovation and renewal activities within a single building. Roof replacement, HVAC and mechanical systems, plumbing, and electrical wiring are examples of renovation and renewal activity types.
- ~~To qualify as an individual project, the project must be bid and awarded as a complete project and be overseen and administered by a single prime or general contractor or be completed pursuant to another delivery method as allowed by statute (KRS 45A), such as employing the construction management-at-risk (CMR) method.~~
- ~~If time and cost savings can be achieved, a project or portion of a project may be overseen by an institution's chief facilities officer.~~
- As indicated in the Project Approval section of these guidelines, projects that meet or exceed the $1.0 million threshold for construction and the $200,000 threshold for an item of equipment must be approved by an institution's governing board.
- Before seeking reimbursement, each institution must submit documentation of board

approval to the Council for each project that meets or exceeds the threshold.

- During the project identification phase, CPE staff will review project lists and certify to submitting institutions and to OSBD staff that the planned projects meet guideline requirements and are eligible for reimbursement from the Asset Preservation Pool.

Expenditure Certification

As institutions incur expenses on eligible asset preservation, renovation, and maintenance projects, they can submit requests for reimbursement to the Council on Postsecondary Education (CPE) and Office of State Budget Director (OSBD), which will include a certification letter with expenditures listed by project. ~~CPE staff will review the requests, verify that the projects and related expenditures meet guideline requirements, and notify OSBD staff that project expenditures are eligible to be reimbursed.~~

Once campus spending has been certified, OSBD staff will transfer funds to a requesting institution's 2024-2026 Capital Projects Pool account and then institutions can request Statewide Accounting to wire them the funds. If an institution is using agency bond funds to finance a project (or projects), it will also need to request those funds in the reimbursement letter. This process is consistent with the existing reimbursement process for capital projects that use agency bond funds. Listed below is additional information regarding the expenditure certification process.

- Requests for reimbursement of asset preservation expenditures will be submitted to both CPE and OSBD staffs.
- Request submissions will include a certification letter with expenditures listed by project.
- In the certification letter, campus officials will indicate that project expenditures are eligible to be reimbursed in accordance with language included in the *2024-2026 Budget of the Commonwealth* (24 RS, HB 6) and the Council's Asset Preservation Pool Guidelines.
- The letter will identify the total amount of project expenditures made during the request period, state funds requested, and campus matching funds.
- Requests can be submitted on an ongoing basis, as asset preservation expenditures are made. The timing of submissions is flexible, although the Council encourages institutions to accumulate expenditures and submit no more than one request per month.
- ~~CPE staff will review requests and certify to OSBD staff that project expenditures are eligible for reimbursement.~~
- As indicated in the Reimbursement Process section of these guidelines, the state will reimburse 80% of eligible asset preservation project expenditures at the research universities (i.e., the required match is $0.25 cents for every $1.00 of state funding, or $0.25 ÷ $1.25 = 20%) and 100% of eligible expenditures at comprehensive universities and KCTCS (i.e., there is no required match for these institutions).
- In terms of timing, distributions from the Asset Preservation Pool cannot begin until July 1, 2024.

The process described above will be different for Kentucky State University ~~and KCTCS~~. Capital

projects at the~~se~~ institution~~s~~ are administered by the Finance Cabinet. Instead of submitting reimbursement requests to CPE and OSBD, KSU ~~and KCTCS~~ will deposit campus matching funds into project specific eMars accounts and the Finance Cabinet will expend state and campus matching funds for requested projects.

Reporting

The *2024-2026 Budget of the Commonwealth* (24 RS, HB 6, p. 199) requires postsecondary institutions to report capital projects funded from the Asset Preservation Pool that meet or exceed the $1.0 million threshold for construction and the $200,000 threshold for an item of equipment (as defined in KRS 45.750) to the Capital Projects and Bond Oversight Committee (CPBOC). Campus officials should report such projects to CPBOC as they become active (i.e., after project bids are received or after projects are approved by campus governing boards) and begin including the projects in their quarterly reports to CPBOC.

Since capital projects at Kentucky State University ~~and KCTCS~~ are administered by the Finance Cabinet, the existing process will remain in place, whereby cabinet staff will report capital projects funded from the Asset Preservation Pool for these institutions to CPBOC upon request of the institution.

CPE staff will provide the Council on Postsecondary Education with periodic updates regarding the status of Asset Preservation Pool distributions and campus matching funds by project and institution. Much of the information for these updates will come from Project Identification Templates and certification letters previously submitted by institutions. Staff will work with campus officials to develop the format of asset preservation reports provided to the Council.

Proposed Revisions to the 2024-2026 and 2022-2024 Asset Preservation Pool Guidelines

Asset Preservation Pool Guideline Revisions

Supporting Information

- As asset preservation pool projects have been planned, submitted, and reviewed for eligibility, it has become apparent to both CPE staff and campus Chief Budget Officers (CBOs) that the Guidelines could be improved by adding and removing language
- There are several minor clarifying revisions included in the suggested changes
- The following slides highlight substantive changes to each set of guidelines and their rationale
- Green font is new language and ~~removed~~ language is formatted in ~~red strikethrough~~
- Campus CBOs and CPE leadership support the suggested changes and clarifications and propose the *2022-2024 Asset Preservation Pool Guidelines* and *2024-2026 Asset Preservation Pool Guidelines* be revised as shown in Attachment A and B in the meeting materials

Asset Preservation Pool Guideline Revisions

Changes to Both the 2022-2024 and 2024-2026 Asset Preservation Pool Guidelines

Eligibility Criteria

A list of "key building systems" has been added to improve clarity and resemble those found in the IRS's tangible property regulations (i.e., Internal Revenue Bulletin: 2013-43) and its "Facts and Circumstance Analysis" that has aided in CPE staff's evaluation of proposed asset preservation pool projects.

Suggested Language:

- "For the purposes of these guidelines, "facilities" includes buildings and key building systems, such as the plumbing system, electrical system and permanently affixed power generators, mechanical and HVAC system, elevator system, escalator system, fire protection and alarm system, gas distribution system, and the security system."

~~Red strikethrough~~ = removals

Green font = additions

Asset Preservation Pool Guideline Revisions

Changes to Both the 2022-2024 and 2024-2026 Asset Preservation Pool Guidelines

Eligibility Criteria

"Campus infrastructure" has been broken out into its own bullet and defined to improve clarity. Additionally, "electrical grid" has been replaced with "high voltage distribution systems" to use appropriate nomenclature.

Suggested Language:

- "For the purposes of these guidelines, "campus infrastructure", includes infrastructure, such as roads, walkways, ~~electrical grids~~ high voltage distribution systems, steam tunnels, and water chiller plants, that support current and ongoing use of eligible facilities."

~~Red strikethrough~~ = removals

Green font = additions

Asset Preservation Pool Guideline Revisions

Changes to Both the 2022-2024 and 2024-2026 Asset Preservation Pool Guidelines

Eligibility Criteria

New language is proposed to provide guidance regarding the acceptable length of time between when the required assessment for a proposed raze and replace project was conducted and when the project is initially submitted to CPE staff to determine eligibility for asset preservation pool funds. This new language addresses an issue raised by a previous raze and replace request.

Suggested Language:

- "If it would be more cost effective to raze and replace rather than renovate an existing facility, then asset preservation funds may be used for demolition and reconstruction. For such a project to be considered cost effective, the cost to raze and replace may not exceed 115% of the cost required to renovate a facility. The cost of each option must be certified in writing by an independent third-party industry professional, with the assessment dated not more than six months prior to the initial date the raze and replace request was submitted to CPE staff."

~~Red strikethrough~~ = removals

Green font = additions

Asset Preservation Pool Guideline Revisions

Changes to Both the 2022-2024 and 2024-2026 Asset Preservation Pool Guidelines

Project Identification

The removal of two bullets regarding how asset preservation projects are bid, awarded, overseen, and administer is suggested. This change recognizes that institutions' capital projects must abide by the Kentucky Model Procurement Code (i.e., Kentucky Revised Statutes Chapter 45A) and that CPE is not the agency tasked with ensuring institutions comply with the procurement code. Per KRS 45A.045, the Finance and Administration Cabinet is the central procurement and contracting agency of the Commonwealth. As such, the current language is unnecessary.

Suggested Language:

- "~~To qualify as an individual project, the project must be bid and awarded as a complete project and be overseen and administered by a single prime or general contractor or be completed pursuant to another delivery method as allowed by statute (KRS 45A), such as employing the construction management-at-risk (CMR) method.~~"
- "~~If time and cost savings can be achieved, a project or portion of a project may be overseen by an institution's chief facilities officer. In such cases, campus facilities officers will adhere to all applicable state laws governing procurement and bidding and awarding of construction contracts~~."

~~Red strikethrough~~ = removals **Green font** = additions

Asset Preservation Pool Guideline Revisions

Changes to Both the 2022-2024 and 2024-2026 Asset Preservation Pool Guidelines

Expenditure Certification

The removal of two sentences regarding CPE staff review of institutions' reimbursement requests is suggested. OSBD staff has indicated that they do not need CPE staff to review institutions' requests for reimbursement so long as we provide them with the most up to date list of each institution's certified projects. As such, OSBD staff has indicated that their preference is for them to handle reviewing reimbursement requests.

Suggested Language:

- "As institutions incur expenses on eligible asset preservation, renovation, and maintenance projects, they can submit requests for reimbursement to the Council on Postsecondary Education (CPE) and Office of State Budget Director (OSBD), which will include a certification letter with expenditures listed by project. ~~CPE staff will review the requests, verify that the projects and related expenditures meet guideline requirements, and notify OSBD staff that project expenditures are eligible to be reimbursed.~~"

  …
- "~~CPE staff will review requests and certify to OSBD staff that project expenditures are eligible for reimbursement."~~

~~Red strikethrough~~ = removals

Green font = additions

Asset Preservation Pool Guideline Revisions

Suggested Changes the 2024-2026 Asset Preservation Pool Guidelines

Eligibility Criteria

New language is suggested by officials at Murray State University. Per campus staff, “The issue of building redundancy for our electrical/high voltage infrastructure is to protect buildings and occupants in the event of a deferred maintenance or natural disaster event.” Furthermore, “Redundancy will go a long way to preserving our facility assets when the need arises. Redundancy will also provide us more opportunity to maintain our current electrical yard (which is currently very difficult since it is our only campus power source), by having an alternative to providing power to the campus.”

Suggested Language:

- “If an individual project adds a permanently affixed power generator to an eligible building or upgrades or expands the existing high voltage distribution system or steam or chilled water system to create redundancy and ensure the proper functioning of eligible facilities in the event of an outage or natural disaster, then asset preservation funds may be used to finance the project.”

~~Red strikethrough~~ = removals

Green font = additions

Asset Preservation Pool Guideline Revisions

Suggested Changes the 2024-2026 Asset Preservation Pool Guidelines

Expenditure Certification / Reporting

Removing the language “and KCTCS” in the Expenditure Certification and Reporting sections is suggested as KCTCS staff has notified CPE staff that they have opted out of having the Finance and Administration Cabinet manage their capital construction projects for the 2024-2026 Asset Preservation Pool. Per KCTCS officials:

> “The Huron Study 2021-2023 indicated that KCTCS could improve its capital investment efforts by assuming the management of the Capital Project Management as enabled by KRS 164A.560. This provision of the statute authorizes the governing boards of public institutions of higher education to elect to perform financial management functions pursuant to KRS 164A.555 through KRS 164A.630 by issuing administrative regulations. The KCTCS has issued administrative regulation which implements the provisions established in KRS 164A.580 at the Kentucky Community and Technical College System… The KCTCS has received approval of two Kentucky Administrative Regulations, 739 KAR 001.060 and 739 KAR 001.070 from the Administrative Regulation Review Subcommittee in October 2024 and is awaiting approval of these two regulations from the Education Committee. Once that approval is received the KCTCS will begin managing their own Capital Projects.”

~~Red strikethrough~~ = removals

Green font = additions

Asset Preservation Pool Guideline Revisions

Suggested Changes the 2024-2026 Asset Preservation Pool Guidelines

Expenditure Certification / Reporting

Suggested Language:

- "The process described above will be different for Kentucky State University ~~and KCTCS~~. Capital projects at the~~se~~ institution~~s~~ are administered by the Finance Cabinet. Instead of submitting reimbursement requests to CPE and OSBD, KSU ~~and KCTCS~~ will deposit campus matching funds into project specific eMars accounts and the Finance Cabinet will expend state and campus matching funds for requested projects."

  …

- "Since capital projects at Kentucky State University ~~and KCTCS~~ are administered by the Finance Cabinet, the existing process will remain in place, whereby cabinet staff will report capital projects funded from the Asset Preservation Pool for these institutions to CPBOC upon request of the institution."

~~Red strikethrough~~ = removals

Green font = additions

Asset Preservation Pool Guideline Revisions
Recommendation

- Staff recommends that the Finance Committee endorse for full Council approval the proposed revisions to the *2022-2024 Asset Preservation Pool Guidelines* and *2024-2026 Asset Preservation Pool Guidelines* as shown in Attachments A and B

TITLE: Raze and Replace: Morehead State University, Normal Residence Hall

DESCRIPTION: Staff recommends the Finance Committee endorse for Council approval Morehead State University request to approve to use $10,200,000 from the 2024-2026 Asset Preservation Pool to raze the existing Normal Hall and replace it with a new building at the main campus.

STAFF CONTACT: Ryan Kaffenberger, Director, Finance Policy and Programs

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SUPPORTING INFORMATION

Morehead State University is requesting approval to use funds from the 2024-2026 Asset Preservation Pool to demolish the existing Normal Residence Hall and replace it with a new residence hall with similar square footage located on the main campus. Normal Hall is both state-owned and -operated. The institution is requesting approval to finance building demolition and reconstruction using 2024-2026 Asset Preservation Pool funds, at a total project scope of $10,200,000 (see Attachment A). The proposed project will construct the new residence hall first and then demolish the existing building to minimize disruption to students and campus operations.

Based on an assessment conducted by Schmidt Associates, renovating Normal Hall is estimated to cost approximately $8,990,000. JRA Architects estimated the total cost to build a new Residence Hall, with similar square footage, and to raze the existing building at $10,200,000 (see Attachments B and C). The MoSU Board of Regents approved up to $10,200,000 for the Normal Hall raze and replace project using $7,610,000 of the fiscal year 2024-2025 Asset Preservation Pool funds ($5,000,000 of which will be reallocated from a previously approved project for renovating Normal Hall) and $2,590,000 of the 2025-2026 fiscal year Asset Preservation Pool funds (see Attachment D).

The estimated cost to raze and replace the Normal Residence Hall does not exceed 115% of the estimated cost to renovate the building (i.e., $10,338,500). Therefore, the raze and replace project complies with the Council's *2024-2026 Asset Preservation Pool Guidelines*. The new hall will be approximately 35,000 square feet, multi-story, with a double-double (Jack and Jill) style bedroom and bathroom arrangement, and the possibility of a limited number of triple bedrooms (see Attachments B and C).

The *2024-2026 Budget of the Commonwealth* contain a project titled, "Renovate Normal Residence Hall Additional Reauthorization" at $4,420,000 in agency bonds. The agency bonds

authorized to support the Normal Hall Renovation project will not be issued if this request for asset preservation funds is approved.

ASSET PRESERVATION POOL GUIDELINES

In the *2022-2024 Budget of the Commonwealth* (22 RS, HB 1), the Kentucky General Assembly authorized $683.5 million in General Fund supported bond funds for a Postsecondary Education Asset Preservation Pool to provide funding for individual asset preservation, renovation, and maintenance projects at Kentucky public postsecondary institutions. In 2024-2026, the General Assembly made another major investment in the renovation and renewal of existing postsecondary education facilities. The enacted *2024-2026 Budget of the Commonwealth* (24 RS, HB 6) authorized $563.0 million in General Fund supported bond funds for a Postsecondary Education Asset Preservation Pool to provide 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".

In each biennium, the General Assembly included language in the budget bill authorizing capital projects, as defined in KRS 45.750(1)(f), funded from the Asset Preservation Pools. Per KRS 164.020(11)(a), CPE is also required to "review and approve all capital construction projects covered by KRS 45.750(1)(f), including real property acquisitions, and regardless of the source of funding for projects or acquisitions". Furthermore, CPE, in collaboration with the Office of the State Budget Director, certifies that individual projects are eligible for Asset Preservation Pool funds. As such, on June 17, 2022, and June 21, 2024, the Council approved the *2022-2024 Asset Preservation Pool Guidelines* and *2024-2026 Asset Preservation Pool Guidelines* (the Guidelines), respectively, which specify the criteria institutions' capital projects must meet in order to be eligible for funding from the Asset Preservation Pools. The *2022-2024 Asset Preservation Pool Guidelines* were revised at the June 21, 2024, Council meeting to incorporate new language, which was also included in the *2024-2026 Asset Preservation Pool Guidelines*. At each of these meetings, the Council delegated authority to CPE staff to review and approve capital projects submitted for Asset Preservation Pool funds to expedite the reimbursement process. Attachments F and G contain the Guidelines.

Both the *2022-2024 Asset Preservation Pool Guidelines* and *2024-2026 Asset Preservation Pool Guidelines* include an exception to the Council's delegation of authority to CPE staff for project review and approval. The Guidelines allow Asset Preservation Pool funds to be used for the demolition and reconstruction of a facility if the estimated cost to raze and replace does not exceed 115% of the estimated cost to renovate the facility and is certified in writing by an independent third-party industry professional. CPE staff is required to bring raze and replace requests to the Finance Committee and full Council, along with the certified cost estimates, for review and approval. Excerpts of relevant language from the guidelines are provided below.

- For the purposes of these guidelines, "facilities" includes buildings, building systems, and campus infrastructure, such as roads, walkways, electrical grids, steam tunnels, and water chiller plants, that support current and ongoing use of eligible facilities.

…

- Generally, new construction and expansion projects are not eligible to receive funds from the Asset Preservation Pool. However, under certain limited circumstances, as described below, use of asset preservation funds to finance new construction or expansion may be permissible.

- If it would be more cost effective to raze and replace rather than renovate an existing facility, then asset preservation funds may be used for demolition and reconstruction. For such a project to be considered cost effective, the cost to raze and replace may not exceed 115% of the cost required to renovate a facility. The cost of each option must be certified in writing by an independent third-party industry professional.

- It is anticipated that requests to raze and replace rather than renovate an existing facility will be infrequent occurrences. For this reason, CPE staff will bring such requests along with certified cost estimates from independent third-party industry professionals to the Finance Committee and full Council for review and approval.

RECOMMENDATION

The Morehead State University request to raze and replace Normal Hall complies with the eligibility criteria contained in the Council's *2024-2026 Asset Preservation Pool Guidelines*. As such, CPE staff recommends the Finance Committee approve and endorse for full Council approval the Normal Hall Raze and Replace project as eligible to receive funds from the 2024-2026 Asset Preservation Pool.

Mary Fister-Tucker
Vice President Fiscal Services
305 Howell-McDowell | Morehead, KY 40351
P: 606-783-2053 | m.fister@moreheadstate.edu

www.moreheadstate.edu

RECEIVED
NOV 0 7 2024
BY: .....

October 28, 2024

President Aaron Thompson
KY Council on Postsecondary Education
100 Airport Road
Frankfort, Kentucky 40601

President Thompson,

Morehead State University would like to seek approval from the CPE Finance Committee and Board to Raze and Replace our Normal Residence Hall. We anticipate our Board of Regents approving the $10,338,500 project the morning of Friday, November 15, 2024 and would like to have it on the agenda for the CPE Finance Committee later that same day for consideration with it going to your full board on November 22, 2024.

Normal Hall is almost 60 years old and is in need of major renovation and repair. Based on a study conducted by Schmidt Associates, renovating Normal Hall is estimated to cost approximately $8,990,000. JRA Architects provided an estimate to raze Normal and build a new Residence Hall, with similar square footage, at $10,200,000 which is less than 115% ($10,338,500) of the cost to renovate the facility.

We would like to seek approval to utilize $10,338,500 of our 2024-26 Asset Preservation Pool funding to raze and replace rather than spending $8,990,000 to renovate the existing structure. Please let me know if you have any questions regarding our project. We have submitted copies of the Schmidt Associates study as well as a letter from JRA Architects documenting the above to CPE Finance staff.

We appreciate your support for recommending approval of our project during your November meetings.

Sincerely,

Mary Fister-Tucker

Mary Fister-Tucker

October 21, 2024

Kim Oatman
Morehead State University Office of Facilities Management
180 Martindale Drive, W.H. Rice Building
Morehead, KY 40351

Re: Fee Proposal for Design Phases of the Morehead State Normal Hall Replacement Building

Dear Kim:

JRA Architects (JRA) is excited to continue our partnership with Morehead State University (MSU) for the design of a new, approximately 35,000sf residence hall to replace Normal Hall as an amendment to our existing residence hall contract. The following proposal outlines our services, highlights specific exclusions, and sets the basis for our fee and payments. Please review the following specifics about our work scope, and, if the arrangement is acceptable, please issue your approval for us to proceed.

1) PROJECT SCOPE

We understand that the university wishes to reallocate the asset preservation funds earmarked for Normal Hall's renovation to build a new hall instead. The total project budget will be approximately $10,200,000, and we expect to work with you to finalize the target construction budget and schedule. Normal Hall will be demolished as part of this project, but we will need to complete site planning before determining whether the building can remain in place during construction or needs to be demolished first.

The new hall will be multi-story, with a double-double (Jack and Jill) style bedroom and bathroom arrangement identical to our existing hall under construction, and the possibility for a limited number of triple bed rooms if the budget requires. We expect that many of the setups and details will be similar to our current project, but will likely need significant rework for the smaller and differently oriented building.

2) PROFESSIONAL DESIGN SERVICES

JRA will provide project management, design team coordination, architecture, and interior design services for the project. JRA will hire Brown+Kubican for structural engineering, CMTA for MEP engineering, Element Design for civil engineering and landscape design, and Robert Pass & Associates for cost estimating. We expect to provide a similar level of service to the existing project.

During the course of developing these design documents, JRA will be generating limited interior and exterior renderings as needed to confirm the design intent with MSU and coordinate design decisions with consultants.

JRA and all of our consultants will maintain MSU-standard professional liability insurance coverage throughout the course of the project, and can provide proof of the coverage's specific applicability to this project, upon request.

3) ITEMS REQUIRED FROM MOREHEAD STATE

The following items are required from the Owner:

- Access to campus and permission to photograph the existing property.
- Availability to meet and review project content on a regular basis.
- Existing building drawings. We plan to publish these for the contractor to use for pricing demolition.
- Background information on campus utilities, geology, and university design standards
- Licensed engineering or specialized consultants for the following responsibilities:
    - Site Surveying
    - Geotechnical Exploration & Site Design Criteria
    - Hazardous Material Surveying & Testing for Normal Hall
- Payment for all insurance, licenses, permits, fees, and other ancillary costs not specifically related to the standard of care for licensed architects or structural engineers

4) EXCLUSIONS

The following are standard services offered by JRA, but are outside the proposed project scope. Any of these services are available for an additional fee.

- Permitting or any governmental engagement to confirm code compliance.
- Hazardous material removal reports and Phase 1 Environmental studies.
- Rendered animation(s).

5) PROJECT SCHEDULE

JRA would propose to begin this work immediately. We expect the design phases to take approximately 7 months, though we need to finalize the project calendar with you. The timetable for demolition of Normal will be determined as soon as possible, and will be coordinated with university leadership to match broader institutional goals.

6) COMPENSATION

In consideration of providing the outlined deliverables, but in light of the final project scope still being variable, JRA Architects Inc. proposes a lump sum fee based on the KDE standard rate of 5.6%. This represents a 6.7% reduction in fee from our current fee basis rate to reflect the reduction in design effort associated with using a similar bedroom type (based on a construction budget of $10,000,000, this would equate to a fee of $560,000). Additional fee savings might be possible with the reuse of construction documents or overlap of construction administration with the current job, but will need to be discussed in greater detail to finalize.

Additional overhead costs associated with providing the service scope (travel, printing, etc.) would be billed separately, and are not expected to exceed $20,000. Assuming that the project remains on the

proposed schedule, JRA will invoice 25% for Schematic Design, 15% for Design Development, 40% for Construction Documents and Bidding, and 20% for Construction Administration.

7) CANCELLATION

If the project is abandoned, in part or in whole, payment on account of the services performed will be made upon presentation of a final accounting report.

8) FORM OF AGREEMENT

We anticipate executing a change order to our existing agreement with the university. We understand that the terms of our contract are in effect at all times during the work.

9) CONCLUSION

We are excited to continue this relationship with the university, and look forward to shaping a remarkable new residence hall with your team. If you have questions regarding our proposal, please do not hesitate to contact us. If you anticipate needing to have JRA begin work while our per diem purchase order is still being processed, please just return a scan of this signed notice as a placeholder notice to proceed.

Sincerely,
JRA Architects

Colin Drake, FAIA, LEED AP
Principal

Preliminary Notice to Proceed:

_____
Authorized Representative
Morehead State University

_____
Date

Cc: Tammy Durrum, Mike Nett

Attachment C

NORMAL HALL ASSESSMENT

OCT 2024

MOREHEAD STATE UNIVERSITY

SCHMIDT ASSOCIATES

SCHMIDT
ASSOCIATES

415 MASSACHUSETTS AVE.
INDIANAPOLIS, IN 46204
317.263.6226

731 BRENT STREET, STE 203
LOUISVILLE, KY 40204
502.581.0042

SCHMIDT-ARCH.COM

CONTENTS

01

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

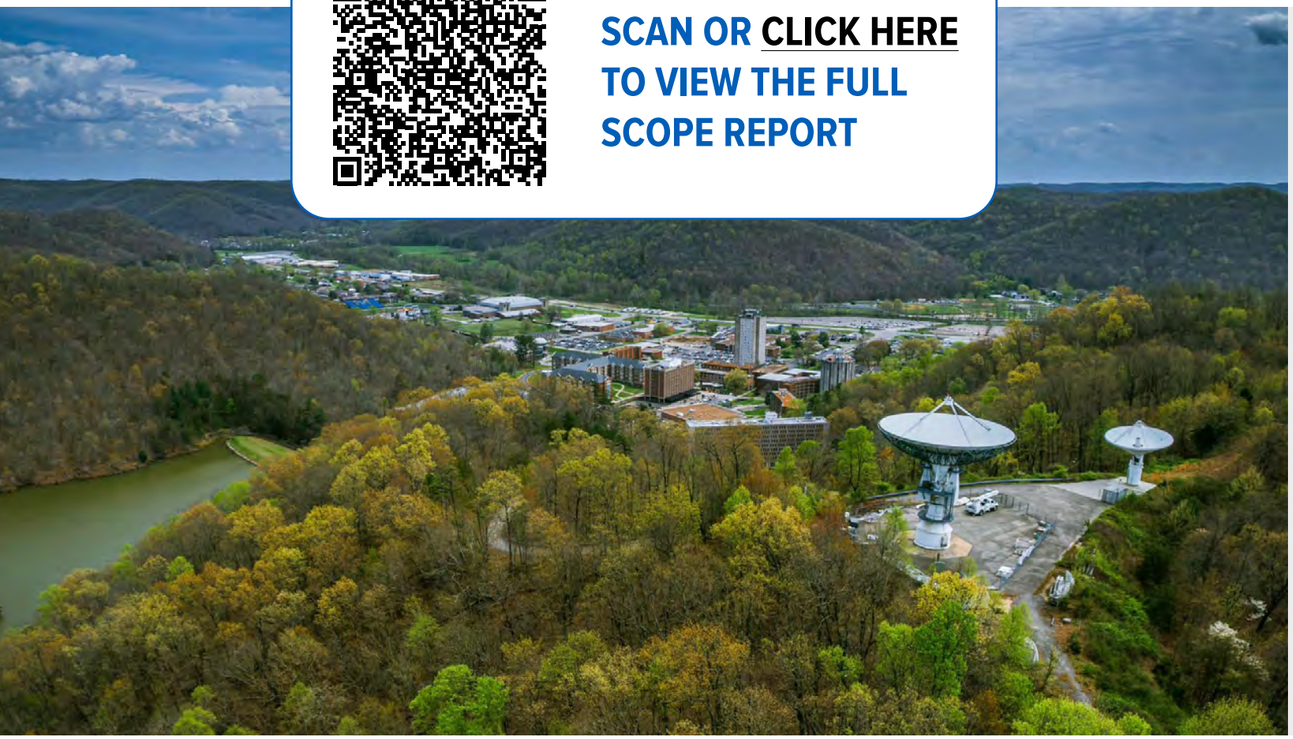
PURPOSE

During this study, Schmidt Associates architects and engineers evaluated the existing conditions of Normal Hall for the purpose of making recommendations for capital improvements aligned with campus priorities. Contained within this assessment are key findings that enable Morehead State University to:

- create a deferred maintenance summary, including costs, for Normal Hall.
- prioritize investments into the dormitory building to promote a safe and hospitable environment for its occupants.
- identify areas of improvement that will enable the University to extend the working life of Normal Hall for another 15 years.

NOTE: The budget priority rating in this report is based on a 0 to 5 scale, with 5 being the most urgent work to be performed. The SCOPE framework compares multiple buildings on a campus. Because we are focused on a single building at Morehead State University, some fields in this report, such as the Building Summaries tab, will appear temporarily underpopulated. They will get filled out when more buildings are assessed and their data is entered into SCOPE. We analyzed only one typical dorm unit for this study. We assume all units are in a similar condition.

SCAN OR CLICK HERE TO VIEW THE FULL SCOPE REPORT



TIMELINE

Schmidt Associates was engaged to perform an assessment of Morehead University's Normal Hall in August 2024. Data gathering was conducted in August, and the formal assessment was performed on August 28, 2024. Analysis continued through the month of September, and the assessment was reported to the client on October 2, 2024.

DATA GATHERING	ASSESSMENT	ANALYSIS	REPORTING
AUGUST 2024	AUGUST 2024	SEPTEMBER 2024	OCTOBER 2024

METHODOLOGY

This study is based on a predictive life cycle model focused on data collected on the facilities, a review of past projects, on-site observations, and a priority rating system.

Data Collected

- Building or component age
- Building component functionality and use
- Current replacement value (CRV) - based on RS Means data from 2023
- Building component values

On-Site Observation

- Observations to determine a ranking of overall condition and functionality based on a 5-point system that identifies the sense of urgency and recommended dates for replacement

Budget Priority Rating	
5	**Significant Issue** Urgent Priority • Replace 2025-2027
4	**Poor Condition** High Priority • Replace 2028-2030
3	**Average Condition** Medium Priority • Replace 2031-2033
2	**Good Condition** Low Priority • Replace 2034-2037
1	**New Condition** Outside Scope • Replace 2038 or Beyond
0	**No System / Not Applicable**

PRIORITY RATINGS

There are three ratings that make up the overall project priority rating. These three scores are multiplied together to create the priority rating that helps rank and prioritize projects over the next 15 years.

The **Building Priority Rating** rates the essentialness of the building on campus.

5 – Academic Instruction, Instructional Lab, Research Lab, Residence Hall

4 – Faculty and Academic Offices, Academic Study, Library Services Building

3 – Student Services, Educational Support, University Administration, Public Safety

2 – Food Service, IT, CNS Services/Support, Facilities Services/Support

1 – Performing Arts, Museum, Bookstore, Warehousing

The **System Priority Rating** rates the essentialness of the buildings' systems to overall functionality, asset preservation, and life safety in terms of regular maintenance.

5 – Fire Protection, Mechanical (including HVAC Controls/ BAS), Electrical (Distribution), Fire Alarm

4 – Plumbing, Elevator, ADA, Roofing, Lighting

3 – Exterior Walls/Windows/Doors

2 – Site Sidewalks/Approaches,

1 – Foundations, Structure, Stairs, Interior Walls/Doors, Interior Finishes, Signage

The **Budget Priority Rating** is based on the site observations noted in Budget Priority Rating chart. A percentage of the system to be replaced was then determined (i.e., 25%, 50%, 75%, 100%).

MAJOR FINDINGS

1. This study anticipates a total of $8.99 million in hard and soft project costs at Normal Hall over the next 15 years. It also anticipates $615,000 in FFE expenses associated with the identified projects.
2. A $4.82 million investment is needed for Urgent and High Priority work.
3. Medium, Low, and Long-Range Priority Scopes would require an additional $3.57 million investment if performed in 2025.

*All numbers assume work to be completed in 2025 and include a 4% markup for expected inflation.

GENERAL RECOMMENDATIONS

The capital improvement recommendations for Normal Hall focus on addressing urgent maintenance needs, enhancing safety, and extending the building's useful life by 15 years. The study highlights the necessity of investing approximately $8.99 million to modernize the facility, with $4.82 million earmarked for urgent and high-priority work. The recommendations emphasize the importance of aligning these improvements with the University's broader strategic initiatives and future campus master plans. Key areas of focus include architectural upgrades, electrical system overhauls, interior refurbishments, and mechanical system repairs.

Architectural
- Replace the existing roof and insulation.
- Remove and replace worn plexiglass and metal guardrails.
- Replace uninsulated single-pane windows with insulated units.
- Paint façades, balconies, doors, and precast canopies.
- Reflash and seal around existing skylights.
- Refinish doors and replace non-accessible doorknobs with levers.

Electrical
- Replace the outdated General Electric 4,160-volt secondary unit substation.
- Replace the damaged metering cabinet with digital metering.
- Replace and relocate panelboards in secured rooms/closets.
- Replace all interior and exterior lighting with LED fixtures.
- Update emergency lighting and fire alarm systems.
- Electrical system upgrades to account for the transition from gas to electric stoves in all units.

Interiors
- Replace dated and damaged casework in kitchens, study nooks, bedrooms, and bathrooms.
- Paint all interior spaces.
- Replace VCT and ceramic tile flooring.
- Install ADA signage throughout.

Mechanical
- Replace roof-mounted exhaust fans and condensate pump.
- Add a 2 pipe fan coil unit to eliminate the need for window A/C units.

Plumbing/Fire Protection
- Install a backflow preventer.
- Replace domestic piping, storm, and sanitary piping.

Structural
- Remove rust and coat structural steel angles with zinc-rich paint.
- Repair or replace spalled concrete and address large masonry cracks.

We understand the University has about $5 million available for investment in the dormitory. Study results show a range of investment possibilities between $4.82 and $8.99 million to extend the building life another 15 years. We look at these results and reflect how best to use this information in the future.

- **Investing for the Future:** It is recommended that the University invest a minimum of $4.82 million to address the Urgent and High Priority work we have identified in this report to enhance the safety and near-term viability of Normal Hall as a dormitory building. It should be noted that only addressing the Urgent and High Priority work will not make a significant aesthetic improvement to this building. In order to make Normal Hall an attractive and competitive dormitory, an additional investment will need to be made based on the University's available budget and priorities. We have created "Alternate" and "Base" tabs in our online SCOPE document. By clicking the "Base" tab, you will see all recommended projects and an estimated cost of $6.4 million. By clicking the "Alternate" tab, an additional $1.99 million of work is identified, including upgrading to a centralized HVAC system and replacing all domestic water, sanitary waste, and storm water drainage piping. To complete all projects we have identified in this report, a total investment of $8.99 million is needed.
- **Planning for Growth:** The results of this and any future building studies should be overlaid with a comprehensive campus master plan to ensure alignment with larger strategic initiatives. Enrollment trends and projected on-campus housing demand data should be studied to plan appropriately for the decommissioning and replacement of Normal Hall at the end of its useful life, what we are assuming to be 15 years from now.

02

ASSUMPTIONS + DEFINITIONS

ASSUMPTIONS

1. The CRV amounts used in this study are based on August 2023 values as reported by RS Means and adjusted for General Conditions (15%), OH&P (10%), Insurance/Bonding (1%), Design Contingency (10%), Construction Contingency (10%), CM Fee (3%), and Soft Cost (30%).
2. Costs are based on the 2024 costs without inflation. Inflation rate factors of 4% per year are available in the SCOPE model for evaluation.

DEFINITIONS

Current Replacement Value (CRV) – Current replacement value is defined as "the actual cost of replacing the facilities...not the book value" and "the total expenditure in current dollars required to replace a facility...to meet current acceptable standards of construction and comply with regulatory requirements" (APPA – May/June 2004 "Facility Manager"). The current replacement value for this report was derived by multiplying gross square feet (GSF) by an estimated cost per square foot from RS Means 2023 report.

Component Values – Component values are the percentage of the CRV of a building allocated to a particular component of a building based on industry standards and the configuration of the building, i.e., HVAC will range between 5% and 20% for a building based on its use (Rubeck report 2020).

Building Component Expected Life – The design life (or design service life) of a building, other structure, or component is the period of use as intended by the designer after which it may need to be replaced. Before this period has elapsed, it should remain fit for purpose (BCI Construction).

Building Component Year Constructed or Repaired – This is the year the building was constructed or was repaired/renovated.

Building Component Condition Estimate – A component condition estimate is the relative ranking of building components based on age, use, and visual inspection. Systems ranked from 5 would be considered urgent and should be replaced in the next year or two. Systems ranked with a 1 would be good working condition and not require replacement within the timeframe of this study.

Renewal & Replacement (R&R) – Renewal and replacement are two terms often used interchangeably, but they have distinct meanings. Renewal refers to the process of extending the life of something, typically by repairing or refurbishing it. Replacement, on the other hand, involves completely replacing an item with a new one. Renewal and replacement or "R&R" means the systematic repairs and replacements that extend the life and retain the usable condition of a facility, component, or system. (The Content Authority and Law Insider).

Facility Condition Index (FCI) – This term is used to rate the overall condition of a building. The number is the ratio of the total amount of R&R projects divided by the current building's current replacement value (APPA).

03

CRITICAL BUILDING NEEDS

BUILDING SUMMARY

Facility Condition Analysis
Morehead State

Normal Hall

MOREHEAD STATE UNIVERSITY

BUILDING STATISTICS

57 *Building Number*	Residence Hall *Building Type*	1967 *Year built*
27,890 *Gross Square Feet*	$10,483,382 *Replacement Cost*	8/28/2024 *Assessment Date*

COMPLETED PROJECTS

Year	Cost	Project Description

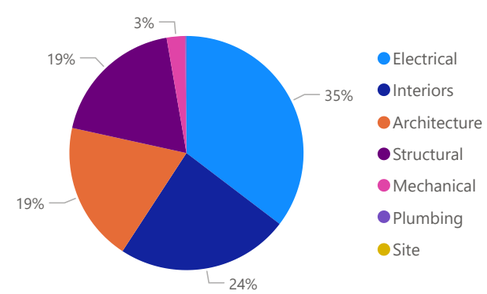
SYSTEM COST SUMMARY BY YEAR

Year	System Cost
2025-2027	**$3,333,716**
ADA/Code	$78,625
Electrical Distribution	$550,378
Electrical Service	$629,003
Lighting	$681,420
Roofing & Flashings	$314,501
Stairs & Railings	$31,450
Superstructure	$1,048,338
2028-2030	**$1,677,341**
Casework	$419,335
Exterior Walls	$183,459
Exterior Windows	$314,501
Fire Alarm	$314,501
Floor Finishes	$419,335
Signage	$26,208
2031-2033	**$1,006,405**
HVAC - Heat Generation	$52,417
HVAC - Ventilation	$104,834
Interior Doors	$209,668
Interior Partitions	$10,483
Wall Finishes	$629,003
2034-2037	**$136,284**
Domestic Water Equipment	$10,483
Exterior Doors	$15,725
Foundation	$110,076
Total	**$6,153,745**

ANALYSIS METRICS

$6,153,745 Base Scope	**$8,066,963** Alt Scope	**$10,483,382** Replacement Cost
58.70 Base RR Score	**76.95** Alt RR Score	

BUILDING ANALYSIS SUMMARY



BUILDING PRIORITY RATING

5

Details

PROJECT LIST BY OVERALL PRIORITY

CATEGORY	SYSTEM PRIORITY	BUDGET PRIORITY	OVERALL PRIORITY	SYSTEM COST
Electrical Service - Base	5	5	125	$629,003
Electrical Distribution - Base	5	5	125	$550,378
Controls - Base	5	5	125	$0
Lighting - Base	4	5	100	$681,420
Fire Alarm - Base	5	4	100	$314,501
Roofing & Flashings - Base	4	5	100	$314,501
ADA/Code - Base	4	5	100	$78,625
Domestic Water Piping - Alternate	4	4	80	$366,918
Sanitary Waste - Alternate	4	4	80	$183,459
Storm Water Drainage - Alternate	4	4	80	$183,459
Domestic Water Piping - Base	4	4	80	$0
Sanitary Waste - Base	4	4	80	$0
Storm Water Drainage - Base	4	4	80	$0
HVAC - Cooling Generation - Alternate	5	3	75	$1,179,381
HVAC - Ventilation - Base	5	3	75	$104,834
HVAC - Heat Generation - Base	5	3	75	$52,417
HVAC - Cooling Generation - Base	5	3	75	$0
Exterior Windows - Base	3	4	60	$314,501
Exterior Walls - Base	3	4	60	$183,459
HVAC - Distribution Systems - Base	5	2	50	$0
Sprinklers - Base	5	2	50	$0
Domestic Water Equipment - Base	4	2	40	$10,483
Fixtures - Base	4	2	40	$0
Exterior Doors - Base	3	2	30	$15,725
Superstructure - Base	1	5	25	$1,048,338
Stairs & Railings - Base	1	5	25	$31,450
Casework - Base	1	4	20	$419,335
Floor Finishes - Base	1	4	20	$419,335
Signage - Base	1	4	20	$26,208
Wall Finishes - Base	1	3	15	$629,003
Interior Doors - Base	1	3	15	$209,668
Interior Partitions - Base	1	3	15	$10,483
Foundation - Base	1	2	10	$110,076
Sidewalks/Approaches - Base	2	1	10	$0
Ceiling Finishes - Base	1	1	5	$0

PROJECT LIST BY SYSTEM PRIORITY

CATEGORY	SYSTEM PRIORITY	BUDGET PRIORITY	OVERALL PRIORITY	SYSTEM COST
Electrical Service - Base	5	5	125	$629,003
Electrical Distribution - Base	5	5	125	$550,378
Controls - Base	5	5	125	$0
Fire Alarm - Base	5	4	100	$314,501
HVAC - Cooling Generation - Alternate	5	3	75	$1,179,381
HVAC - Ventilation - Base	5	3	75	$104,834
HVAC - Heat Generation - Base	5	3	75	$52,417
HVAC - Cooling Generation - Base	5	3	75	$0
HVAC - Distribution Systems - Base	5	2	50	$0
Sprinklers - Base	5	2	50	$0
Lighting - Base	4	5	100	$681,420
Roofing & Flashings - Base	4	5	100	$314,501
ADA/Code - Base	4	5	100	$78,625
Domestic Water Piping - Alternate	4	4	80	$366,918
Sanitary Waste - Alternate	4	4	80	$183,459
Storm Water Drainage - Alternate	4	4	80	$183,459
Domestic Water Piping - Base	4	4	80	$0
Sanitary Waste - Base	4	4	80	$0
Storm Water Drainage - Base	4	4	80	$0
Domestic Water Equipment - Base	4	2	40	$10,483
Fixtures - Base	4	2	40	$0
Exterior Windows - Base	3	4	60	$314,501
Exterior Walls - Base	3	4	60	$183,459
Exterior Doors - Base	3	2	30	$15,725
Sidewalks/Approaches - Base	2	1	10	$0
Superstructure - Base	1	5	25	$1,048,338
Stairs & Railings - Base	1	5	25	$31,450
Casework - Base	1	4	20	$419,335
Floor Finishes - Base	1	4	20	$419,335
Signage - Base	1	4	20	$26,208
Wall Finishes - Base	1	3	15	$629,003
Interior Doors - Base	1	3	15	$209,668
Interior Partitions - Base	1	3	15	$10,483
Foundation - Base	1	2	10	$110,076
Ceiling Finishes - Base	1	1	5	$0

PROJECT LIST BY BUDGET PRIORITY

CATEGORY	SYSTEM PRIORITY	BUDGET PRIORITY	OVERALL PRIORITY	SYSTEM COST
Electrical Service - Base	5	5	125	$629,003
Electrical Distribution - Base	5	5	125	$550,378
Controls - Base	5	5	125	$0
Lighting - Base	4	5	100	$681,420
Roofing & Flashings - Base	4	5	100	$314,501
ADA/Code - Base	4	5	100	$78,625
Superstructure - Base	1	5	25	$1,048,338
Stairs & Railings - Base	1	5	25	$31,450
Fire Alarm - Base	5	4	100	$314,501
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Exterior Walls - Base	3	4	60	$183,459
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HVAC - Ventilation - Base	5	3	75	$104,834
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Interior Partitions - Base	1	3	15	$10,483
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Sprinklers - Base	5	2	50	$0
Domestic Water Equipment - Base	4	2	40	$10,483
Fixtures - Base	4	2	40	$0
Exterior Doors - Base	3	2	30	$15,725
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Sidewalks/Approaches - Base	2	1	10	$0
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PROJECT LIST BY SYSTEM COST

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HVAC - Cooling Generation - Alternate	5	3	75	$1,179,381
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Fixtures - Base	4	2	40	$0
Sidewalks/Approaches - Base	2	1	10	$0
Ceiling Finishes - Base	1	1	5	$0

RENEWAL AND REPLACEMENT BY SYSTEM

CATEGORY	SYSTEM COST	TOTAL WITH 4% INFLATION
Architecture	$1,184,622	$1,232,007
Electrical	$2,175,302	$2,262,314
Interiors	$1,467,674	$1,526,380
Mechanical	$1,336,631	$1,390,097
Plumbing	$744,320	$744,093
Structural	$1,254,948	$1,204,750
TOTAL	**$8,066,963**	**$8,389,641**

SYSTEM SUMMARY

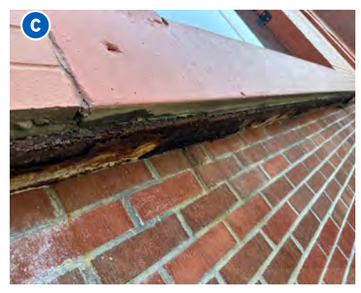
STRUCTURAL

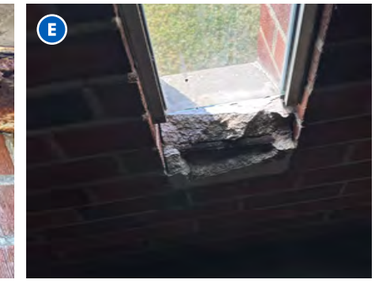
The exposed brick shelf and structural steel angles at the underside of the balconies supporting the northeast façade are not galvanized or properly coated with a zinc rich paint. This has resulted in progressive rusting and deterioration of the steel that must be addressed. We recommend a thorough removal of the corroded layers of steel, down to the 'good stuff,' followed by coating the steel with a zinc rich primer and two layers of zinc rich paint.

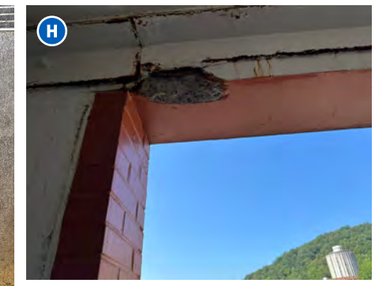
Prior to this remediation effort, we suggest an investigative removal of a 2' section of the brick below the brick shelf to expose more of the shelf and confirm our belief that the steel is not corroded beyond the exposed portion.

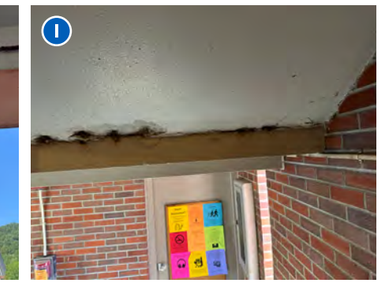
Concrete repair or replacement is required at Normal Hall. Most of the concrete work is patching of areas where concrete has spalled and left reinforcing bar exposed. This was primarily observed at the underside of the stairs and the balcony beams. Other concrete work needed is the removal and replacement of broken concrete sills and lintels in the stairwells.

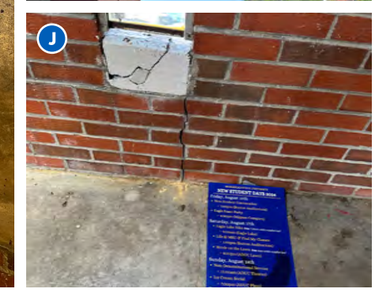
Large cracks in the masonry were found at the rear of the building near the mechanical room. We believe this is related to expansion and contraction in that area due to the equipment. We also observed a large crack in the west stairwell. We recommend repairing each condition and making sure the source of the cracking is also addressed.











A. Southwest masonry joint failure
B. Southwest masonry joint failure
C. Deteriorated brick shelf requires remediation
D. Detail of deteriorated brick shelf
E. Broken sill at stairwell
F. Cracking at guardrail tie in
G. Exposed rebar in stairwell
H. Rusted steel and cracked concrete beam at upper balcony
I. Exposed rebar at underside of stairwell
J. Large crack in masonry in west stair

SYSTEM SUMMARY

ARCHITECTURE

The existing roof is past its useful life. Large air pockets are present between the built-up roofing layers—a clear sign of a failing system. We recommend removal of roofing and insulation down to the structural deck and replacing it with new rigid and tapered insulation and an SBS roof.

The existing plexiglass and metal guardrails are worn, cracked, unsightly, and improperly anchored to ensure student safety. There is cracking at the floor structure in many areas at the guardrail stations. We recommend removing the guardrails fully, repairing the slab where stanchion holes and cracks exist, and installing a new 42”-high, code-compliant aluminum or steel railing. We suggest going back with a perforated metal infill panel in lieu of pickets or glazing.

Similarly, the plexiglass safety infill in the stairwells is unsightly and damaged. We recommend using a similar aluminum infill panel in these areas.

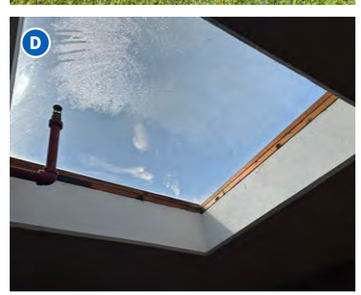
The northeast façade has large uninsulated single-pane windows in good condition at each living unit. Uninsulated units reduce the efficiency of the envelope. We recommend replacement of these windows with insulated units if the budget allows.

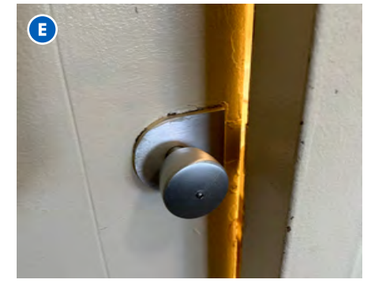
The southwest façade windows are due to be replaced. They are currently operable and would need to remain operable if the existing window units are to remain. To improve the aesthetics, we recommend a combination of window replacement—replacing the existing window unit brackets and installing a screening element around the units.

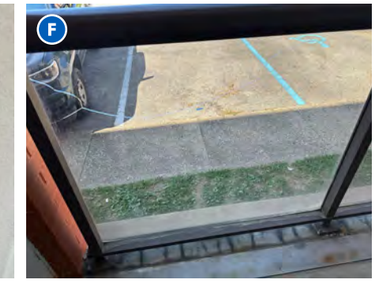
Paint façade, balconies, doors, and precast canopies.

Reflash and seal around existing skylights. The blocking is currently exposed on the interior, which makes it look unfinished and leaves it exposed for deterioration or pests.

Refinish doors and replace non-accessible doorknobs with levers.







A. Unsafe, unsightly, and (in places) cracked balcony guardrail required replacement
B. Delaminating, aged roof requires replacement
C. Southwest double-hung windows and brackets
D. Exposed blocking at skylight
E. Non-accessible knob hardware
F. Cracked plexiglass-metal railing
G. Elevation study of screening element for window A/C units

SYSTEM SUMMARY

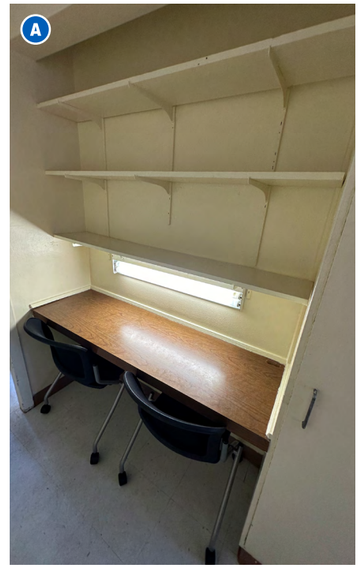
INTERIORS

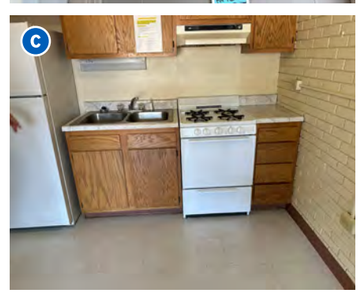
The existing casework is dated and damaged from the small amount we were able to observe. We recommend replacing all existing casework in the kitchen, study nook, bedrooms, and bathrooms.

Paint all interior spaces.

The VCT and ceramic tile in the living units are dated and, in some areas, damaged. We recommend a full flooring replacement.

There is the bare minimum signage currently, and we recommend installing ADA signage throughout.





A. Dated interior casework
B. Poor signage and example of need for paint
C. Dated kitchen casework
D. Dated bathroom casework
E. Dated wall finishes

SYSTEM SUMMARY

ELECTRICAL

Replace the existing General Electric 4,160-volt secondary unit substation (switchgear line-up). The line-up is original from 1967 and beyond its life expectancy. It is unknown if preventative maintenance has occurred to ensure all components are operational. In addition, the ampacity may not be adequate (historical power usage is required) to allow for the conversion from gas cooking equipment to electric cooking equipment in the housing units. Guidance is required from the university regarding the condition of the incoming medium-voltage feeder from the utility tunnel system.

The existing metering cabinet is damaged and dangerous. It is recommended to replace the cabinet and meter with digital metering that can be monitored and recorded by the campus for its use.

The existing power distribution predominantly includes original equipment from 1967 (which should be replaced) and more recent equipment nearing the end-of-life expectancy from 1991 and 2001. Panelboard locations currently include the incoming sprinkler service room, laundry rooms and the mechanical room. The laundry room panelboards have missing covers, missing circuit breaker covers and violate clearance requirements. It is recommended to replace all equipment and relocate the panelboards in secured rooms/closets. Doing so would require the replacement of all electrical branch circuits throughout the building.

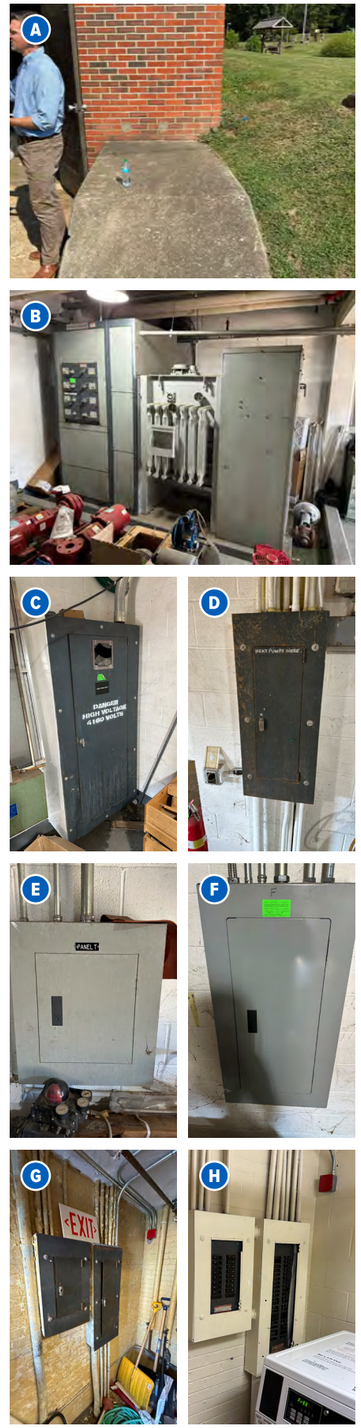
Interior lighting consists of many different technologies. This includes T-12 fluorescent lamps, LED and screw-in retrofits, to new a few. It is recommended to replace all interior lighting with LED lighting fixtures.

Exterior lighting also consists of compact fluorescent lighting and what appears to be HID fixtures. There was noticeable buzzing/humming from some of the fixtures. There are also damaged step light fixtures that should be replaced. It is recommended to replace all exterior lighting with LED lighting fixtures.

Exit lighting consists of bugeyes and exit signs. There is limited exterior building lighting at egress points on the building needing to be addressed. It is recommended to review the current emergency fixture locations in the building and update to satisfy current codes.

The lighting controls and wiring devices appear to be mostly original and/or are at the end of useful life. It is recommended to replace all wiring devices and update the lighting controls for exterior lighting. It is also recommended to review the university expectations for occupancy controls.

The fire alarm system is a Notifier NFS-640 voice system. It was installed in 2003. It is at the end useful life. With exterior devices as part of the system, the usual life expectancy is decreased. It is recommended to replace the system in its entirety and revisit proper spacing for devices and review the university expectations for fire alarm for student housing.



A. 1967 incoming medium-voltage feeder from utility tunnel system
B. 1967 GE medium-voltage secondary unit substation
C. 1967 damaged metering cabinet
D. 1967 panelboard "T"
E. 1991 panelboard "T-2"
F. 2001 panelboard "F"
G. 1967 panelboards in incoming sprinkler service room
H. 1967 panelboards in laundry room
I. Interior LED retrofit light fixture
J. Interior retrofit light fixture
K. Interior fluorescent light fixture
L. Exterior canopy light fixture
M. Exterior canopy light fixture - compact fluorescent
N. Exterior wall-mounted light fixtures
O. Exterior step lighting
P. Emergency lighting
Q. Emergency exterior bugeye light fixture
R. Exterior exit sign - faded
S. Wiring device receptacle
T. Wiring device switch
U. 2003 fire alarm control panel - Notifier NFS-640
V. Fire alarm local smoke detector in student unit
W. Fire alarm system smoke detector in student union
X. Fire alarm system manual pull station and speaker strobe

SYSTEM SUMMARY

MECHANICAL

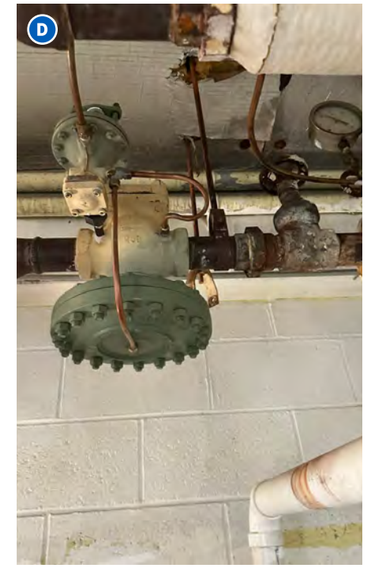
The heating and cooling systems are functioning well. The HVAC system was partially replaced in 2003. At that time, a new steam-to-hot-water heat exchanger was installed with hot water distribution pumps, floor-mounted fan coil units were installed throughout the building, the majority of the heating hot water piping was replaced, and window A/C units were installed in each living space.

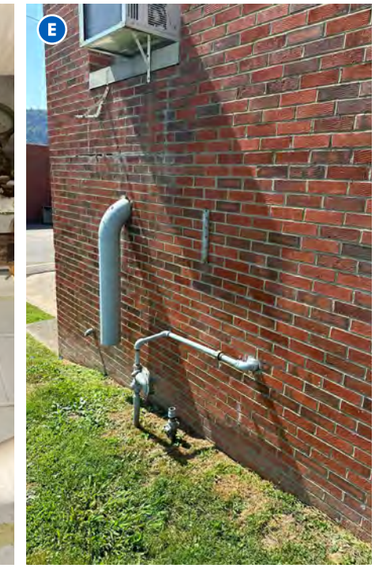
It is recommended the following systems be repaired:

- The ten roof-mounted exhaust fans appear to be original to the construction and should be replaced.
- The condensate pump appears to be in poor condition as well. For that reason, it is recommended the condensate pump be replaced for good operation over the 15-year time period.

There is no central control system and the systems are all manually manipulated. With the shorter 15-year timeframe being considered, it is not recommended a digital control system be installed.

A central heating/cooling system could be installed to remove the window A/C units, but with the current budget and the 15-year timeframe, it is recommended to keep the current heating and cooling system in place.





A. Condensate pump at near end of life
B. Heating hot water pumps
C. Steam to hot water heat exchanger in good condition
D. Steam pressure reducing valve
E. Incoming gas service
F. Restroom exhaust fans on roof - at end of life
G. Simple fan coil unit controls
H. Typical floor-mounted fan coil unit
I. Window AC unit
J. Window AC unit outdoor view

SYSTEM SUMMARY

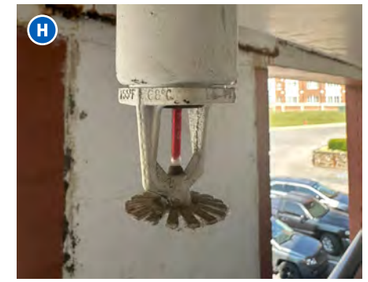
PLUMBING / FIRE PROTECTION

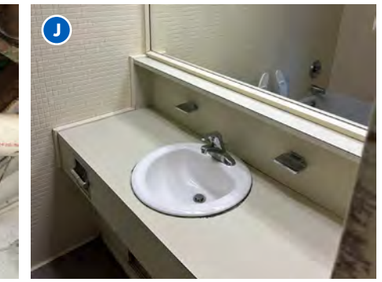
The plumbing systems are generally in good condition without any major issues. The original storm and sanitary piping and domestic hot and cold piping remain in service from the original construction, but no operational issues are reported. For the 15-year timeframe, it is not recommended that any piping should be replaced. If problems occur during the upcoming 15-year period, spot repairs can be made.

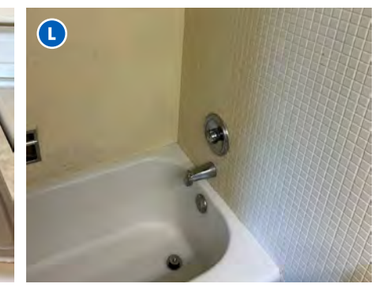
A gas-fired domestic hot water heater, domestic hot water pump, and thermostatic mixing valve are installed in the lower-level mechanical room. The system is in good condition.

The fire sprinkler system is in good condition. It is a dry pre-action system because a good amount of the piping is exposed to outdoor conditions.

There was no backflow preventer observed on our site visit. It is recommended that a backflow preventer be installed.







A. Domestic hot water heater in good condition
B. Domestic hot water pump and mixing valve in good condition
C. Domestic hot water storage tank in good condition
D. Domestic water main shutoff valve - no backflow preventer
E. Gas stove in living quarters
F. Dry preaction fire sprinkler system
G. Metal enclosure for sprinkler piping in breezeway
H. Sprinkler head
I. Storm and sanitary piping is a mixture of iron pipe and PVC
J. Typical bathroom sink
K. Typical kitchen sink
L. Typical shower tub
M. Typical water closet

04

APPENDIX

APPENDIX A
TYPICAL BUILDING LIFE CYCLES

System and component life cycles used in the cost models for this project were based on average service life as shown in the *Preventive Maintenance Guidebook: Best Practices to Maintain Efficient and Sustainable Buildings* published by Building Owners and Managers Association (BOMA) International. When life cycle information is not provided by COMA, life cycles have been assigned using ALPHA's professional judgment.

ROOFING	YEARS
Built-Up	25
Composition Shingle	20
Metal Panels	25
Modified Bitumen	20
Standing Seam Metal	35
SPF Roofing	30
BUILDING EXTERIOR	**YEARS**
Exterior Doors	25
Exterior Walls (Finishes)	10-30
Exterior Windows	30
INTERIOR FINISHES	**YEARS**
Interior Doors	25
Ceiling (Acoustical Tile and Grids)	20
Ceiling (Painted)	10
Walls	10
Floors	15
BUILT-IN EQUIPMENT/SPECIALTIES	**YEARS**
Built-in Equipment and Specialties	20
CONVEYING SYSTEMS	**YEARS**
Elevators	35
Chair Lifts	15
PLUMBING	**YEARS**
Plumbing Fixtures	30
Domestic Water Distribution	30
Sanitary Waste	30

FIRE PROTECTION	YEARS
Fire Sprinklers and Standpipe (Piping/Risers)	40
Fire Detection (Activation Devices)	20
Fire Detection (Notification Devices)	20
Fire Detection (Wiring)	30
HVAC	**YEARS**
Cooling Generating	25
Controls	20
Distribution	30
Heat Generating	30
Terminal and Package Units	15
ELECTRICAL	**YEARS**
Branch Wiring	40
Lighting	30
Service and Distribution	40
Generators	30
EQUIPMENT	**YEARS**
Institutional Equipment	25
Other Equipment	15-25

SCAN OR CLICK HERE TO VIEW THE FULL SCOPE REPORT

SCHMIDT
ASSOCIATES

BETTER FORESIGHT. BETTER INSIGHT. BETTER ON-SITE.

APPROVE NORMAL HALL RAZE AND REPLACEMENT CAPITAL PROJECT

BOR VI.C.
November 15, 2024

Recommendation:
That the Board of Regents, upon recommendation of the President:

1) Approve $10,200,000 for the Normal Hall Raze and Replacement Capital Project, and
2) Authorize the razing of the existing Normal Residence Hall.

Background:
On June 14, 2024, the Board of Regents approved the 2024-2025 Budget Adoption Resolution which requires all capital construction projects of $1,000,000 or greater to have prior approval of the Board of Regents and be contained in the Biennial Legislative Appropriations Act in accordance with KRS 45.750.

In the 2024-2026 Biennial Budget, the University received $37,670,000, from bonds to be issued by the Commonwealth of Kentucky, for Asset Preservation (AP) Pool Projects in the 2024-2025 and 2025-2026 fiscal years.

Under the Council on Postsecondary Education 2024-2026 Asset Preservation Pool Guidelines, in situations where it is more cost effective to raze and replace rather than renovate an existing facility, AP funds may be used for demolition and reconstruction. Projects are considered cost effective when the cost to raze and replace does not exceed 115% of the cost required to renovate a facility.

On August 9, 2024, the Board of Regents approved the Normal Hall Renovation Capital Project using $5,000,000 of fiscal year 2024-2025 AP Pool authorization. Based on an assessment conducted by Schmidt Associates, renovating Normal Hall is estimated to cost approximately $8,990,000.

JRA Architects estimate that the total costs to build a new Residence Hall, with similar square footage, and to raze the existing building, at $10,200,000 which is less than 115% ($10,338,500) of the cost to renovate the facility.

Therefore, it is recommended that the Board of Regents approve up to $10,200,000 for the Normal Hall Raze and Replacement Capital Project using $7,610,000 of the 2024-2025 fiscal year AP Pool funds ($5,000,000 of which will be reallocated from the previously approved Normal Hall Renovation Capital Project) and $2,590,000 of the 2025-2026 fiscal year AP Pool funds.

It is also recommended that the Board of Regents approve the razing of the existing Normal Residence Hall, in a timely manner, after completion of the construction of the new facility.

Interim Capital Project:
Morehead State University – Raze and Replace Normal Residence Hall

Interim Capital Project

MoSU – Raze and Replace – Normal Residence Hall

- Morehead State University is requesting approval to use funds from the **2024-2026 Asset Preservation Pool** to demolish the existing Normal Residence Hall and replace it with a new residence hall with similar square footage located on the main campus
- **The residence hall is state-owned and –operated** and is eligible per the budget bill (24RS, HB6)
- The total project scope is **$10,200,000**
- The proposed project will **construct the new residence hall first and then demolish the existing building** to minimize disruption to students and campus operations
- The MoSU **Board of Regents has approved the project**

Interim Capital Project

MoSU – Raze and Replace – Normal Residence Hall

- Based on an assessment conducted by Schmidt Associates, **renovating Normal Hall is estimated to cost approximately $8,990,000**
- JRA Architects estimated the **total cost to raze and replace the existing building at $10,200,000**
- The estimated cost to raze and replace Normal Hall does not exceed 115% of the estimated cost to renovate the building (i.e., $10,338,500) and, therefore, **the project complies with the Council's *2024-2026 Asset Preservation Pool Guidelines***

Cost Estimates	
Renovation	$8,990,000
Raze and Replace	$10,200,000
Cost Comparison	**113.46%**

Interim Capital Project

MoSU – Raze and Replace – Normal Residence Hall

Interim Capital Project
Recommendation

- CPE staff recommends the Finance Committee approve and endorse for full Council approval the Morehead State University Normal Hall Raze and Replace project as eligible to receive funds from the 2024-2026 Asset Preservation Pool

TITLE: Interim Capital Project – Maysville Community and Technical College Montgomery Campus Welding Lab Renovation

DESCRIPTION: Staff recommends the Finance Committee endorse for full Council approval, contingent upon approval by the KCTCS Board of Regents, a $1,220,000 federal and agency restricted fund interim project at the Maysville Community and Technical College Montgomery Campus that will renovate space for a new welding lab.

STAFF CONTACT: Ryan Kaffenberger, Director, Finance Policy and Programs

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SUPPORTING INFORMATION

Kentucky Community and Technical College System (KCTCS) staff request authorization for an interim capital project to renovate space at the Maysville Community and Technical College Montgomery Campus for a new welding lab. The lab will include 14 welding booths. One of the booths will be designed to be ADA accessible. The project's total scope is $1,220,000 and will be funded with $976,000 in federal funds and $244,000 in agency restricted funds.

The project will be submitted for approval by the KCTCS Board of Regents at their December 6, 2024, meeting. As such, CPE staff recommends the Finance Committee endorse the project for full Council approval contingent upon its approval by the KCTCS Board of Regents.

House Bill 592 (2018) created a new provision in KRS 164A.575, which allows public postsecondary institutions to authorize capital projects not specifically listed in the state budget as long as the projects are funded with non-general fund appropriations, do not jeopardize funding for existing programs, and are reported by the institution to the Capital Projects and Bond Oversight Committee. The pertinent section of KRS 164A.575 is provided below:

(15) Notwithstanding KRS 45.760, the governing board may authorize a capital construction project or a major item of equipment even though it is not specifically listed in any branch budget bill, subject to the following conditions and procedures:
  (a) The full cost shall be funded solely by non-general fund appropriations;
  (b) Moneys specifically budgeted and appropriated by the General Assembly for another purpose shall not be allotted or re-allotted for expenditure on the project or major item of equipment. Moneys utilized shall not jeopardize any existing program and shall not require the use of any current general funds specifically dedicated to existing programs; and

(c) The institution's president, or designee, shall submit the project or major item of equipment to the Capital Projects and Bond Oversight Committee for review as provided by KRS 45.800.

The approval process for a capital project that exceeds $1,000,000 is as follows:

- The project must be approved by an institution's board of trustees or regents;
- The project must be submitted to the Council on Postsecondary Education for review and action;
- If approved by the Council, projects at KCTCS and KSU are submitted to the Secretary of the Finance and Administration Cabinet for review and action, and subsequently submitted by the Secretary to the Capital Projects and Bond Oversight Committee for review;
- If approved by the Council, projects at EKU, MoSU, MuSU, NKU, UK, UofL, and WKU are submitted by the requesting institution to the Capital Projects and Bond Oversight Committee for review, and a copy is provided to the Finance and Administration Cabinet as information; and
- Following review and action by the appropriate agencies, the project may be initiated by the requesting institution.

Because this project was not previously approved by the Council and it was not authorized in the enacted 2024-26 budget (HB 6), Council approval is now required to authorize this project. KCTCS will not be debt financing any portion of this project; therefore, provisions of KRS 45.763 do not apply.

NEXT STEPS

Following action by the Council and KCTCS Board of Regents, CPE staff will notify the president of KCTCS, the Secretary of the Finance and Administration Cabinet, and the Capital Projects and Bond Oversight Committee concerning this interim capital project.

KENTUCKY COMMUNITY & TECHNICAL COLLEGE SYSTEM

October 22, 2024

Mr. Aaron Thompson, President
Council on Postsecondary Education
1024 Capital Center Drive, Suite 320
Frankfort, KY. 40601

Re: Interim Authorization Request – KCTCS Capital Project

Dear President Thompson:

In accordance with KRS 164A.575, Kentucky Community and Technical College System (KCTCS) respectfully requests interim authorization for one project that is being funded with federal and agency restricted funds.

The project is Maysville Community and Technical College Montgomery Campus Welding Lab Renovation. The total budget is $1,220,000 and will be funded with $976,000 in federal funds and $244,000 in agency restricted funds. This project will renovate space for a new welding shop at the Montgomery Campus and will include 14 welding booths, one of which will be designed for ADA access.

The design and construction of the project will be implemented through the KCTCS Facilities Support Services Capital Construction division. We are requesting CPE approval, contingent upon KCTCS' Board of Regents approving this project at the December 6, 2024 meeting.

Should you have any questions, please feel free to contact Andy Casebier at 859-256-3287.

Sincerely,

Todd Kilburn
Chief Financial Officer

cc: Dr. Ryan F. Quarles, KCTCS President
Carla Wright
Ryan Kaffenberger
Andy Casebier
Sandy Adkins

Kentucky Community and Technical College System
300 North Main Street • Versailles, KY 40383
(859) 256-3100
kctcs.edu

Interim Capital Project:
Maysville Community and Technical College
Montgomery Campus Welding Lab Renovation

Interim Capital Project

Maysville CTC Montgomery Campus – Welding Lab Renovation

Background

House Bill 592 (2018) created a new provision in KRS 164A.575, which allows public postsecondary institutions to authorize capital projects not specifically listed in the state budget if the projects are:

(1) funded with non-general fund appropriations.

(2) do not jeopardize funding for existing programs, and

(3) are reported by the institution to the Capital Projects and Bond Oversight Committee

KRS 45.763 requires General Assembly authorization for projects exceeding $400,000 if “all or any portion of the purchase price of the real property or equipment is funded through the issuance of a financial instrument which requires payment of principal and interest over time” (i.e., debt financed)

Interim Capital Project

Maysville CTC Montgomery Campus – Welding Lab Renovation

- KCTCS staff request authorization for an interim capital project to **renovate space at the Maysville Community and Technical College Montgomery Campus for a new welding lab**
- **The lab will include 14 welding booths**, one of which will be ADA accessible
- **The total project scope is $1,220,000** and will be funded with**:**
  - $976,000 in federal funds
  - $244,000 in agency restricted funds
- **KCTCS will not be debt financing this project**, therefore, KRS 45.763 doesn't apply
- The project will be submitted for approval by the KCTCS Board of Regents at their **December 6, 2024, meeting**

Interim Capital Project
Recommendation

- Because the project has not been approved by the KCTCS Board of Regents yet but will go for approval at their December 6, 2024, meeting, **CPE staff recommends the Finance Committee endorse the project for full Council approval contingent upon its approval by the KCTCS Board of Regents**

TITLE: Southeast KY Community and Technical College, Whitesburg Campus Pedestrian Bridge Raze and Replace Project Update

DESCRIPTION: Staff will provide updated cost estimates for a raze and replace project at Southeast KY Community and Technical College's Whitesburg Campus that was previously approved for 2024-2026 Asset Preservation Pool funds contingent upon KCTCS officials bringing updated and policy-compliant cost estimates to the Council at its next available meeting.

STAFF CONTACT: Ryan Kaffenberger, Director, Finance Policy and Programs

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BACKGROUND INFORMATION

At its September 16, 2024, meeting, the Council approved the following motion regarding a raze and replace project involving a pedestrian bridge at Southeast KY Community and Technical College's (SEKY CTC) Whitesburg Campus:

> *Due to the age and deteriorating condition of the bridge, impact of historic flooding in Eastern Kentucky on the bridge, and immediate safety concerns for faculty, students, and staff who are currently using an alternate bridge that supports primarily vehicular traffic, the Council approves the request contingent upon KCTCS officials bringing updated and policy-compliant cost estimates to the Council at its next available meeting date.*

Brown and Kubican completed an initial study on January 9, 2020, providing renovation and demolition and reconstruction cost estimates for SEKY CTC's Whitesburg Campus pedestrian bridge that complied with the Council's *2024-2026 Asset Preservation Guidelines*; however, there was a significant difference between the 2020 raze and replace cost estimate (i.e., $609,453) and the project's current scope (i.e., $1,395,000). For this reason, the Council provided approval contingent upon their receiving updated policy-compliant cost estimates.

On November 4, 2024, Brown and Kubican completed a structural condition survey and opinion of probable cost for the pedestrian bridge. In the report, the engineers note that renovating the pedestrian bridge is no longer a viable option and, thus, no renovation cost estimate is provided (see Attachment A). Two excerpts from the report stating this are shown below.

"We performed a visual investigation which included the extent of the pedway, raised landing, and overall site conditions for future construction. Visual observation was performed from the ground and photographs were taken for comparison to the original inspection of 2019. We did not use selective demolition as part of this observation, since the repair of the bridge is no longer a viable option, and selective demolition is unnecessary to determine the scope of replacement." (p. 3)

"In 2019, we considered both repair and replacement of the bridge superstructure. However, due to accelerated deterioration over the past 5 years, we no longer consider the repair option as viable." (p. 13)

Brown and Kubican estimate the probable demolition and construction cost at $1,550,000. Additionally, they estimate design and inspection costs for the replacement bridge at $215,000. Altogether, the engineers recommend KCTCS budget $1,850,000 to raze and replace the SEKY CTC Whitesburg Campus pedestrian bridge, which also includes contingency funds (see Attachment B).

Because it is the opinion of the independent third-party industry professional (i.e., Brown and Kubican) that repairing the pedestrian bridge is no longer a viable option and, therefore, a cost estimate is not practical, it is CPE staff's opinion that the updated structural condition survey and opinion of probable cost comply with Council policy.

ASSET PRESERVATION POOL GUIDELINES

The *2024-2026 Asset Preservation Pool Guidelines* include an exception to the Council's delegation of authority to CPE staff for project review and approval. The Guidelines allow Asset Preservation Pool funds to be used for the demolition and reconstruction of a facility if the estimated cost to raze and replace does not exceed 115% of the estimated cost to renovate the facility and is certified in writing by an independent third-party industry professional. CPE staff is required to bring raze and replace requests to the Finance Committee and full Council, along with the certified cost estimates, for review and approval. Excerpts of relevant language from the guidelines are provided below.

- Projects that preserve, renovate, or renew pedestrian and student parking areas, or raze university-owned buildings are eligible to receive funds from the Asset Preservation Pool.

- For the purposes of these guidelines, "facilities" includes buildings, building systems, and campus infrastructure, such as roads, walkways, electrical grids, steam tunnels, and water chiller plants, that support current and ongoing use of eligible facilities.
  …

- Generally, new construction and expansion projects are not eligible to receive funds from the Asset Preservation Pool. However, under certain limited circumstances, as

described below, use of asset preservation funds to finance new construction or expansion may be permissible.

- If it would be more cost effective to raze and replace rather than renovate an existing facility, then asset preservation funds may be used for demolition and reconstruction. For such a project to be considered cost effective, the cost to raze and replace may not exceed 115% of the cost required to renovate a facility. The cost of each option must be certified in writing by an independent third-party industry professional.

- It is anticipated that requests to raze and replace rather than renovate an existing facility will be infrequent occurrences. For this reason, CPE staff will bring such requests along with certified cost estimates from independent third-party industry professionals to the Finance Committee and full Council for review and approval.

BROWN+KUBICAN
STRUCTURAL ENGINEERS

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859-543-0933

October 31, 2024

Mr. Brian Easton
Facilities Project Manager
Kentucky Community and Technical College System
Office of Facilities Support Services
300 North Main Street
Versailles, Kentucky 40309

RE: Southeast Kentucky Community and Technical College
Replacement of Whitesburg Bridge
2 Long Ave.
Whitesburg, KY 41858
B+K Project Number: 24310
AE job #: 000001

Mr. Easton,

Pursuant to your request, Brown + Kubican, PSC performed an updated structural condition survey and opinion of probable cost estimate to further develop the scope of replacement for the pedestrian bridge at Southeast Kentucky Community and Technical College in Whitesburg, Kentucky. Our work included a new site observation of the pedway and review of available construction documents. We also reviewed the previous structural condition survey performed by Brown + Kubican, PSC in 2019. Preparation of construction documents (drawings and specifications) are not included in our current scope. Our observation was performed on October 28, 2024. All items discussed in the kick-off meeting on October 28, 2024 were also considered in the development of the scope of replacement.

Executive Summary:

Per visual inspection of our updated photos in comparison to the photos taken in 2019, the bridge shows accelerated corrosion and delamination of the bottom chords, cross members, lateral bracing, and steel deck. **The entire pedestrian bridge superstructure should remain closed and barricaded until replacement or demolition can be arranged. Portions of the raised pavilion slab, supporting beams and columns, and lintels above the parking garage openings also show signs of accelerated deterioration and should be replaced or remediated. The existing bridge piers and abutments will likely become structurally sufficient after patching spalled areas; however, a full load capacity check of the existing piers will be necessary as part of the scope of a future phase to determine the adequacy of the existing piers.** We recommend the future bridge include a roof as part of the design to improve its design life. Regular maintenance should also be conducted in the future to prevent deterioration of the future bridge. See the following report for observations, recommendations for repair, and a cost opinion.

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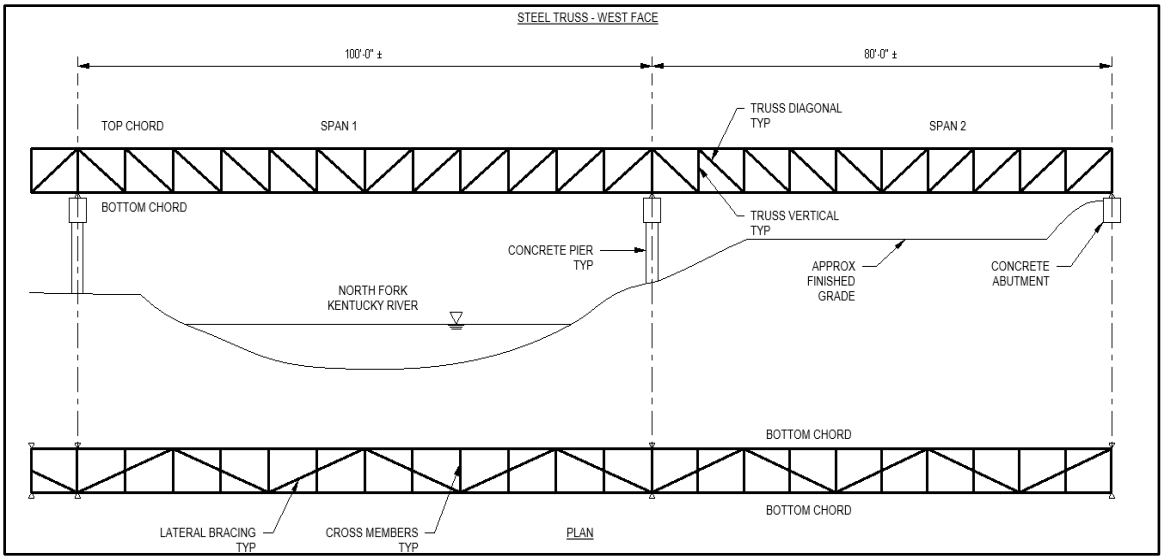

Image 1: Bridge Diagram

Kick-Off Meeting:

A kick-off meeting was held in the Belinda Mason Academic/Technical Building on October 28, 2024 to discuss the programming phase project scope for the replacement of the pedestrian bridge. Topics were discussed that relate to the scope of the project, including:

1. The current bridge lighting is inadequate for the safety of pedestrians. The new future bridge should incorporate a more robust lighting system. Brown + Kubican, PSC will coordinate with the electrical engineer in a future phase.
2. The current bridge may not meet accessibility standards per the Americans with Disabilities Act if it slopes steeper than 5% as it has no intermittent landings. The existing drawings that BK has on file does not include the bridge elevations. The new bridge should meet ADA standards, or the accessibility signage will need to be removed from the bridge side of the building. There is access on the front side of the building that will not be affected.
3. A survey will need to be conducted to gather elevations for the existing abutments and piers, including existing anchor bolt locations and existing vertical truss ends. This will streamline the construction of a new bridge and provide the data needed for a future load capacity analysis of the existing piers. Brown + Kubican, PSC will coordinate with the surveyor to determine the details as part of the scope of a later phase.
4. An extreme flood event occurred in Eastern Kentucky in 2022, and this bridge falls within the target area. Per comments from KCTCS, the water level was approximately 2 feet below the bottom chord of the bridge at crest and therefore did not encroach on the bridge directly; however, it was noted that one of the masonry-wrapped columns supporting the north landing is damaged, leaving the wrapped steel column exposed to mud during the flood event, and open air thereafter. See the discussion on the landing for a detailed explanation of our conclusions after conducting a new visual inspection.
5. There is an existing fiber line that will need to be attached to the new bridge in a secure manner, preferably with a conduit. New design should incorporate a conduit, but not relocate the line.
6. KCTCS reported that a neighbor living in the house near the bridge currently drives under the bridge to access their home. Reasonable accommodation for the neighbor may be necessary once construction begins.

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2024 Inspection:

We performed a visual investigation which included the extent of the pedway, raised landing, and overall site conditions for future construction. Visual observation was performed from the ground and photographs were taken for comparison to the original inspection of 2019. We did not use selective demolition as part of this observation, since the repair of the bridge is no longer a viable option, and selective demolition is unnecessary to determine the scope of replacement.

Image 2: Cross Member Above Abutment

Structure Description:

Existing construction documents made available to us for the Belinda Mason Academic/Technical Building by DCT Design Group, Ltd. and Bradford Walton Structural Engineer, dated July 15, 2002 are on file. Shop drawings of the existing pedway bridge were not provided.

The existing pedestrian bridge is a two-span steel pratt truss between the Mason Academic Building and the Hogg Allied Health Center. The truss has HSS8x8 top and bottom chords, HSS5x5 verticals and HSS3x3 diagonals. Each truss is connected together with HSS6x4 cross members and HSS3x3 lateral bracing below the concrete slab on deck to provide lateral buckling stability. The bridge has an open top with tabs welded to the vertical members for the attachment of a roof. The existing drawings call for the roof to be an alternate; no roof was installed at the time of our inspection. All steel tube members are welded together all around. Steel guardrails are constructed using channels and rounds steel rods for the entire length of the pedway. All steel has a weathering finish. Weathering steel is installed as "raw" steel and allowed to rust. The rust performs a

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protective coating to the elements. The bridge is spliced with bolted splice plates at two locations, the mid span of each span.

Image 3: Bridge West Elevation

The walking surface is exposed concrete with no apparent sealer or traffic membrane. The concrete surface has a broom finish with sawn construction joints at ~7′-6″ on center with no sealer in the joints. The walking surface is constructed with 2 1/2″ concrete over non-composite 1 1/2″ galvanized metal deck (4″ total thickness). The bridge spans between concrete abutments and piers with no apparent sealer applied to their surface. The Southeast span (~80′-0″) is over a parking lot and the Northwest span (~100′-0″) is over the North Fork Kentucky River. The height to the underside of the bridge ranges from ~7′-6″ at the Southeast span and ~17′-9″ at the Northwest span. Photographs of the bridge and its components were taken, some of which are included herein.

The raised landing at the North end of the bridge is constructed of a concrete walking surface that appears to be unsealed. The walking surface is constructed with a 2 ½″ concrete slab over 1 ½″ composite painted metal deck (4″ total thickness) spanning between wide flange steel beams. The steel beams are supported by steel columns wrapped in masonry piers and the building. A steel handrail is attached to the edge angle around the perimeter of the raised landing. The foundation system of the landing is concrete drilled piers. All steel, including the underside of the steel deck, is painted.

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Image 4: Bridge Walking Surface

Image 5: Raised Landing

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Observed Deficiencies:

We observed the following structural deficiencies:

Item 001: Truss Bottom Chords

The truss bottom chords are in moderate to poor condition. The truss bottom chords have consistent mild delamination on the underside of the tube for the full length of the bridge on both chords. While no new measurements were taken, these chords appear to be in worse condition when compared to the photos in the 2019 report. The corrosion is especially severe near the splices.

We believe this is caused by the improper drainage of the walking surface above. The salt/water combination is draining onto the top of the steel bottom chords and causing the chords to rapidly deteriorate. Also, the bridge generally slopes to the west side of the deck, causing the water to drain to the West chord more than the East chord.

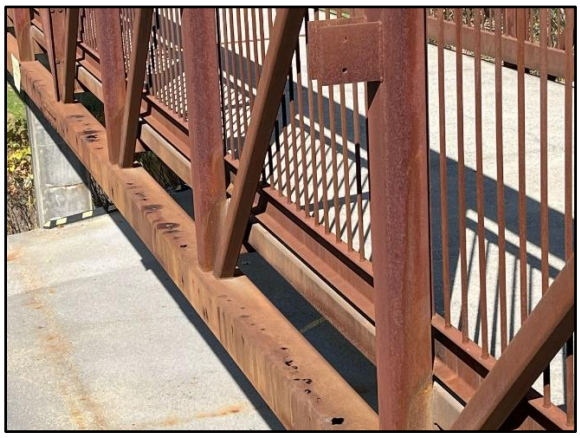

Image 6: West Bottom Chord Deterioration

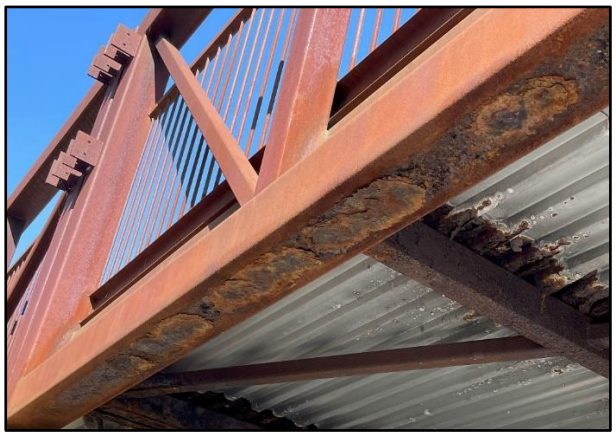

Image 7: Underside of Bottom Chord Delamination

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Item 002: Bridge Cross Members

The cross members are consistently corroded and delaminating at both ends where they connect to the trusses. The bridge is spliced in two locations and has three end-bearing conditions. Each end bearing condition and splice is experiencing infiltration of water through the slab joint and significant corrosion of the cross members.

We believe this is due to the bridge improperly draining over the edge of the walking surface and corroding the end of the cross members. The lack of joint sealants at the splice and bearing locations is causing extra water to corrode the members below these locations.

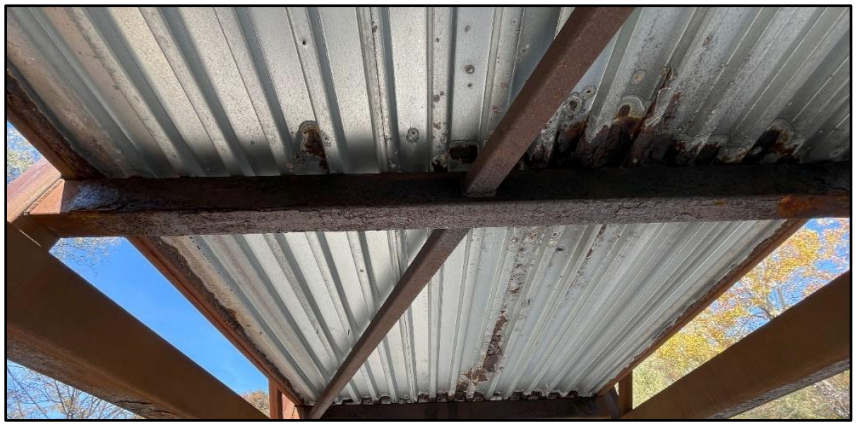

Image 8: Cross Member Corrosion

Item 003: Lateral Bracing

In general, the condition of the lateral braces below the deck are fair. The lateral brace members are corroding on all sides of the section at the ends connected to the cross members. Deterioration is currently localized to the surface of the members, deterioration has yet to greatly impact the welded connections.

We believe this is caused by the lack of joint sealant in the concrete slab on deck sawn joints. Water is infiltrating through the sawn joints and corroding the ends of the lateral braces.

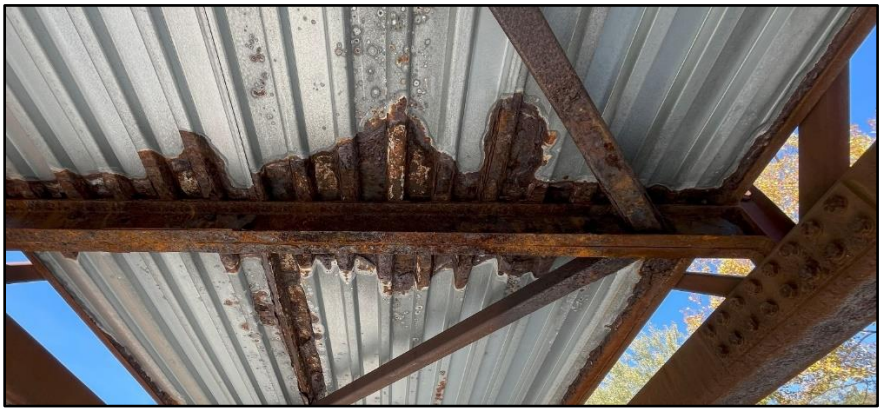

Image 9: Lateral Bracing Corrosion

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Item 004: Concrete Slab Over Steel Deck

The concrete slab over the steel deck is in fair condition. All bearing locations of the galvanized steel deck are experiencing corrosion. Bearing locations include the ends, intermediate supports, and all edge conditions at the perimeter. All locations are experiencing moderate to severe corrosion with some localized areas experiencing full loss of the steel deck.

We believe the deck is corroding at these locations due to the interaction between the galvanized steel and weathering steel. Galvanized steel rapidly deteriorates when in contact with weathering steel. The weathering steel protective rust coating constantly corrodes the galvanized coating until it is gone, and the steel below deteriorates. Another cause is the lack of a traffic membrane allowing water to infiltrate through the sawn joints and corroding the steel deck.

This issue cannot be resolved without full replacement of the concrete slab on deck.

Image 10: Weathering Steel/Galvanized Deck Interaction

Item 005: Concrete Abutments/Piers

Overall, the concrete piers and abutments are in good condition. A few locations are experiencing spalling of the concrete and exposed corroded rebar. The south pier between spans 1 and 2 has an exposed section of reinforcement the full width of the Pier. Further exposure to the elements will result in additional loss of concrete and reinforcement section.

We believe this is a result of inadequate cover for the reinforcement, leading to accelerated corrosion of the reinforcement.

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Image 11: Concrete Pier Spall

Item 006: Bolted Splice Connections

The condition of the bolts at the chord splices were not able to be inspected. Each splice has external cover plates with bolts that thread to an interior nut. Some surface rust was seen at the interior of the chord splice. We are concerned that the bolts are experiencing section loss and severe loss of bearing against the chord walls.

We believe this is caused by the lack of weep holes in the bottom chord, leading to the bottom chords collecting water.

Image 12: Bottom Chord Splice Corrosion

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Landing at North end of Bridge:

While on site we performed a visual observation of the landing attached to the Mason Academic Building, below are our observations.

Image 13: North Raised Landing

The condition of the landing has deteriorated since the observations made in 2019. The steel beams are showing moderate section loss due to corrosion of the top and bottom flanges around the perimeter of the landing. Some localized corrosion was observed at the underside of the deck and at bearing conditions resulting in approximate 90% section loss of the steel deck. The edge angle is experiencing surface rust where it is in contact with the beam top flange.

We believe the corrosion of the underside of the raised landing is due to no galvanizing used on the steel, no special detailing for exterior exposure, no sealant on the concrete slab, and concealed/trapped structure against the building with no weathering protection.

Also, as mentioned in the kick-off meeting, the 2022 flood crest elevation was within feet under the bridge and appears to have chipped off the masonry wrapping on the east column, exposing the steel column to the elements. Due to an exposure of over 2 years and the state of the remainder of the landing, we believe it is unreasonable to repair this column.

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Image 14: North Landing Underside Corrosion

Image 15: Chipping of Masonry from Flooding

Due to the acceleration of corrosion determined by comparing the photos from 2019 to our current photos, and the compromised state of the masonry-wrapped columns from the flood of 2022, it is recommended to remove and replace the landing slab, including all steel support beams and both masonry-wrapped steel columns. The lintels beneath the landing in the parking garage wall, should also be replaced (including the soldier bricks between the lintels and landing support beams) due to their accelerated corrosion. The slab on deck should be replaced with a formed slab and be sealed to prevent further water infiltration.

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Image 16: Lintel Corrosion Under Raised Landing

Replacement

The current condition of the bridge is not sustainable to keep the bridge operational for its intended lifespan. **During replacement efforts the bridge shall remain closed with a barricade that states the closure.** The following elements shall be replaced based on our visual observation.

1. Full superstructure replacement shall be performed. An in-depth load capacity check will be required at a later phase of the project to determine the structural viability of the piers and abutments, however for now, assume they will be retained.
2. If the piers and abutments are found to be structurally sufficient to support the proposed load of the new superstructure, per load capacity calculations, the exposed rebar in the abutments and piers would be repaired. Sawcut around the perimeter of the exposed rebar, undercut concrete to ¾" behind reinforcement, blast clean, prime, and apply repair mortar.
3. The original construction documents planned for a covering over the bridge. It is recommended to incorporate this covering as part of the replacement bridge.
4. Replace the raised landing slab, including all steel supporting members and the two masonry-wrapped columns. Also, replace the two lintels beneath the landing (above the two openings for the parking garage), including the soldier bricks between the lintels and landing support beams.

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Summary:

In summary, we believe that there are two root causes to the bridge deterioration discussed below:

- Use of de-icing salts
  - De-icing salts have been used on the bridge to provide a safe walking path for pedestrians. The salt, mixed with melted snow and ice improperly drains onto the weathering steel and is causing excessive corrosion.
- Bridge detailing
  - Improper drainage of the walking surface:
    - The walking surface drains the salt/water combination onto the bottom chords below.
    - The construction joints in the slab on grade are actively leaching the salt/water combination onto the steel cross members below.
    - Drip edges are not provided, allowing the water to drip from the bottom of the steel members and causing corrosion and delamination.
    - The bridge generally slopes to the West side, leading more water to drain over the West side of the bridge and deteriorate the West side faster.
    - Lack of drainage holes on underside of closed sections.
  - The galvanized deck is in contact with the weathering steel
    - Constant contact with the weathering steel has caused the galvanized steel to deteriorate and lose its galvanized coating.

In 2019, we considered both repair and replacement of the bridge superstructure. However, due to accelerated deterioration over the past 5 years, we no longer consider the repair option as viable. The existing bridge was not detailed for serviceability and maintenance, explaining the accelerated corrosion and spalling we have observed. **We recommend a full replacement of the superstructure with one that is properly detailed for serviceability, along with a properly detailed replacement of the raised landing and its supporting structural members.**

Opinion of probable cost:

Due to the speed of project schedule, our opinion of probable cost will be provided under separate cover.

If you have any questions regarding this report, or if we can be any further assistance, please call.

Best regards,

Jason Campbell, PE
Project Manager
Brown + Kubican, PSC
jcampbell@bkse.net

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Additional Photographs

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BROWN+KUBICAN
STRUCTURAL ENGINEERS

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November 4, 2024

Mr. Brian Easton
Facilities Project Manager
Kentucky Community and Technical College System
Office of Facilities Support Services
300 North Main Street
Versailles, Kentucky 40309

RE: Southeast Kentucky Community and Technical College
Replacement of Whitesburg Bridge
2 Long Ave.
Whitesburg, KY 41858
B+K Project Number: 24310
AE job #: 000001

Mr. Easton,

Related to our updated condition report dated October 31, 2024, Brown + Kubican, PSC has itemized an opinion of probable cost to further develop the scope of replacement for the pedestrian bridge at Southeast Kentucky Community and Technical College in Whitesburg, Kentucky. Our estimate was based on an itemized takeoff of operations, contractors, labor, and materials. Our estimate is based on reuse and repair of the existing abutments; demolition and reconstruction of the raised plaza at the Belinda Mason Building; replacement of certain lintels at the garage level; addition of minor lighting along the pedway; demolition and reconstruction of the pedway superstructure; zinc rich primer and high performance topcoat on the structural steel; new conduit for fiber line; restoration of the site gravel and plantings around the building; some allowance for pavement restoration after damage from the cranes; sealants and traffic coating on the pedway and plaza slabs.

The costs presented are accurate to the best of our ability, but they are not guaranteed to be true or exact. The past four years have exhibited extreme inflation, volatility, and availability drought of construction materials due to the COVID pandemic and then unprecedented nationwide demand. Steel products have risen, and held, to two- to three-times pre-COVID costs. During years 2021 and 2022 projects were commonly receiving bids which would not be held more than 7 days (though that has stabilized and now held at 30 days) and many construction material costs were only being quoted to the contractor after they were loaded on the truck for delivery forcing contractors to inflate their bids. Most recently in 2023 and 2024, the labor shortage has caused many large, attractive projects to receive few and even no bids in major packages. We have seen the availability of projects to bid to be low in far eastern and far western Kentucky, allowing for competitive bids from local contractors. That said, the larger construction managers who frequently serve those markets have significant backlog of work regionally and seem to be avoiding the laborious renovation projects due to shortage of capable project managers. Therefore, we would recommend competitive bidding to general contractors.

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Based on our calculations we estimate the probable construction cost as:

General Conditions and Equipment	$270,000
Demolition	$85,000
Site	$65,000
Structure	$930,000
Electrical	$15,000
Profit	$135,000
Total	**$1,550,000**

Related to design and other soft costs, we anticipate the need for minor involvement of an electrical engineer to design lighting and conduit for the fiber optic line. We expect that a survey will need to be undertaken to verify pedway slopes, abutment elevations, and anchor rod locations. The project will require special inspections. Due to the construction over the river, there may be need to do water modeling for temporary encroachment into the floodway, permitting, and other analysis by a Civil Engineer. We hope to reuse the abutments such that we do not anticipate the need for geotechnical engineering. We estimate the related design and inspection costs as:

Initial Assessment / OPC	$10,000
Civil Engineering Study	$10,000
Base Structural/Electrical Design	$140,000
Surveying	$20,000
Special Inspection	$35,000
Total	**$215,000**

Other soft costs from KCTCS should be included by yourself when presenting an overall budget. Minus such costs **we recommend budgeting a $1,850,000 for construction, fees, and contingency**. We have not included escalation in the estimate; should you anticipate not funding the project for construction in 2025, include 7% escalation for each year's delay based on overall economy trends.

If you have any questions regarding this report, or if we can be any further assistance, please call.

Best regards,

Dan Kubican PE

Dan Kubican, PE
President
Brown + Kubican, PSC
dkubican@bkse.net

Project Update:
Southeast KY Community and Technical College, Whitesburg Campus Pedestrian Bridge

Project Update

Southeast KY CTC Whitesburg Campus – Pedestrian Bridge

- At its September 16, 2024, meeting, **the Council moved to approve a raze and replace project** involving a pedestrian bridge at Southeast KY Community and Technical College's (SEKY CTC) Whitesburg Campus **contingent upon KCTCS officials bringing updated and policy-compliant cost estimates to the Council**

  MOTION: *Due to the age and deteriorating condition of the bridge, impact of historic flooding in Eastern Kentucky on the bridge, and immediate safety concerns for faculty, students, and staff who are currently using an alternate bridge that supports primarily vehicular traffic, I move that the Council approve this request contingent upon KCTCS officials bringing updated and policy-compliant cost estimates to the Council at its next available meeting date.*

- **Brown and Kubican completed an initial study on January 9, 2020**, providing renovation and demolition and reconstruction cost estimates for SEKY CTC's Whitesburg Campus pedestrian bridge, **however, there was a significant difference between the 2020 raze and replace cost estimate and the project's requested scope** (i.e.,$609,453 and $1,395,000, respectively)

Project Update

Southeast KY CTC Whitesburg Campus – Pedestrian Bridge

- On November 4, 2024, **Brown and Kubican completed a structural condition survey and opinion of probable cost** for the pedestrian bridge

- The engineers note that **renovating the pedestrian bridge is no longer a viable option,** so no renovation cost estimate is provided

"We performed a visual investigation which included the extent of the pedway, raised landing, and overall site conditions for future construction. Visual observation was performed from the ground and photographs were taken for comparison to the original inspection of 2019. We did not use selective demolition as part of this observation, since the repair of the bridge is no longer a viable option, and selective demolition is unnecessary to determine the scope of replacement." (p. 3)

"In 2019, we considered both repair and replacement of the bridge superstructure. However, due to accelerated deterioration over the past 5 years, we no longer consider the repair option as viable." (p. 13)

Project Update

Southeast KY CTC Whitesburg Campus – Pedestrian Bridge

Project Update

Southeast KY CTC Whitesburg Campus – Pedestrian Bridge

- Brown and Kubican estimate the **probable demolition and construction cost at $1,550,000**
- They estimate **design and inspection costs for the replacement bridge at $215,000**
- Altogether, **the engineers recommend KCTCS budget $1,850,000** to raze and replace the SEKY CTC Whitesburg Campus pedestrian bridge, which also includes contingency funds

➢ Because it is the opinion of Brown and Kubican that repairing the pedestrian bridge is no longer a viable option and, therefore, a cost estimate is not practical, it is CPE staff's opinion that the updated structural condition survey and opinion of probable cost comply with Council policy

Performance Funding Work Group

Performance Funding Update
Background Information

- SB 191, adopted during the 2024 Regular Session, removed URM degree and credential metrics from university and KCTCS models:

  The funding model shall include a public university sector formula and a KCTCS sector formula and shall not include any race-based metrics or targets in the formulas (Section 1, p. 3)

- The bill struck the word "minority" in two places, resulting in an allocation of resources to "underrepresented students"
- SB 191 directed the Council to replace the URM bachelor's degree metric with first-generation and low-income student bachelor's degree metrics (@ 1.50% each) for the 2024-25 distribution

Performance Funding Update

Background Information (Cont'd)

- SB 191 called for the Postsecondary Education Working Group to convene in 2024:

  for the sole purpose of considering how to define "underrepresented students" in the comprehensive funding model for the public postsecondary education system (Section 3, p. 10)

- Finally, the bill directs the Council to report the recommendations of the working group to the Governor and Legislative Research Commission by December 1, 2024

Performance Funding Update

Work Group Meetings

- The Performance Funding Work Group met three times in 2024
- At the first meeting (Sep 4), staff shared background information, outlined the working group's charge, and presented four potential metrics for consideration:
  - Low-Income Student Bachelor's Degrees
  - First-Generation College Student Bachelor's Degrees
  - Underprepared Student Bachelor's Degrees
  - High-Need High School Student Bachelor's Degrees
- There was much discussion and many questions regarding the potential metrics; no decisions were made, no votes were taken

Performance Funding Update
Work Group Meetings (Cont'd)

- At the second meeting (Oct 2), group members continued to discuss the potential metrics presented at the first meeting
- They reviewed several scenarios that incorporated some combination of those metrics
- They discussed a new Low-Income Student Enrollment metric proposed by MoSU (the IPEDS definition is provided below)

  The number of full-time, first-time degree/certificate seeking undergraduate students paying the in-state or in-district tuition rate who were awarded Title IV federal student aid and have income levels between $0 - $30,000

- KCTCS shared preliminary recommendations for the two-year college model that were endorsed by the KCTCS Presidents' Leadership Team

Performance Funding Update
Work Group Meetings (Cont'd)

- At the third meeting (Oct 28), KCTCS officials presented final recommendations for work group consideration:
  - Define "underrepresented students" as first-generation college student credentials
  - Align allocation percentages at 4.0% each for:
    1) First-generation college student credentials
    2) Low-income student credentials
    3) Underprepared student credentials
    4) Nontraditional age (25+) student credentials
- The working group voted unanimously to accept KCTCS' proposal

Performance Funding Update
Work Group Meetings (Cont'd)

- The group continued their discussion of potential university model metrics; staff shared two scenarios requested by group members
- In an attempt to achieve consensus, staff shared a "Proposal for Consideration" that included the following elements:
  - Define the "underrepresented students" metric as first-generation college student bachelor's degrees (@ 3.0% of allocable resources)
  - Calculate and apply a sector weighting to the data at the midpoint between no weighting and full weighting (i.e., half weighting)
- EKU proposed using the same approach as used in 2024-25
- Ultimately, a majority of members voted to accept staff's proposal

Performance Funding Update
Work Group Recommendations

- After three meetings and much discussion, a majority of work group members voted to recommend the following changes to the university funding model:
  - Define "underrepresented students" in the university model as first-generation college students
  - Adopt bachelor's degrees earned by such students as the metric
  - Assign the full 3.0% of available allocable resources to this metric
  - Calculate and apply a sector weighting to the data at the midpoint between no weighting and full weighting (i.e., half weighting)

Performance Funding Update

Work Group Recommendations (Cont'd)

- In terms of the two-year college model, the working group voted unanimously to accept the following KCTCS recommendations:
  - Adopt first-generation college student credentials as the "underrepresented students" metric
  - Align allocation percentages at 4.0% each for:
    1) First-generation college student credentials
    2) Low-income student credentials
    3) Underprepared student credentials; and
    4) Nontraditional age (25+) student credentials

Performance Funding Update

Work Group Recommendations (Cont'd)

- With these actions, the work of the 2024 Performance Funding Work Group was concluded
- A transmittal letter will be sent to the Governor and Legislative Research Commission by December 1, 2024, conveying the recommendations of the work group
- It is anticipated that the recommendations can be operationalized through changes in administrative regulation, instead of requiring a bill to be passed or changes in statute (KRS 164.092).

FINANCE COMMITTEE **INFORMATION ITEM**
KENTUCKY COUNCIL ON POSTSECONDARY EDUCATION November 15, 2024

TITLE: Performance Funding Work Group Update

DESCRIPTION: Staff will present the recommendations of the 2024 Postsecondary Education Work Group that was charged define "underrepresented students" in the funding model.

STAFF CONTACTS: Bill Payne, Vice President for Finance Policy and Programs
Ryan Kaffenberger, Director of Finance Policy and Programs

BACKGROUND INFORMATION

Senate Bill 191, adopted during the 2024 Regular Session, included language specifying that the comprehensive funding models for the public postsecondary system implemented by the Council on Postsecondary Education "shall not include any race-based metrics or targets in the formulas" (p. 3). It also struck the word "minority' in two places, resulting in an allocation of resources to "underrepresented students". In this manner, underrepresented minority (URM) student degree and credential metrics were removed from university and KCTCS funding models that they had been a part of for the past seven years.

In addition, SB 191 directed the Postsecondary Education Working Group to convene during 2024 "for the sole purpose of considering how to define 'underrepresented students' in the comprehensive funding model for the public postsecondary education system" (p. 10). Pursuant to this language, CPE staff brought together statutorily required members of the work group (KRS 164.092), including university presidents, the KCTCS president, CPE president, and state policymakers, to determine how to define the term "underrepresented student" and replace the former URM student degree and credential metrics in the models.

Finally, SB 191 directed the Council to report the recommendations of the working group to the Governor and to the Legislative Research Commission for referral to the Interim Joint Committees on Education and Appropriations and Revenue by December 1, 2024.

WORK GROUP MEETINGS

The Postsecondary Education Working Group met three times in 2024. The first meeting was held on September 4 at Northern Kentucky University. At that meeting, staff shared background information regarding adjustments to the funding models recommended by the 2023 working group, the manner by which URM student bachelor's degrees and two-year credentials were removed from the models, replacement metrics that were used to run the 2024-25 iterations of

university and KCTCS models, and the impact of using unweighted metrics on the distribution of funds among institutions within the university model.

In addition to providing background information, staff provided information regarding the scope of the 2024 working group's charge and a timeline for completion of their work. Specifically, SB 191 established the following limit for the working group's review:

> The postsecondary education working group… shall convene during the 2024 Interim for the sole purpose of considering how to define "underrepresented students" in the comprehensive funding model for the public postsecondary education system... (p. 10)

The deadline for submitting work group recommendations to the Governor and Legislative Research Commission is December 1, 2024.

Finally, staff shared information regarding four potential replacement metrics for the URM bachelor's degree metric in the university funding model, including:

- Low-income student bachelor's degrees
- First-generation college student bachelor's degrees
- Underprepared student bachelor's degrees
- Bachelor's degrees awarded to students from high-need high schools

There was much discussion and many questions about the four potential metrics. Work group members were encouraged to identify and propose other potential metrics for consideration. No decisions were made, and no votes were taken at the first meeting. All potential alternatives to replace the URM bachelor's degree metric remained on the table and at least two campus officials indicated an interest in considering additional metrics.

Second Meeting. The second meeting of the 2024 working group was held on October 2 and took place virtually. At that meeting, group members continued to discuss the four potential replacement metrics identified at the first meeting and reviewed several scenarios that incorporated some combination of those metrics (e.g., one scenario included a mixture of 1.0% low-income student, 1.0% first-generation student, and 1.0% underprepared student bachelor's degrees). In addition, the group discussed a new low-income student enrollment metric proposed by Morehead State University.

Specifically, MoSU officials proposed that the working group consider using the number of full-time, first-time degree seeking students with income levels between $0 and $30,000 as a replacement for the URM metric. The income-level data for this metric are obtained from the FAFSA and reported to the Integrated Postsecondary Education Data System (IPEDS) by campus financial aid officers. Below is the official IPEDS definition for this metric.

> The number of full-time, first-time degree/certificate seeking undergraduate students paying the in-state or in-district tuition rate who were awarded Title IV federal student aid and have income levels between $0 - $30,000.

MoSU officials asked CPE staff to run two scenarios using their proposed metric, one using primary data and another using data weighted to account for the proportion of low-income students in each institution's overall entering full-time, first-time degree seeking cohort. The primary rationale for including a low-income enrollment metric in the model is that it would provide a financial incentive for institutions to recruit and enroll students from impoverished socioeconomic backgrounds, thus expanding access for this underrepresented group.
Again, there was much discussion surrounding the potential replacement metrics. No single metric or combination of metrics was endorsed by all members, nor were any options removed from consideration. No votes were taken.

Third Meeting. The third and final meeting of the 2024 working group took place on October 28. At that meeting, KCTCS officials presented a final recommendation to group members regarding a replacement metric for URM credentials in the two-year college model. Specifically, they recommended that the group adopt first-generation college student credentials as the "underrepresented students" metric beginning in 2025-26. In addition, they asked that language in KAR regulation be adjusted to align allocation percentages at 4.0% each for first-generation student (i.e., underrepresented student), low-income student, underprepared student, and nontraditional age (25+) student credentials. All of these recommendations were endorsed by the KCTCS Presidents' Leadership Team. The work group voted unanimously to adopt KCTCS' recommendations.

In terms of the university model, the working group continued their discussion of potential replacements for the URM student bachelor's degree metric. In addition, CPE staff shared two scenarios that had previously been requested by group members, including one that examined the impact of applying differential weights by sector to the low-income student enrollment metric proposed by MoSU and another that combined first-generation bachelor's degrees (@ 1.50%) and low-income enrollment (@ 1.50%), both weighted and unweighted.

In an attempt to achieve consensus, CPE staff also shared a "Proposal for Consideration" that included the following recommended elements within the university funding model:

- Define "underrepresented students" as first-generation college students
- Use bachelor's degrees earned by such students as the metric
- Assign the full 3.0% of available allocable resources to this metric
- Calculate and apply a sector weighting to the data at the midpoint between <u>no</u> weighting and <u>full</u> weighting (i.e., <u>half</u> weighting)

This proposal was the result of discussions between CPE Executive Leadership and state policymakers. It was intended to lend a statewide perspective to group discussions and represent a fair outcome for all stakeholders.

During deliberations about the “Proposal for Consideration”, President David McFaddin from Eastern Kentucky University proposed that the working group consider retaining the same methodology for distributing the available 3.0% funding pool in 2025-26 and 2026-27, that had been used to determine the 2024-25 performance distribution. As a reminder, the URM bachelor’s degree metric was replaced in 2024-25 using a combination of low-income student bachelor’s degrees (@ 1.50%) and first-generation bachelor’s degrees (@ 1.50%), with neither metric weighted to account for cost and mission differences between sectors.

President Thompson asked group members if there were any other proposals they wanted to consider. Hearing none, he led the group through a series of votes on the components of each proposal, including group preferences regarding how to define “underrepresented students”, metrics, and sector weightings. Ultimately, a majority of group members voted to adopt all elements of the “Proposal for Consideration” as presented by CPE staff.

FINAL RECOMMENDATIONS

Pursuant to directives outlined in SB 191, the Postsecondary Education Working Group convened in 2024 for the sole purpose of determining how to define "underrepresented students" in the university and KCTCS funding models. After three meetings and much discussion, a majority of work group members voted to define “underrepresented students” in the university funding model as first-generation college students and to assign 3.0% of available allocable resources to bachelor’s degrees earned by such students. In addition, a majority of members voted to apply a sector weighting to the first-generation bachelor’s degree metric, calculated at the midpoint between no weighting and full weighting.

With respect to the two-year college model, the working group unanimously accepted the recommendations of KCTCS officials to adopt first-generation college student credentials as the “underrepresented students” metric and to align allocation percentages at 4.0% each for first-generation college student (i.e., underrepresented student), low-income student, underprepared student, and nontraditional age (25+) student credentials.

With these actions, the work and activities of the 2024 Postsecondary Education Working Group were thereby concluded. A transmittal letter conveying the recommendations of the work group will be sent by December 1, 2024, to the Governor and Legislative Research Commission for referral to the Interim Joint Committees on Education and Appropriations and Revenue. It is anticipated that the recommendations of the working group can be operationalized through changes in administrative regulation, instead of requiring passage of a bill or changes in statute (KRS 164.092).

Copies of CPE staff and KCTCS PowerPoint presentations that were shared with work group members at the October 28 meeting can be found at:
https://cpe.ky.gov/aboutus/records/perf_funding/agenda-2024-10-28-pf.pdf

FINANCE COMMITTEE **INFORMATION ITEM**
KENTUCKY COUNCIL ON POSTSECONDARY EDUCATION November 15, 2024

TITLE: Components of the Total Cost of Attendance *(at Kentucky public universities)*

DESCRIPTION: Staff will explore trends over time in room and board costs, books and supplies, and other costs that comprise component elements of the total cost of attendance at Kentucky public universities.

STAFF CONTACT: Ryan Kaffenberger, Director, Finance Policy and Programs

SUPPORTING INFORMATION

At an earlier Finance Committee meeting, Council Chair Silvert requested information on the trends of total cost of attendance over the last few years, including housing, board and book pricing. In response, staff compiled the following information.

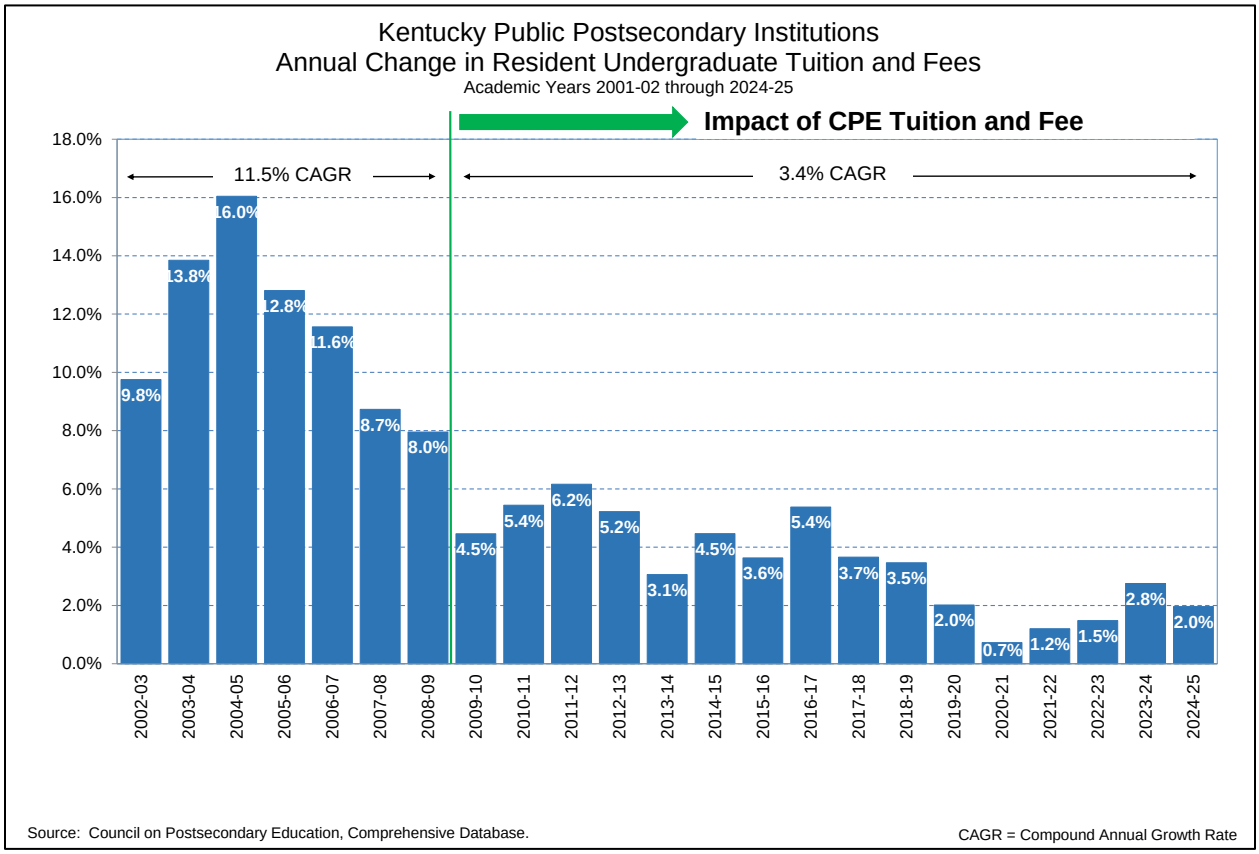
Every year since 2009-10, the Council on Postsecondary Education has adopted rate ceilings for resident undergraduate tuition and fee charges, resulting in considerably lower levels of annual increase compared to the seven years prior. As can be seen in the chart below, the system average increase in resident undergraduate tuition and fee charges grew at an average annual rate of 11.5% between academic years 2002-03 and 2008-09 and increased at an annual rate of 3.4% over the 16 years since.

At the March 24, 2024, meeting of the Finance Committee, Chair Madison Silvert asked staff to review and report on the change over time in component elements of the total cost of attendance, such as room, board, and book costs at Kentucky postsecondary institutions. Specifically, Chair Silvert wanted to know if pricing structures at the institutions changed in response to Council adopted tuition and fee ceilings. Change in room and board costs were identified as being of particular interest.

Attached is a presentation that shows trends over time in the components of total cost of attendance at each Kentucky public university from 2009-10 to 2023-24, using data from the National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS). The analyses were limited to the state's public universities because KCTCS colleges do not charge room and board.

Key takeaways from staff's analysis of the components of total cost of attendance at the public universities include:

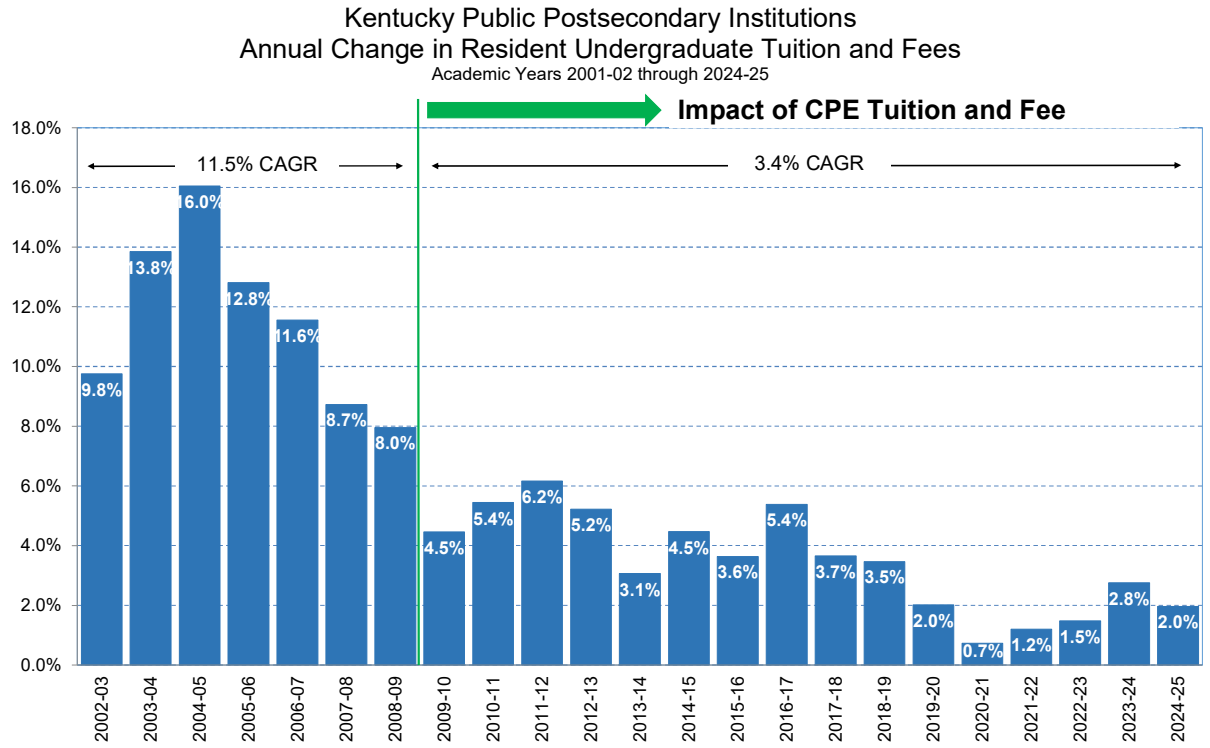
- In general, room and board prices have not drastically outpaced growth in tuition and fees since CPE began setting tuition and fee ceilings, however, room and board rates at some institutions have been accelerating in recent years.
- Room and board increases occur more sporadically than tuition and fees, often aligned with the opening of new/improved residence halls and other auxiliary services.
- Universities serving rural areas, in particular, have made efforts to maintain affordability as evidenced by (1) room and board increases closely tied to the Council's historically low tuition and fee increases, (2) decelerating room and board increases, and (3) reductions in the cost of books and supplies.
- Data reported to IPEDS by the institutions would benefit from using a standardized methodology for calculating each cost component, which would result in greater comparability across institutions over time, particularly for room and board, other expenses, and books and supplies.
- Methodologies and the rationales for their use differ across universities when calculating the components of total price, which can have a differential impact on current and prospective students.



Total Cost of Attendance at Kentucky Public Universities

Purpose

- The Council has kept **tuition and fee increases at historically low levels** since setting ceilings in 2009-10
- Council members asked whether institutions have **responded by increasing prices on other components of the cost of attendance**, such as room and board and books and supplies
- **This presentation displays trends in the total cost of attendance (i.e., total price)** for KY's public universities using data from the National Center for Education Statistics' Integrated Postsecondary Education Data System (IPEDS)
- This analysis compares trends across components of total price as reported by KY public universities from **2009-10 to 2023-24 to coincide with CPE's tuition and fee ceilings**



Source: Council on Postsecondary Education, Comprehensive Database.

CAGR = Compound Annual Growth Rate

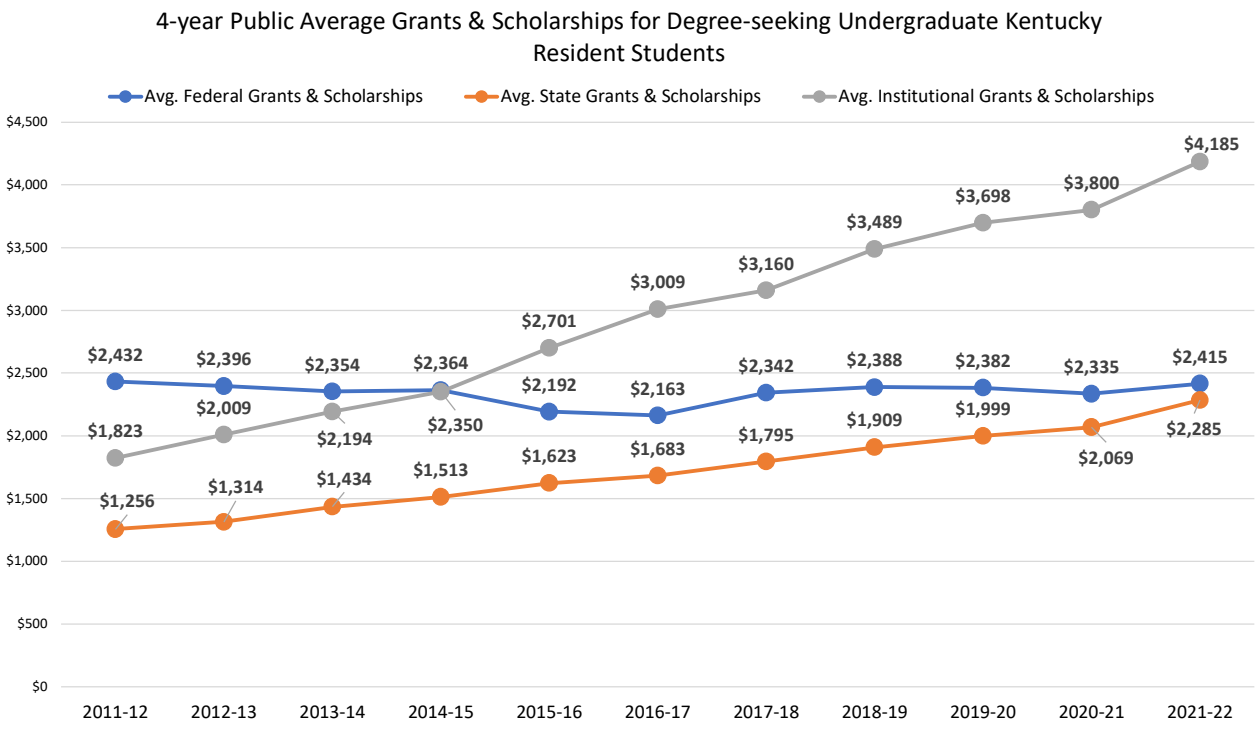
Interpreting the Data

An important note on interpretation:

- **Total price is one of many metrics** used to determine how universities' pricing structures have evolved and their effects on affordability
- For example, in recent years, KY's public universities have **dramatically increased the amount of institutional grants and scholarships** they award annually
- As such, **average net price is a better indicator of how affordability has changed** over time across various student groups.
- **Average net price as a percentage of median household income** is another useful indicator for assessing affordability

Avg. Net Price = total price – avg. grant and scholarship aid from federal, state, or local governments, or the institution

- The analysis in this presentation is limited to trends in total price and its components

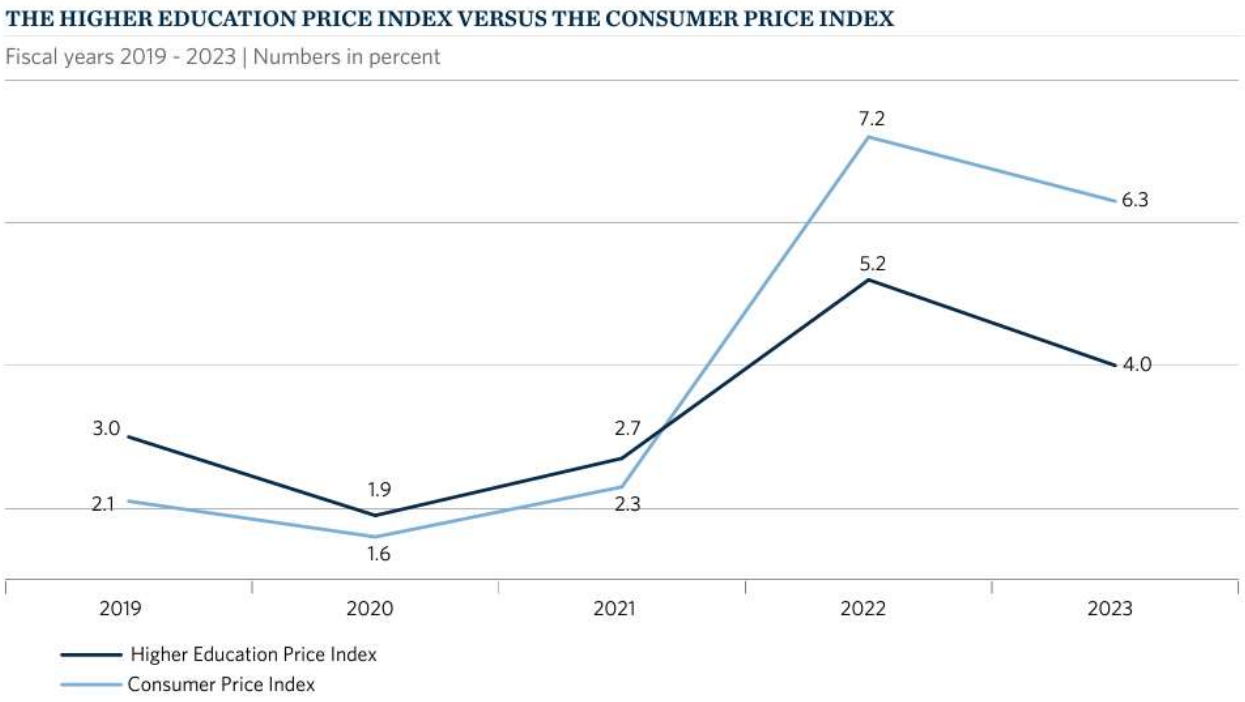


Source: Kentucky Postsecondary Education Data System (KPEDS)

Interpreting the Data

An important note on interpretation:

- In recent years, the higher education sector has **experienced significant budgetary pressure from inflation**
- As such, **increases in the components of total cost due to inflation over this period are expected**
- The General Assembly acknowledged this pressure by **appropriating $35.8 million to address inflation at KY institutions** in the 2024-2026 biennial budget bill (HB 6)



Source: Commonfund Higher Education Price Index: 2023 Update

IPEDS Data Definitions

Institutions may have different methodologies for calculating these elements

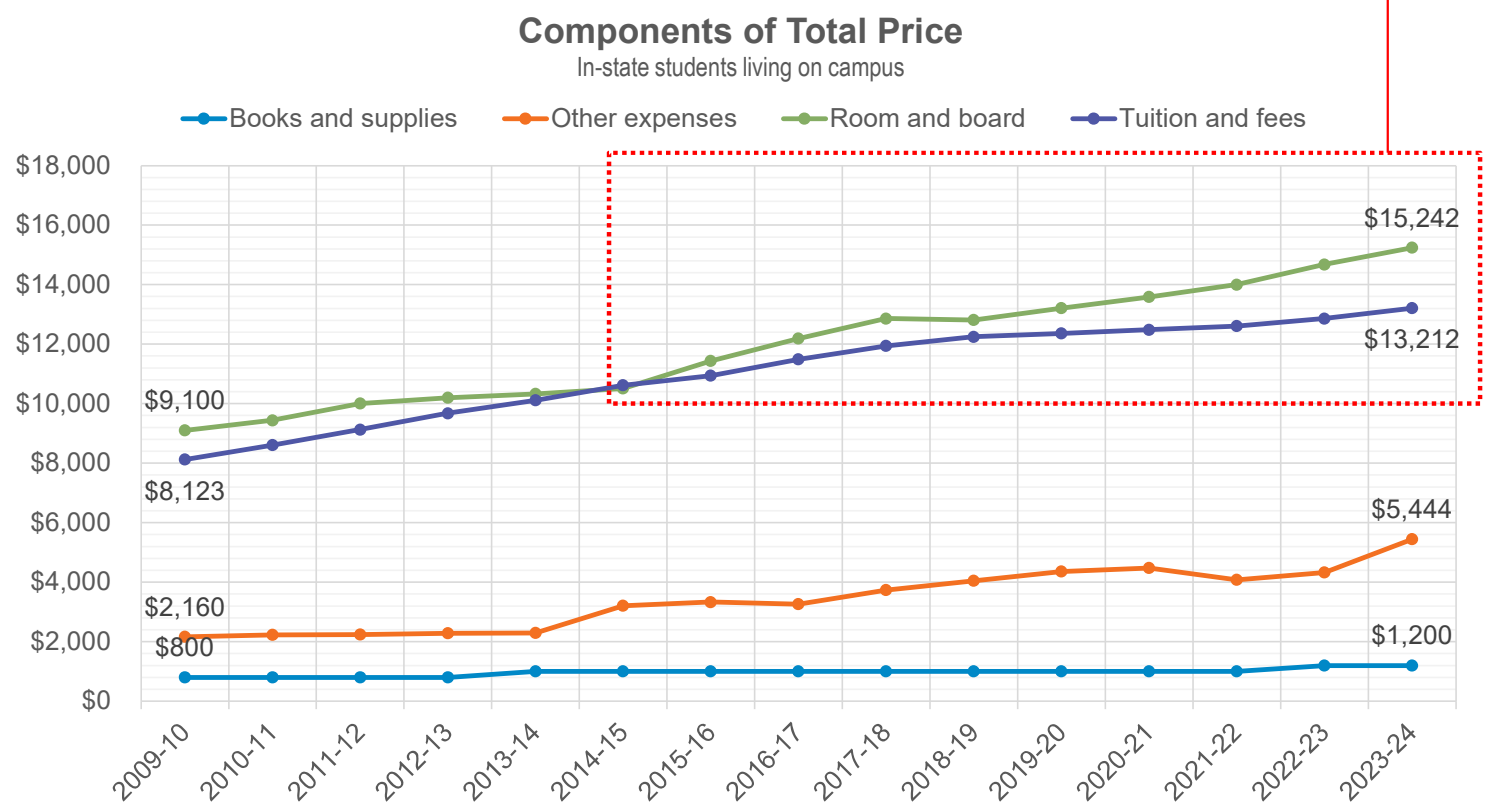
- **Total price for in-state students living on campus**
  - Cost of attendance for full-time, first-time degree/certificate seeking in-state undergraduate students living on campus. It includes in-state tuition and fees, books and supplies, on campus room and board, and other on campus expenses.
- **Published in-state tuition and fees**
  - Price of attendance for full-time, first-time undergraduate students for the full academic year. The tuition charged by institutions to those students who meet the state's or institution's residency requirements. Tuition is the amount of money charged to students for instructional services. Tuition may be charged per term, per course, or per credit. Required fees are fixed sum charged to students for items not covered by tuition and required of such a large proportion of all students that the student who does NOT pay the charge is an exception.
- ★ **Books and supplies**
  - The average cost of books and supplies for a typical student for an entire academic year (or program). Do not include unusual costs for special groups of students (e.g., engineering or art majors), unless they constitute the majority of students at your institution
- ★ **On campus, room and board (i.e., food and housing)**
  - Room consists of charges for an academic year for rooming accommodations for a typical student sharing a room with one other student. Board consists of charges for an academic year for meals, for a specified number of meals per week.
- ★ **On campus, other expenses**
  - The amount of money (estimated by the financial aid office) needed by a student to cover expenses such as laundry, transportation, entertainment, and furnishings.

Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved April 10, 2024.

University of Kentucky

Public Universities
University of Kentucky

Acceleration in room and board prices relative to tuition and fees; consistent with residence hall construction (i.e., addition of 6,800 beds across 14 residence halls) and inflation



Percent Change from 2009-10:

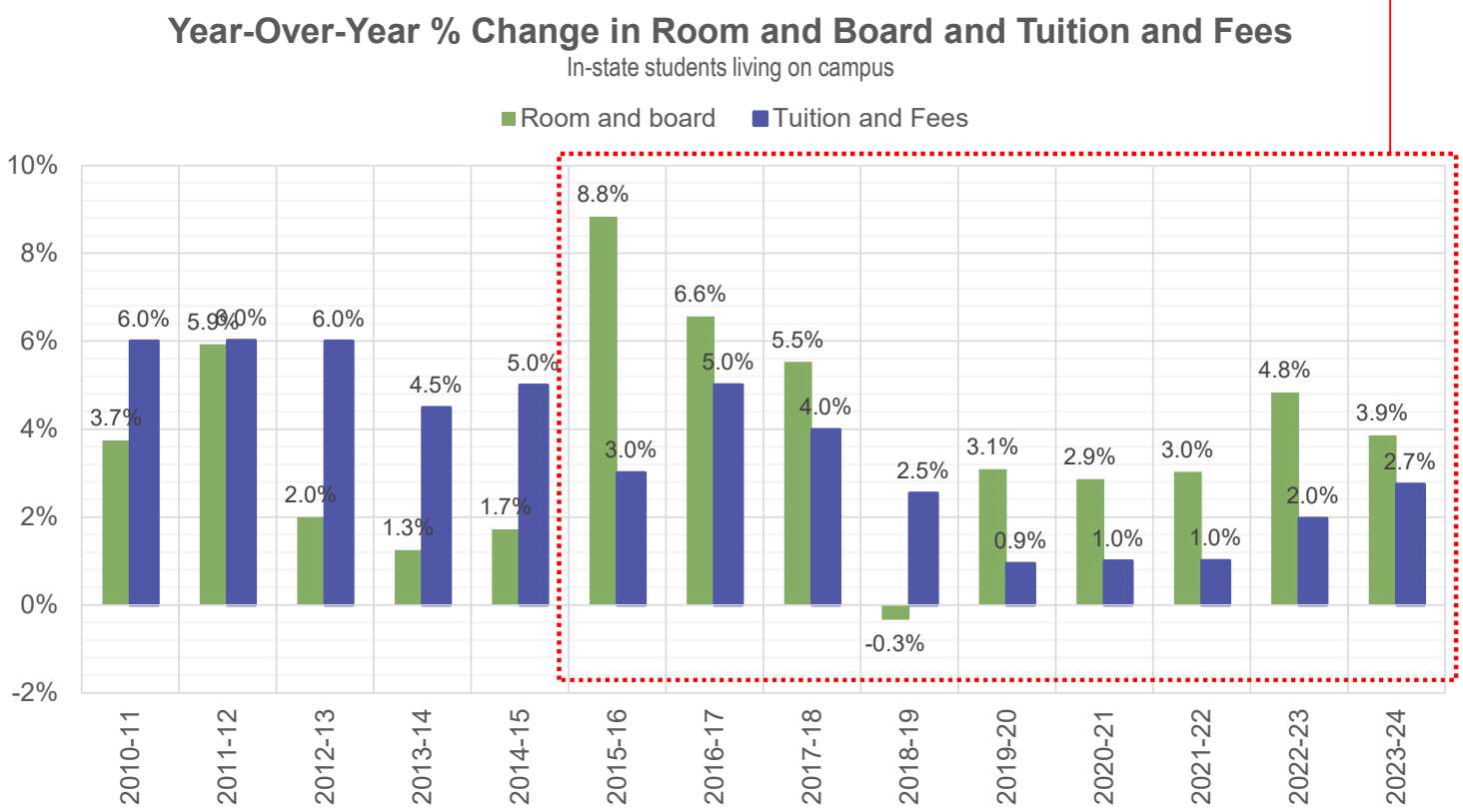
- *Tuition and fees*
  - 62.6%
  - CAGR: 3.5%
- *Room and board*
  - 67.5%
  - CAGR: 3.8%
- *Other expenses*
  - 152.0%
  - CAGR: 6.8%
- *Books and supplies*
  - 50.0%
  - CAGR: 2.9%

CAGR = Compound Annual Growth Rate

Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved October 31, 2024.

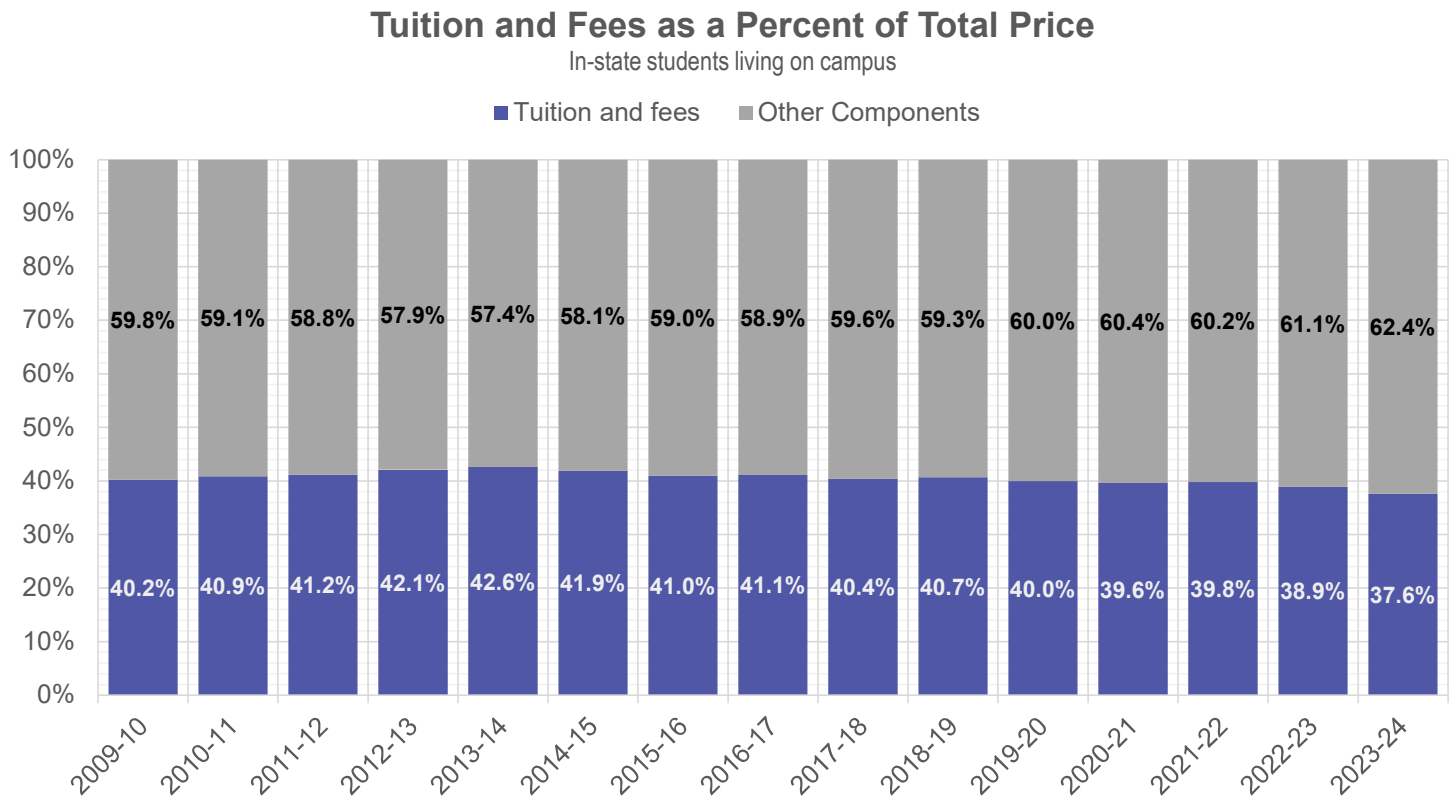
Public Universities
University of Kentucky

Some acceleration in room and board prices relative to tuition and fees; consistent with residence hall construction (i.e., addition of 6,800 beds across 14 residence halls) and inflation



Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved April 5, 2024.

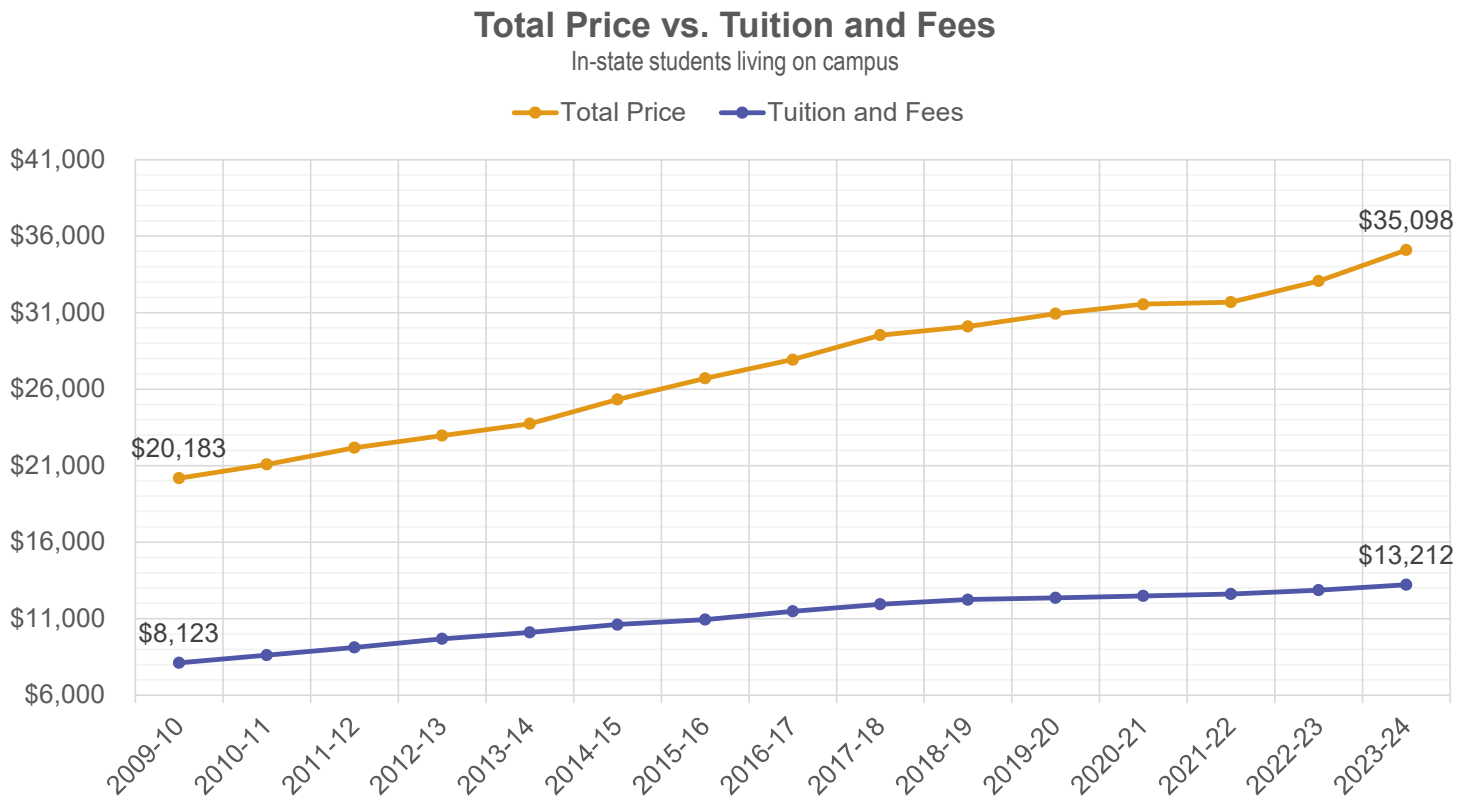
Public Universities
University of Kentucky



- As a percent of total price, tuition and fees have remained relatively stable
- However, since peaking in 2013-14, the share attributed to tuition and fees has gradually declined and is at its lowest point in 2023-24

Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved October 31, 2024.

Public Universities
University of Kentucky

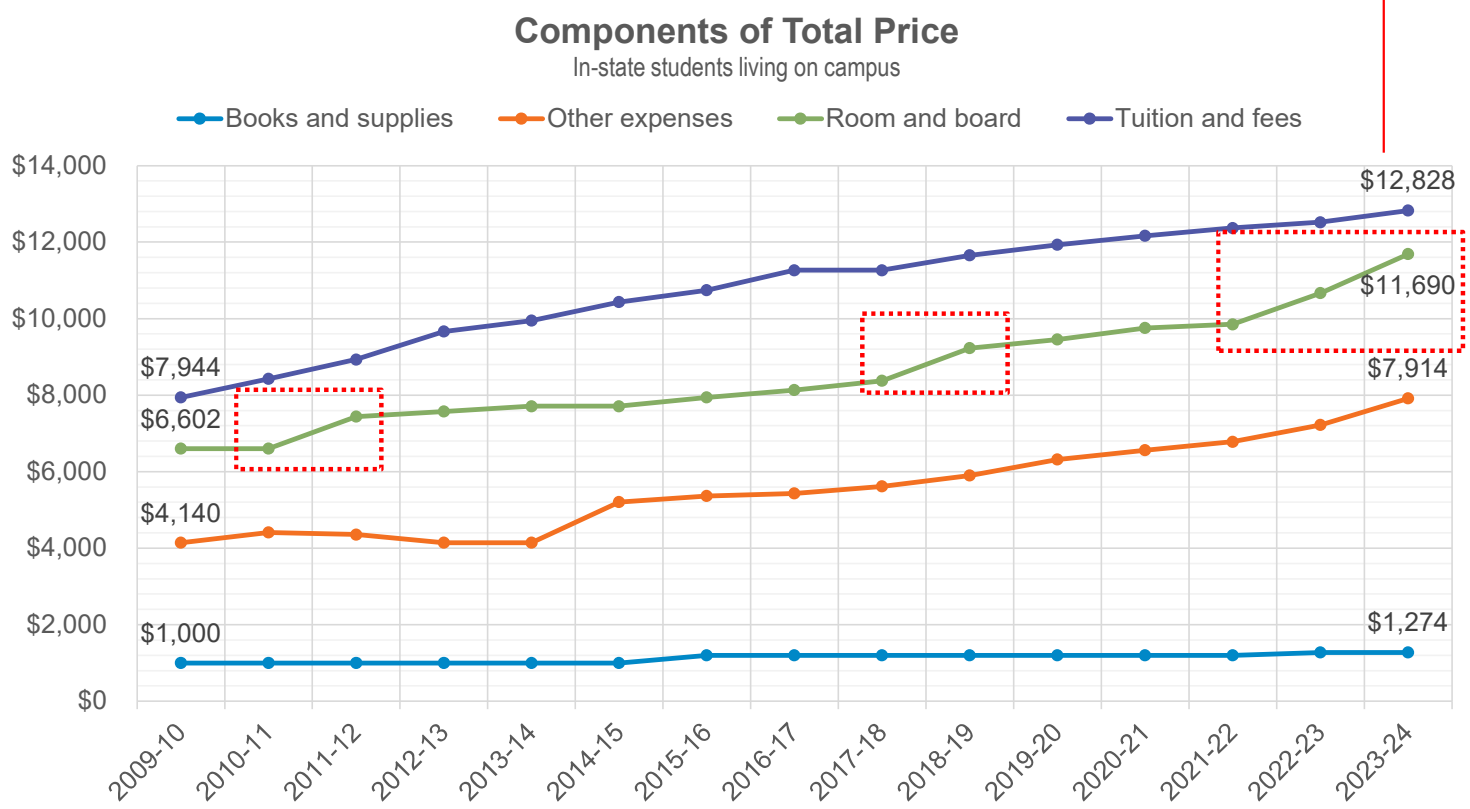


Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved October 31, 2024.

University of Louisville

Public Universities
University of Louisville

Recent acceleration in room and board; Periodic large increases in room and board



Percent Change from 2009-10:

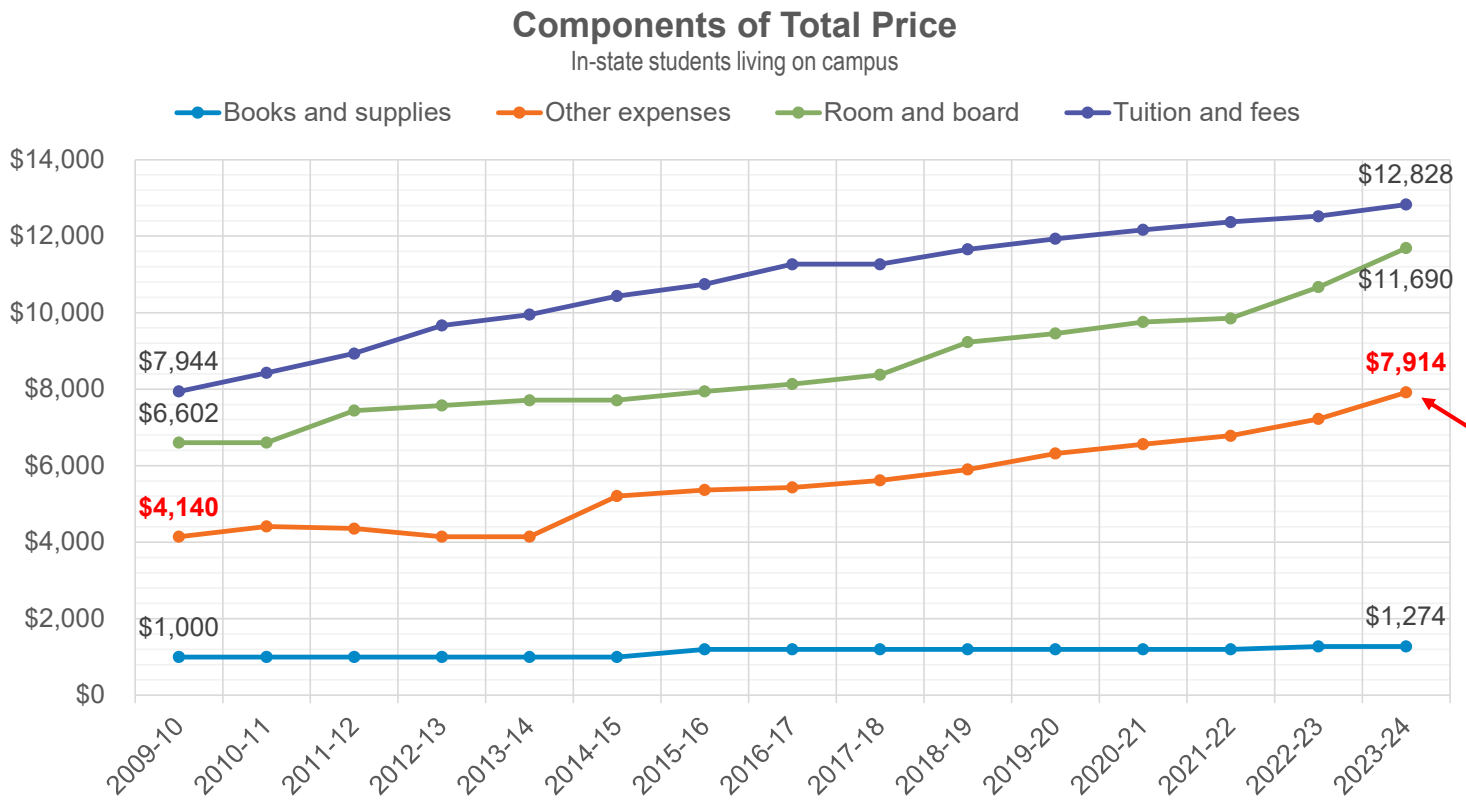
- *Tuition and fees*
  - 61.5%
  - CAGR: 3.5%
- *Room and board*
  - 77.1%
  - CAGR: 4.2%
- *Other expenses*
  - 91.2%
  - CAGR: 4.7%
- *Books and supplies*
  - 27.4%
  - CAGR: 1.7%

CAGR = Compound Annual Growth Rate

Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved October 31, 2024.

Public Universities

University of Louisville



UofL's "Other expenses" are consistently higher than other KY universities

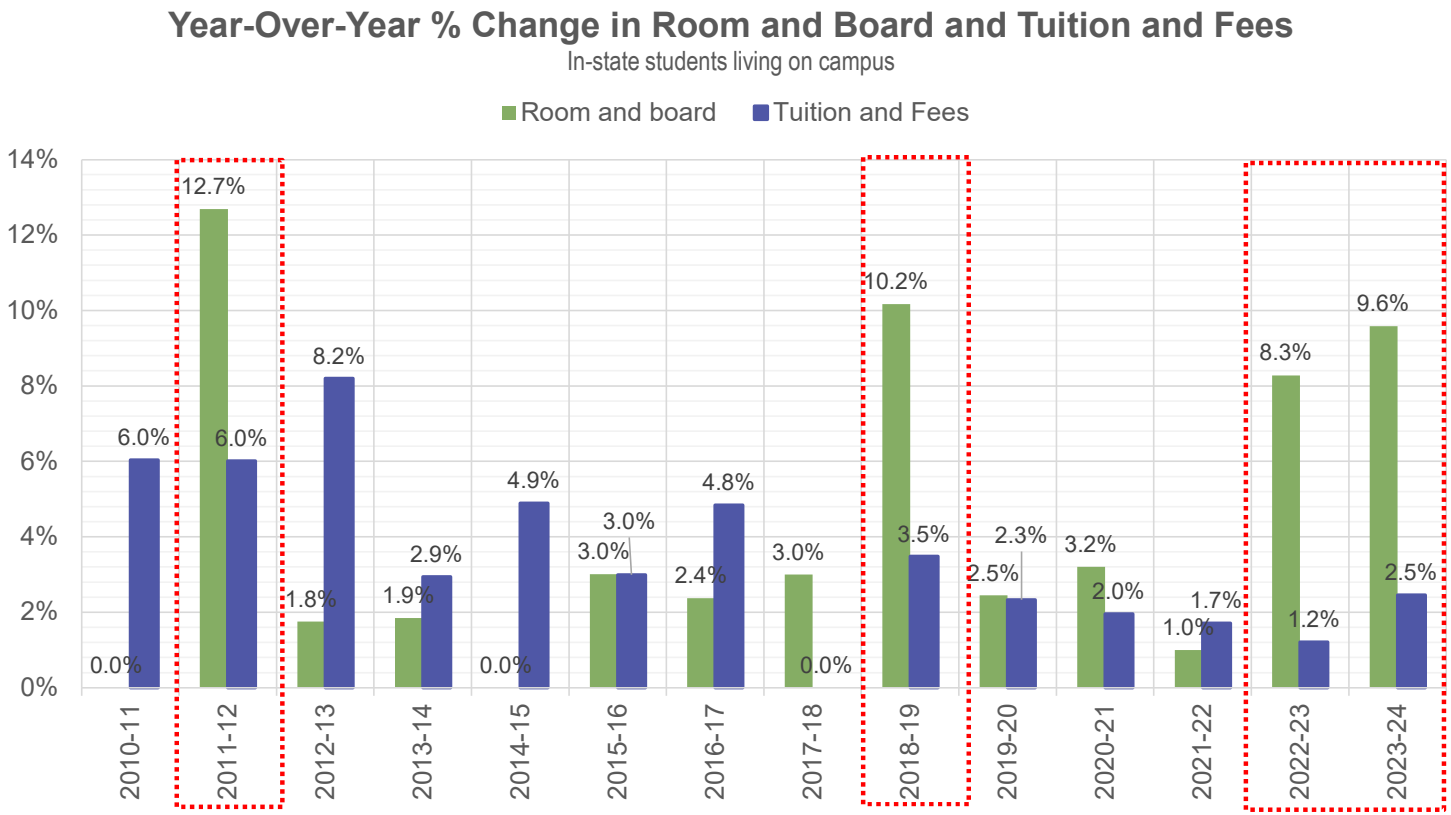
Campus Staff Explanation:

- Institutions are allowed to use **different methods for calculating this amount**
- To ensure uniform reporting, CPE or the U.S. Department of Education would have to standardize this element
- A more "realistic" cost of attendance **makes students eligible for more student-friendly low-interest loans**
- Artificially low amounts can make a university appear favorably to prospective students but **underestimating "other expenses" ultimately hurts students**

Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved October 31, 2024.

Public Universities
University of Louisville

Recent acceleration in room and board; Periodic large increases in room and board



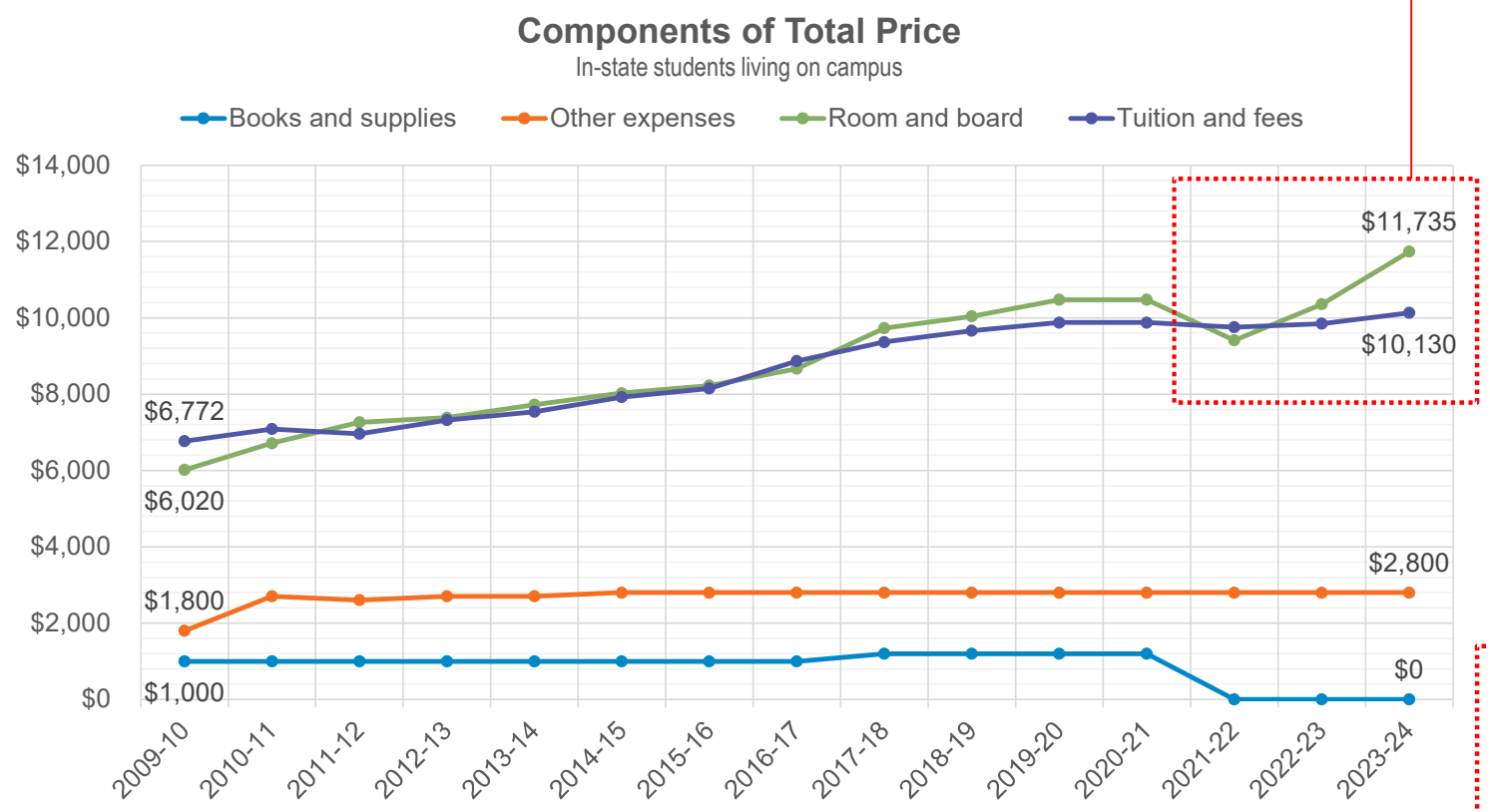
Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved October 31, 2024.

Eastern Kentucky University

Public Universities

Eastern Kentucky University

Room and board jumped in 2022-23 and 2023-24; EKU's BookSmart program has had a positive impact



Percent Change from 2009-10:

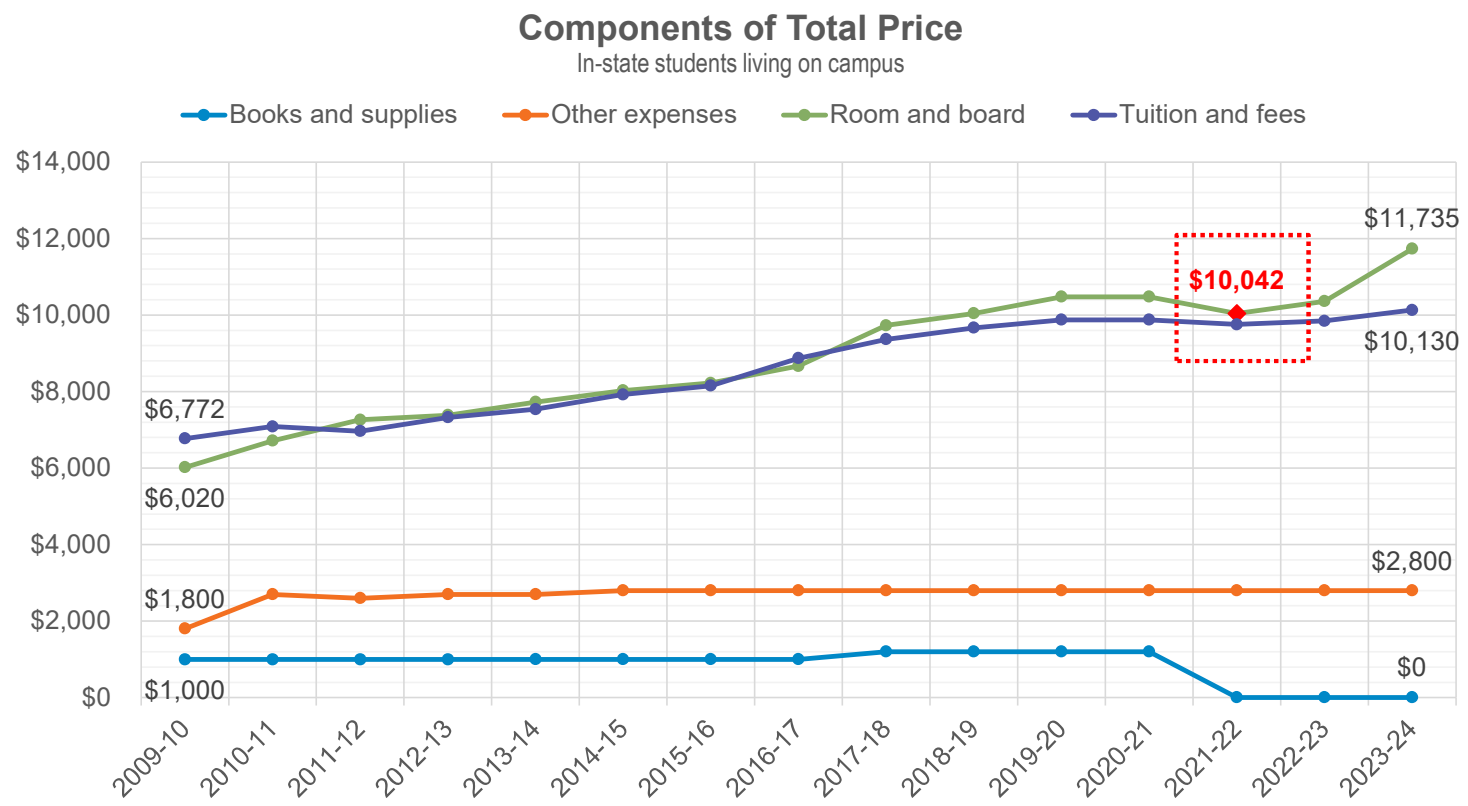
- *Tuition and fees*
  - 49.6%
  - CAGR: 2.9%
- *Room and board*
  - 94.9%
  - CAGR: 4.9%
- *Other expenses*
  - 55.6%
  - CAGR: 3.2%
- *Books and supplies*
  - -100.0%
  - CAGR: -100.0%

CAGR = Compound Annual Growth Rate

Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved October 31, 2024.

Public Universities

Eastern Kentucky University



EKU officials indicated the dip in room and board in 2021-22 was because a different methodology was used; the chart below shows the corrected rate at $10,042

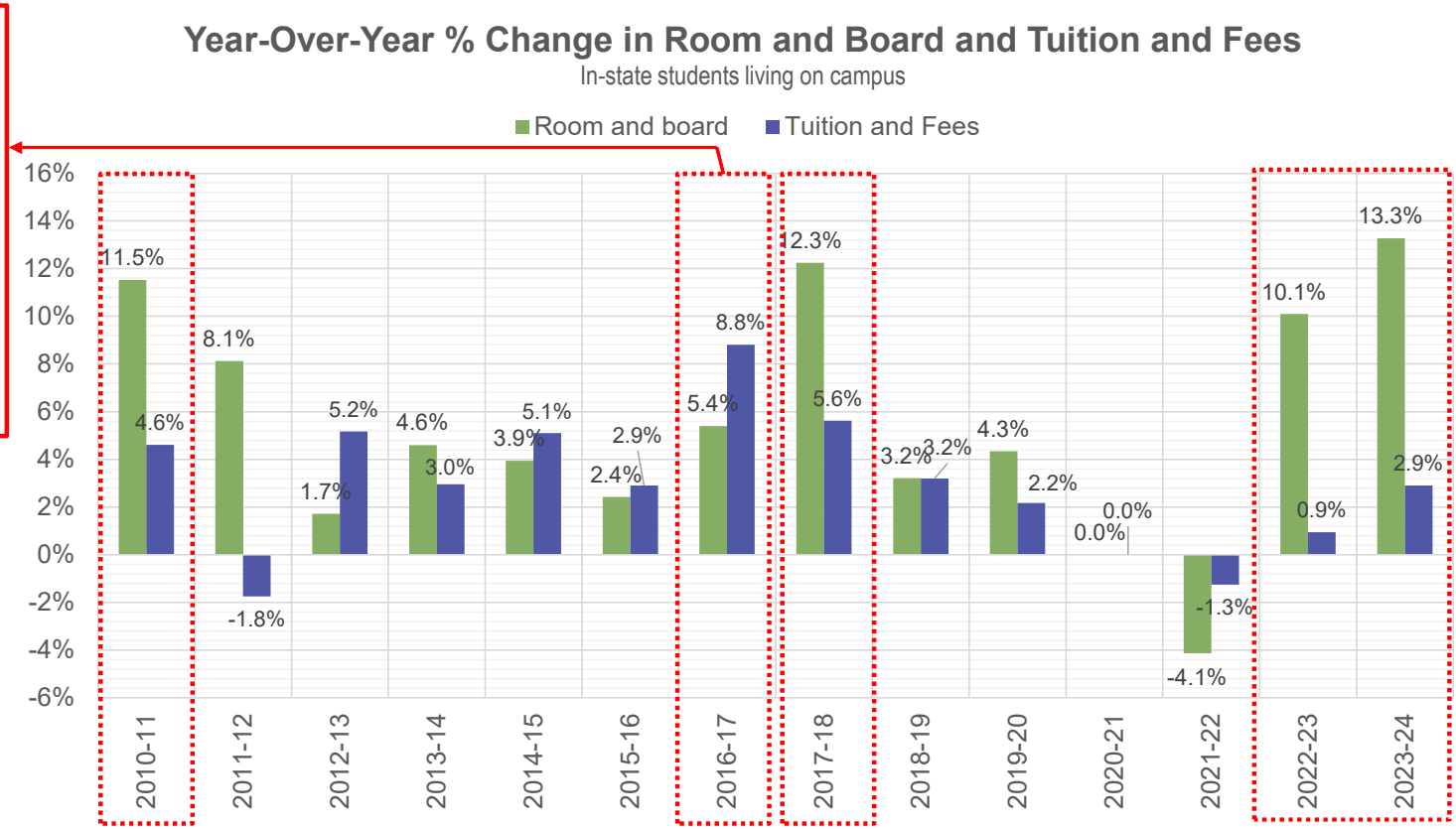
Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved October 10, 2024.

Public Universities

Eastern Kentucky University

Room and board has occasionally increased by more than 10%, including 2022-23 and 2023-24

EKU instituted a Special Use Fee of $300 per year in 2015-16 which was not included in their IPEDS data and resulted in the 8.8% year-over-year change in tuition and fees



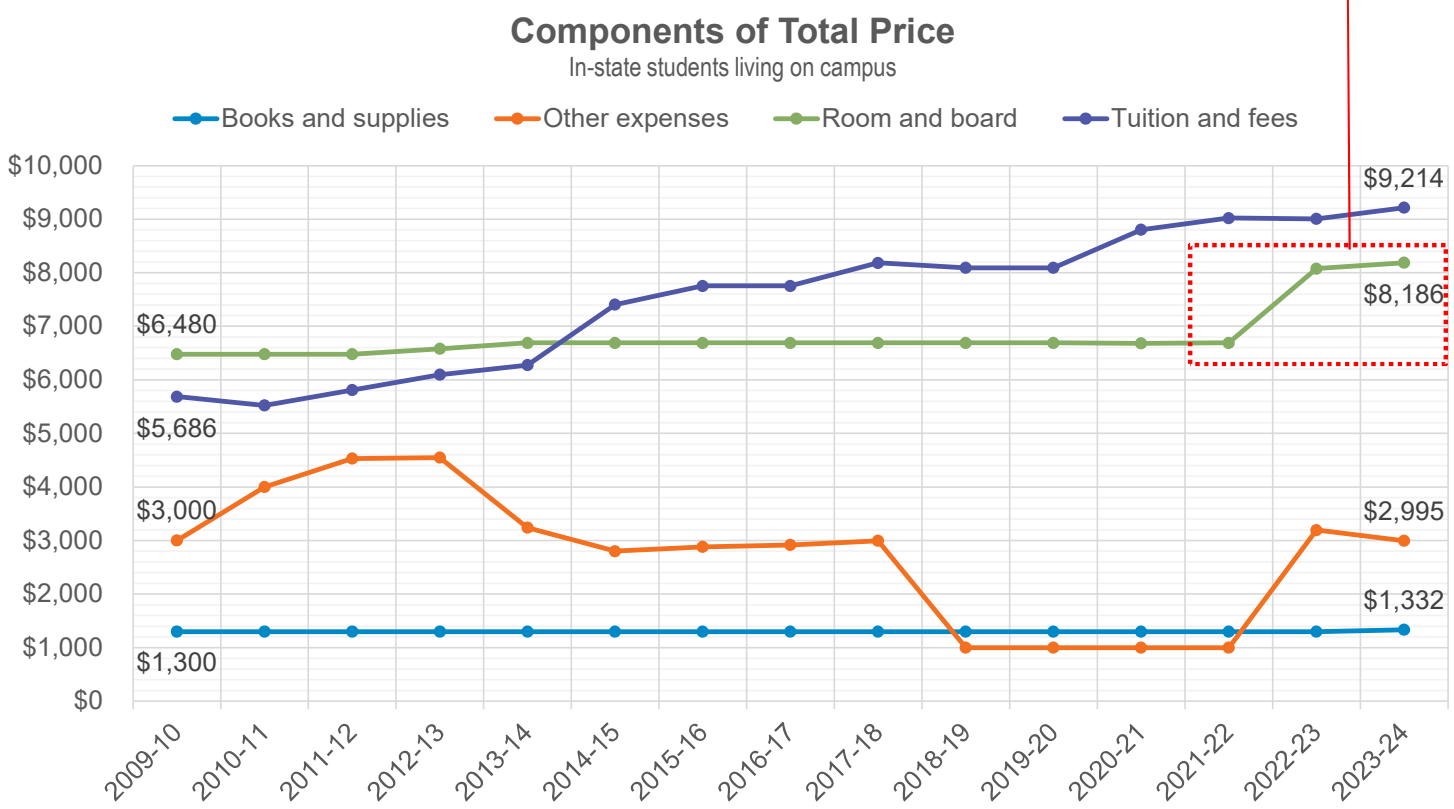
Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved October 10, 2024.

Kentucky State University

Public Universities

Kentucky State University

Room and board rates are increasing because they were much lower than those at the other comprehensive universities, coinciding also with the opening of their new residence hall



Percent Change from 2009-10:

- *Tuition and fees*
  - 62.0%
  - CAGR: 3.5%
- *Room and board*
  - 26.3%
  - CAGR: 1.7%
- *Other expenses*
  - -0.2%
  - CAGR: 0.0%
- *Books and supplies*
  - 2.5%
  - CAGR: 0.2%

CAGR = Compound Annual Growth Rate

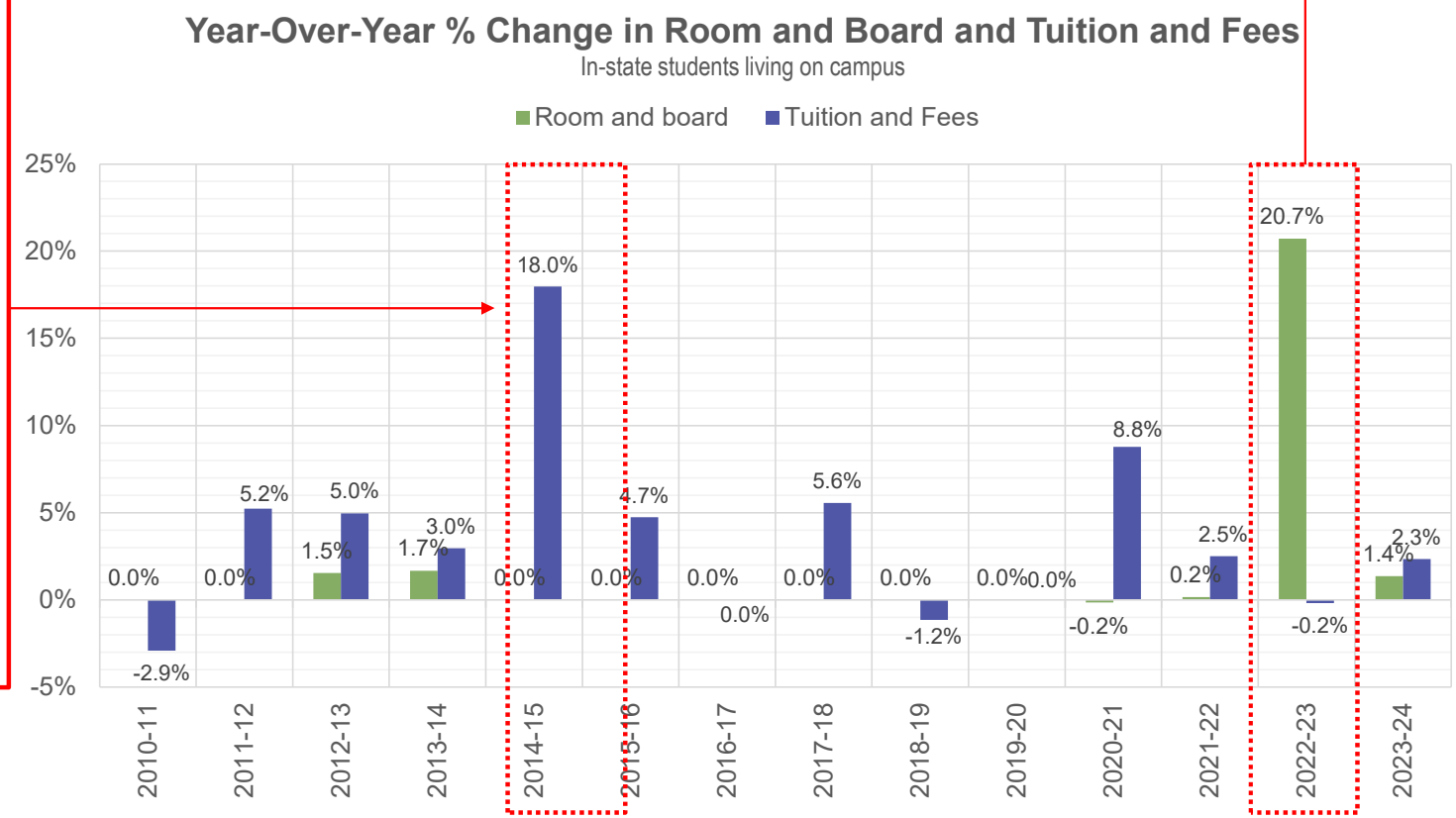
Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved October 10, 2024.

Public Universities

Kentucky State University

Room and board rates are increasing because they were much lower than those at the other comprehensive universities, coinciding also with the opening of their new residence hall

KSU transitioned from per-credit-hour pricing structure to a flat-rate pricing structure between 2013-14 and 2014-15 which resulted in a weighted average rate increase of 5% for all resident undergraduate students



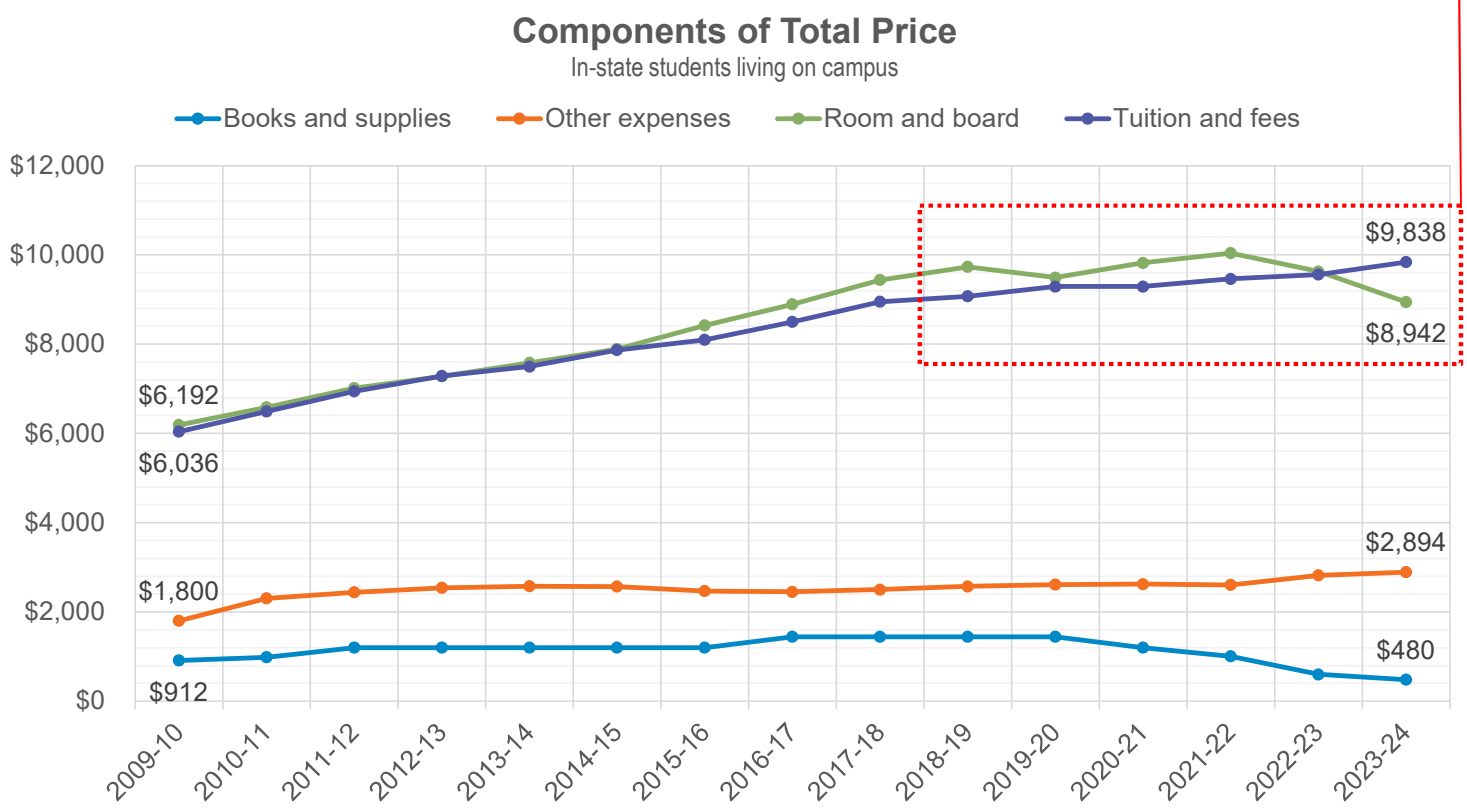
Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved October 31, 2024.

Morehead State University

Public Universities

Morehead State University

Room and board rates closely follow tuition and fees, remain relatively flat, and then decline due to a change in methodology; books and supplies are decreasing



Percent Change from 2009-10:

- *Tuition and fees*
  - 63.0%
  - CAGR: 3.6%
- *Room and board*
  - 44.4%
  - CAGR: 2.7%
- *Other expenses*
  - 60.8%
  - CAGR: 3.4%
- *Books and supplies*
  - -47.4%
  - CAGR: -4.5%

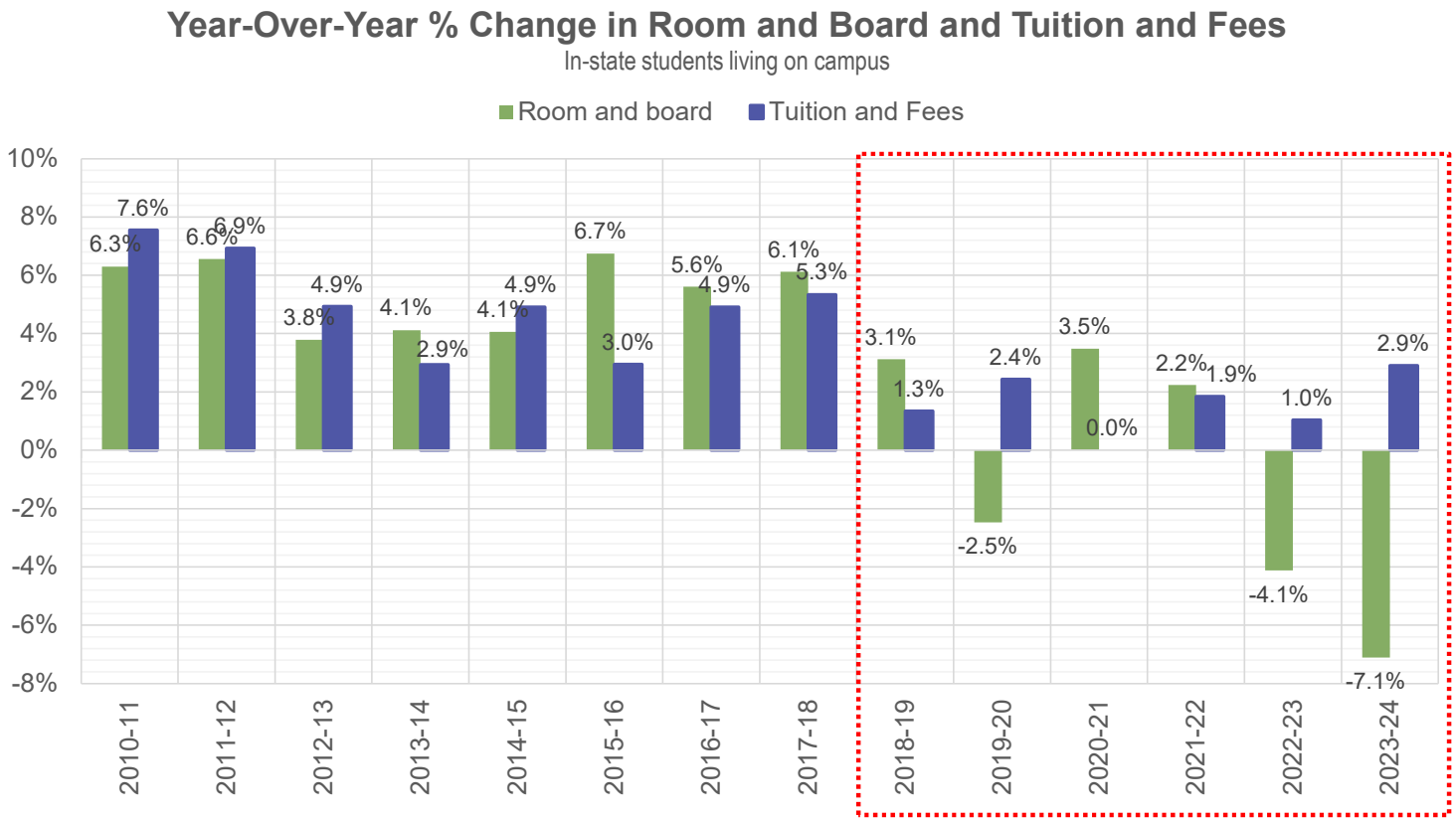
CAGR = Compound Annual Growth Rate

Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved October 31, 2024.

Public Universities

Morehead State University

Room and board rates closely follow tuition and fees, remain relatively flat, and then decline due to a change in methodology



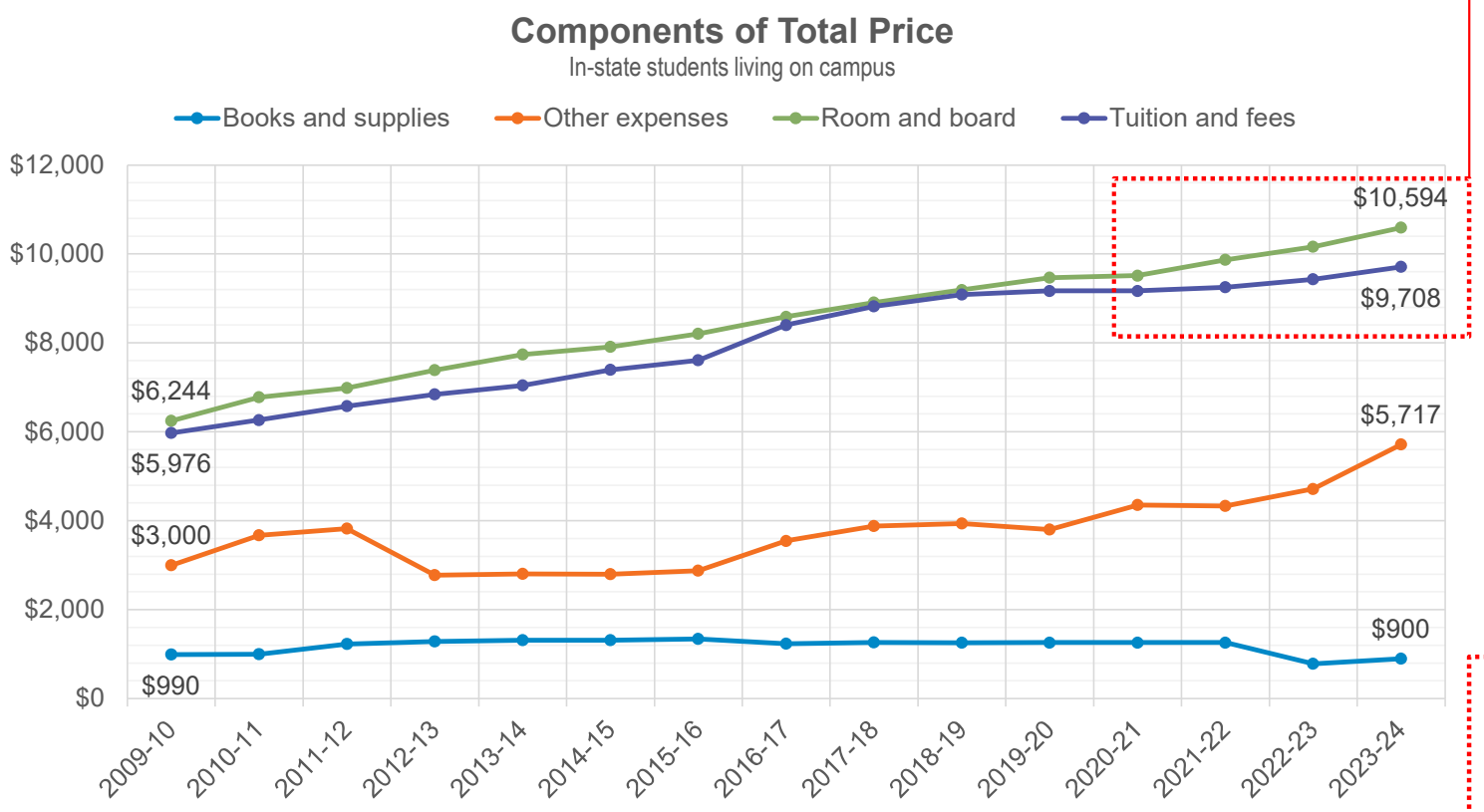
Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved October 31, 2024.

Murray State University

Public Universities

Murray State University

Room and board rates have closely followed tuition and fees, and have increased the past 3 years consistent with inflation; books and supplies are decreasing; other expenses is elevated compared to other universities



Percent Change from 2009-10:

- *Tuition and fees*
  - 62.4%
  - CAGR: 3.5%
- *Room and board*
  - 69.7%
  - CAGR: 3.8%
- *Other expenses*
  - 90.6%
  - CAGR: 4.7%
- *Books and supplies*
  - -9.1%
  - CAGR: -0.7%

CAGR = Compound Annual Growth Rate

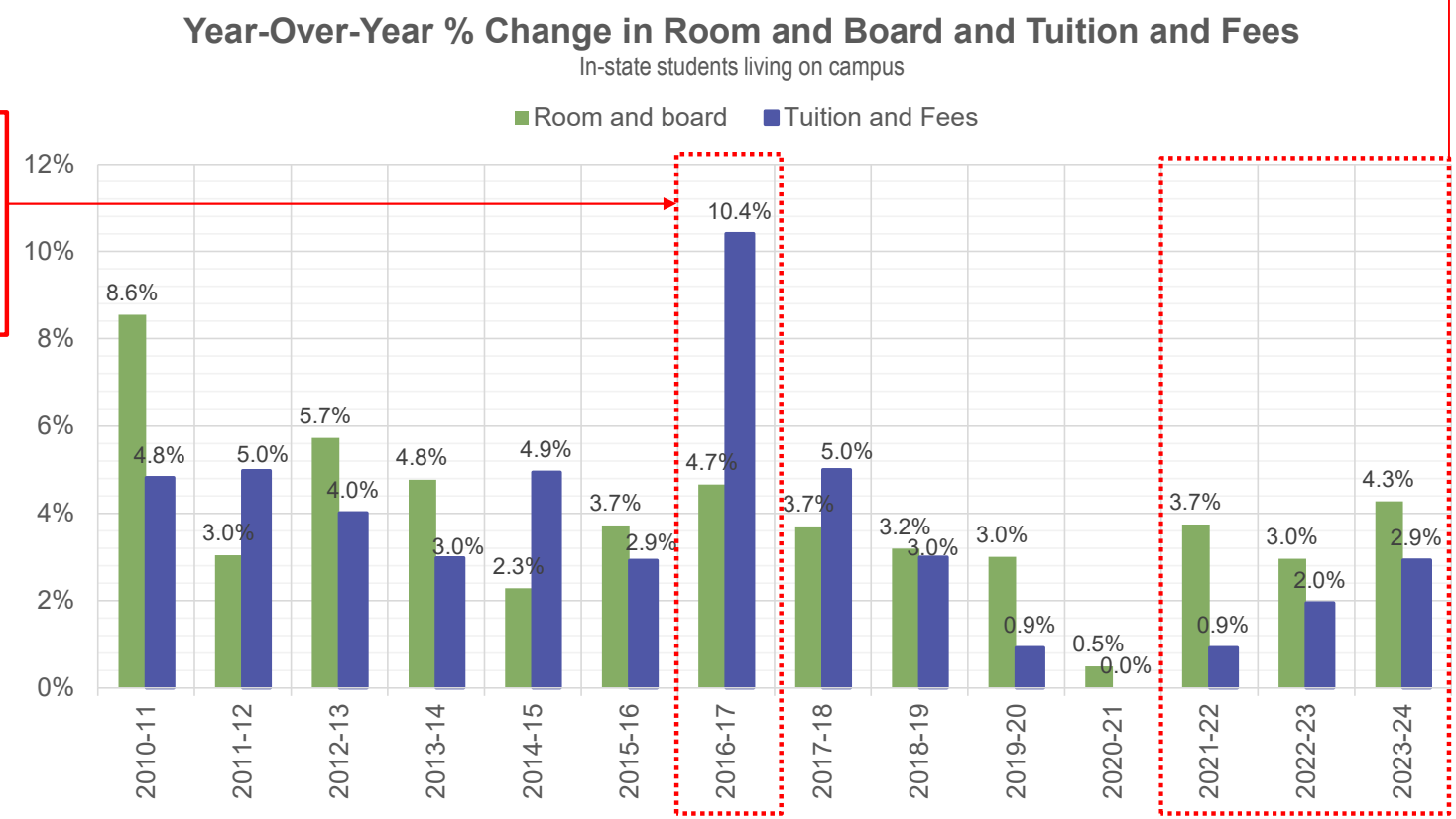
Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved October 31, 2024.

Public Universities

Murray State University

Room and board rates have closely followed tuition and fees, but have accelerated the past 3 years consistent with inflation

MuSU implemented a new tuition and scholarship model in this year

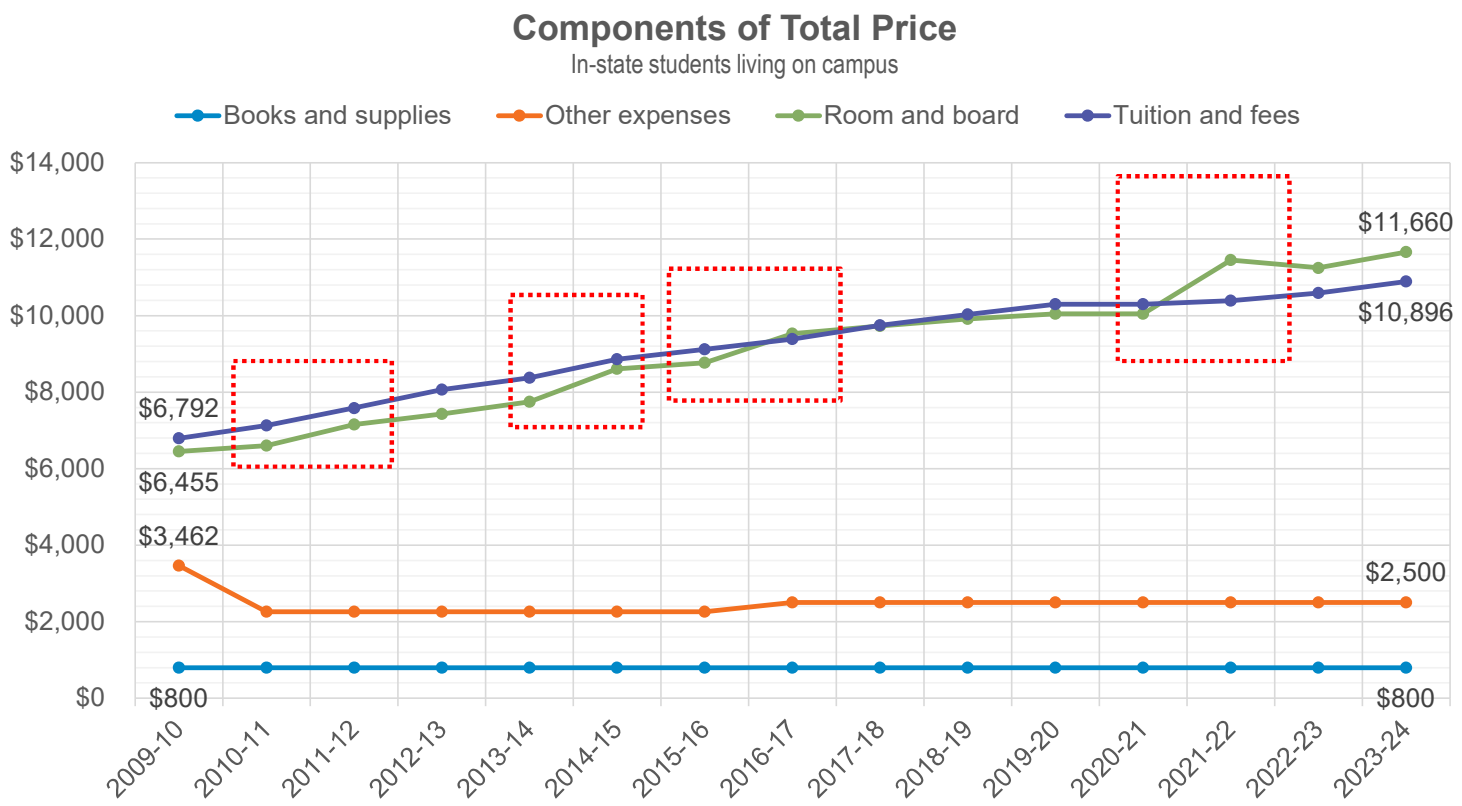


Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved October 31, 2024.

Northern Kentucky University

Public Universities
Northern Kentucky University

Periodic large increases in room and board rates, particularly in 2021-22



Percent Change from 2009-10:

- *Tuition and fees*
  - 60.4%
  - CAGR: 3.4%
- *Room and board*
  - 80.6%
  - CAGR: 4.3%
- *Other expenses*
  - -27.8%
  - CAGR: -2.3%
- *Books and supplies*
  - 0.0%
  - CAGR: 0.0%

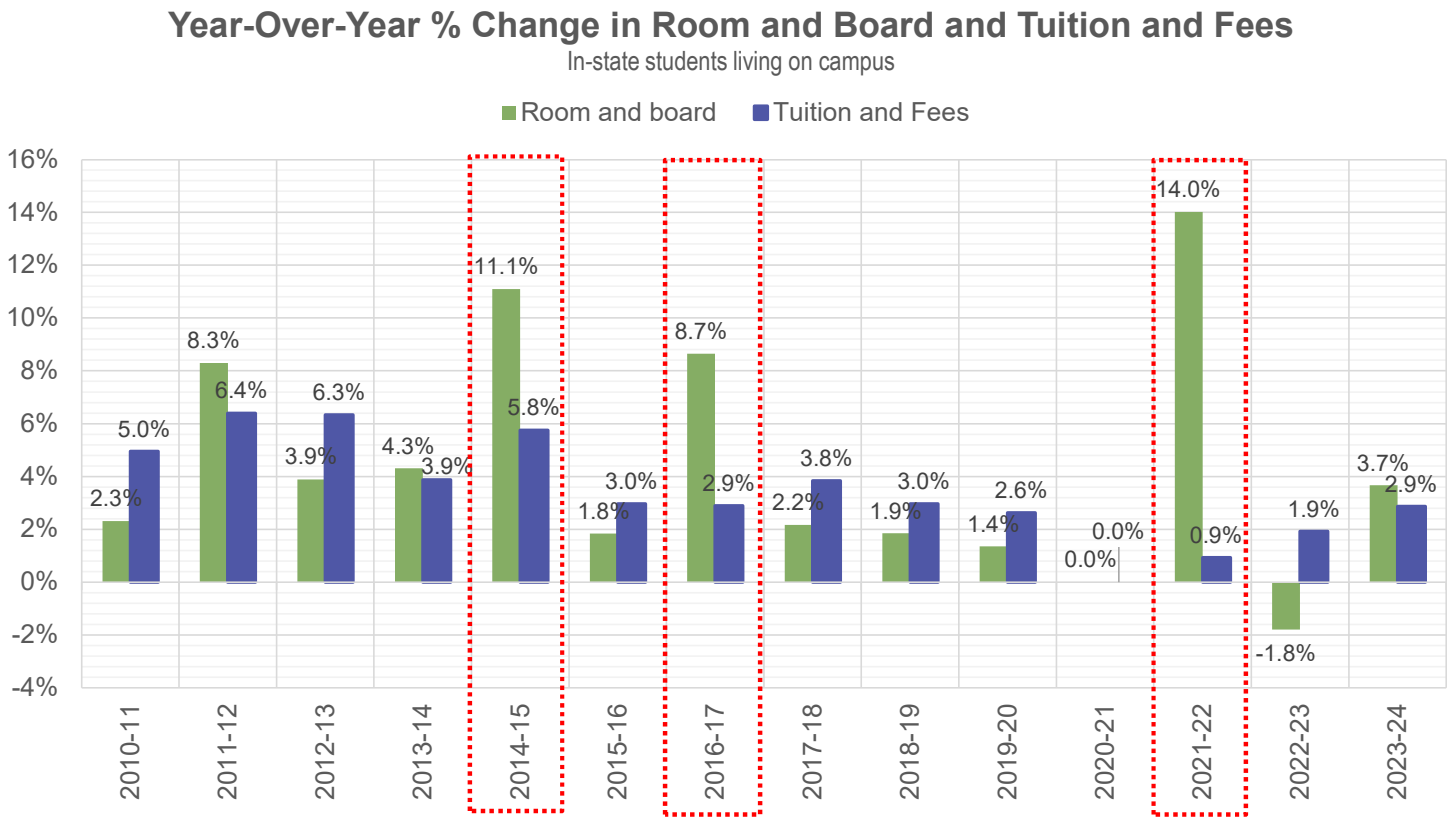
CAGR = Compound Annual Growth Rate

Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved October 31, 2024.

Public Universities

Northern Kentucky University

Periodic large increases in room and board rates, particularly in 2021-22



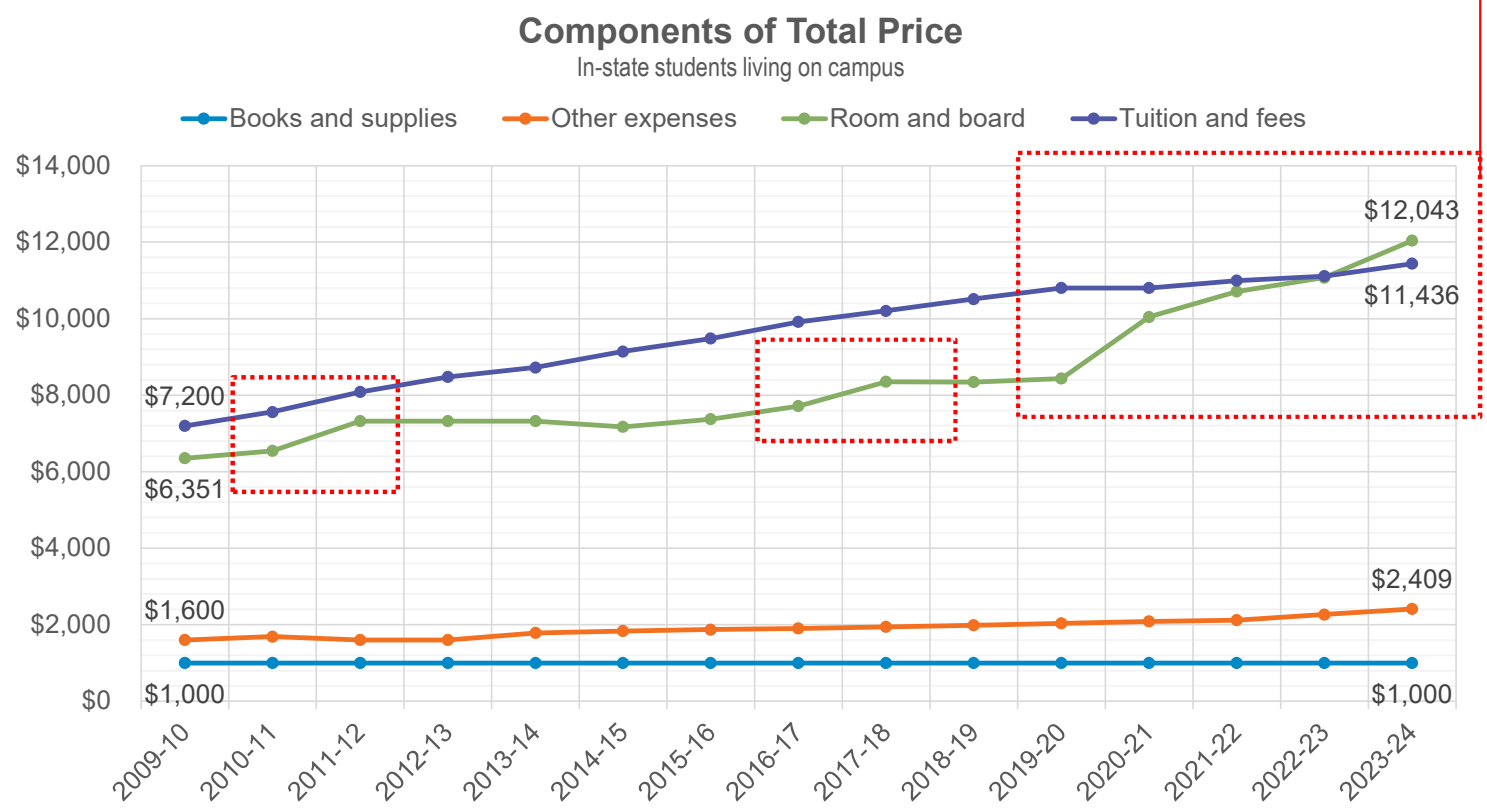
Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved October 31, 2024.

Western Kentucky University

Public Universities

Western Kentucky University

Large increases in room and board rates explained by WKU as a change in methodology; periodic larger increases in room and board



Percent Change from 2009-10:

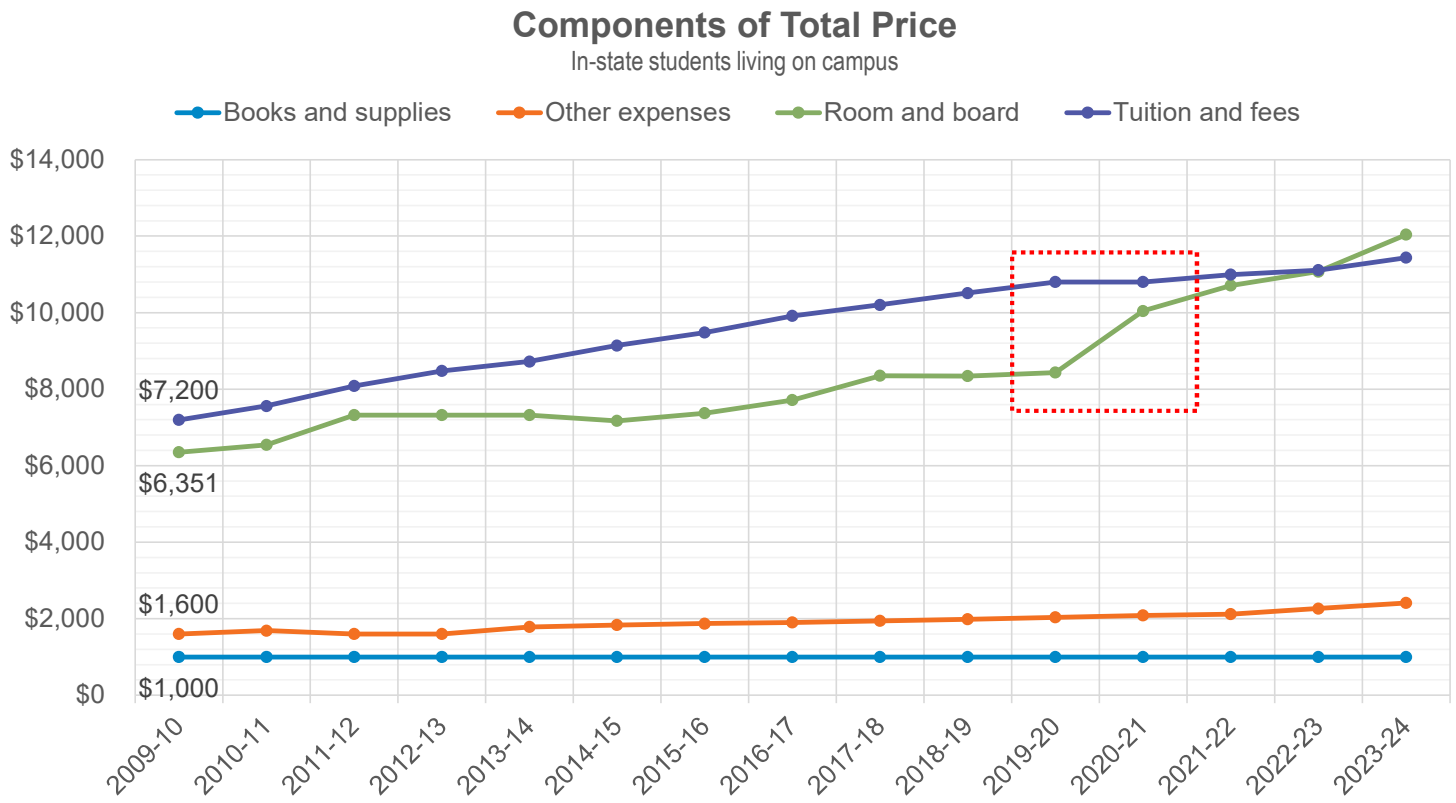
- *Tuition and fees*
  - 58.8%
  - CAGR: 3.4%
- *Room and board*
  - 89.6%
  - CAGR: 4.7%
- *Other expenses*
  - 50.6%
  - CAGR: 3.0%
- *Books and supplies*
  - 0.0%
  - CAGR: 0.0%

CAGR = Compound Annual Growth Rate

Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved October 31, 2024.

Public Universities

Western Kentucky University



Explaining recent increases in room and board rates at WKU:

Campus Staff Explanation:

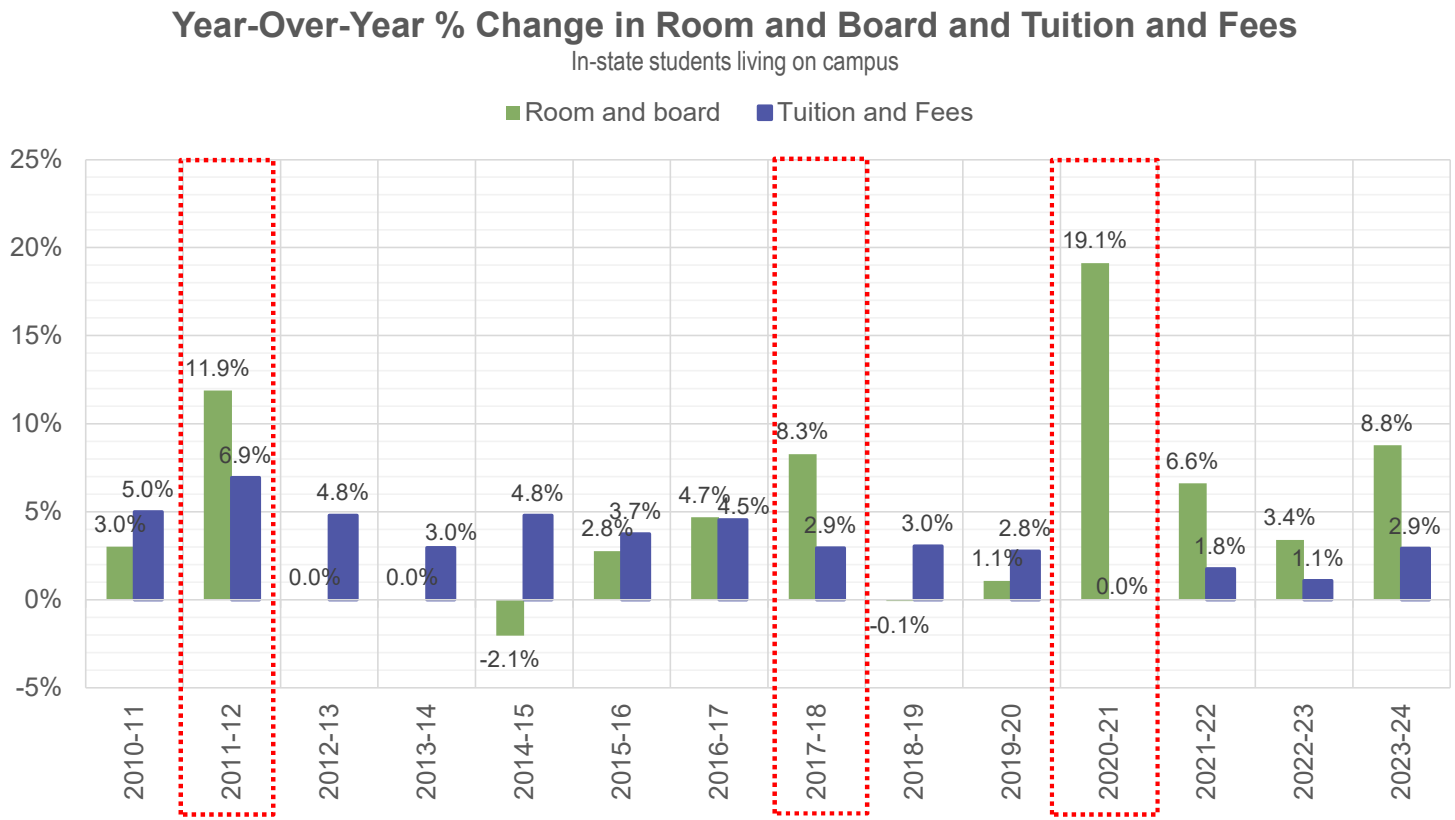
- The % change from 2019-20 to 2020-21 is **due to a change in methodology for calculating room and board rates**
- From 2009-10 to 2019-20, the institution **used a relatively lower priced meal plan and room rate**
- Since 2020-21, **the average meal plan and room rate is used**.
- Using a consistent methodology, the increase in room and board from **2019-20 to 2020-21 was ~5% for residence halls and 3.5% for meal plans,** as opposed to 19.1%

Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved October 31, 2024.

Public Universities

Western Kentucky University

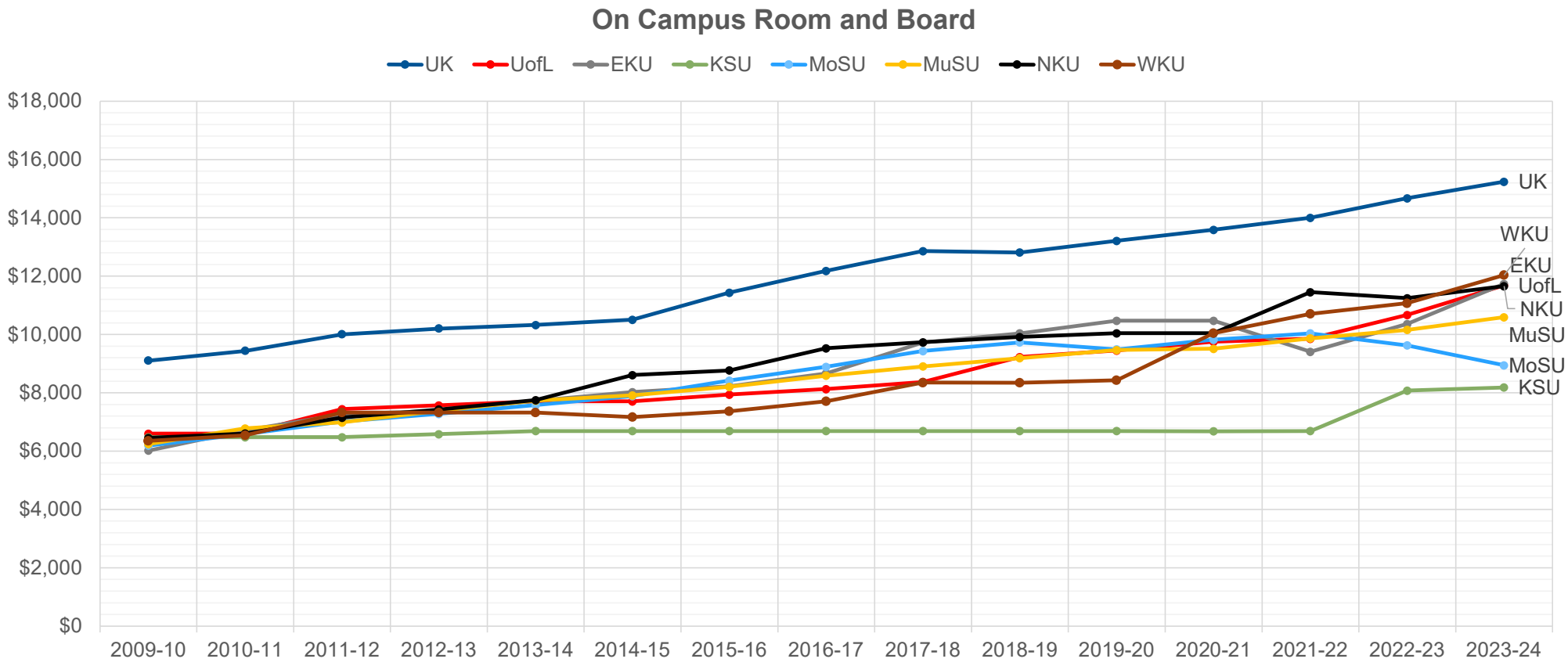
Large 2020-21 increase in room and board rate explained by WKU as a change in calculation methodology; periodic large increases in room and board



Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved October 31, 2024.

University Comparisons

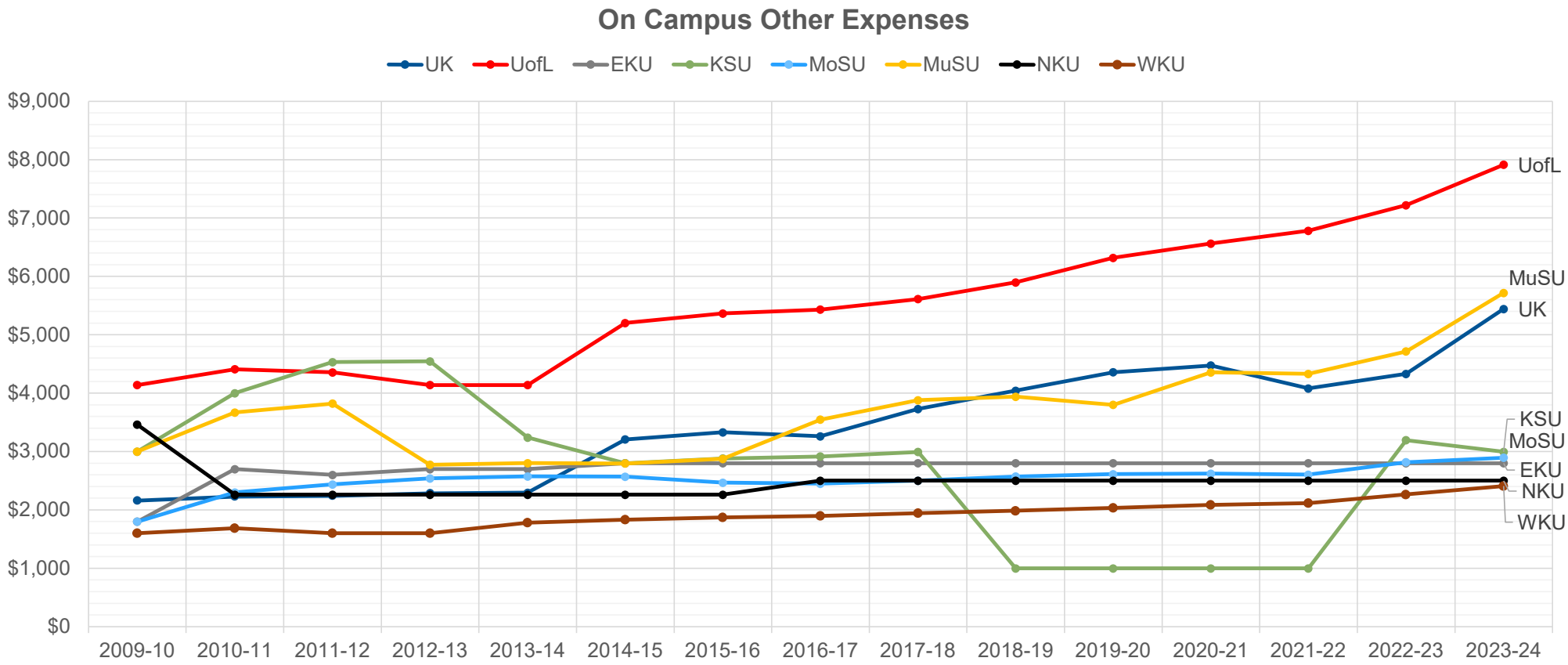
University Comparisons
Room and Board



Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved October 31, 2024.

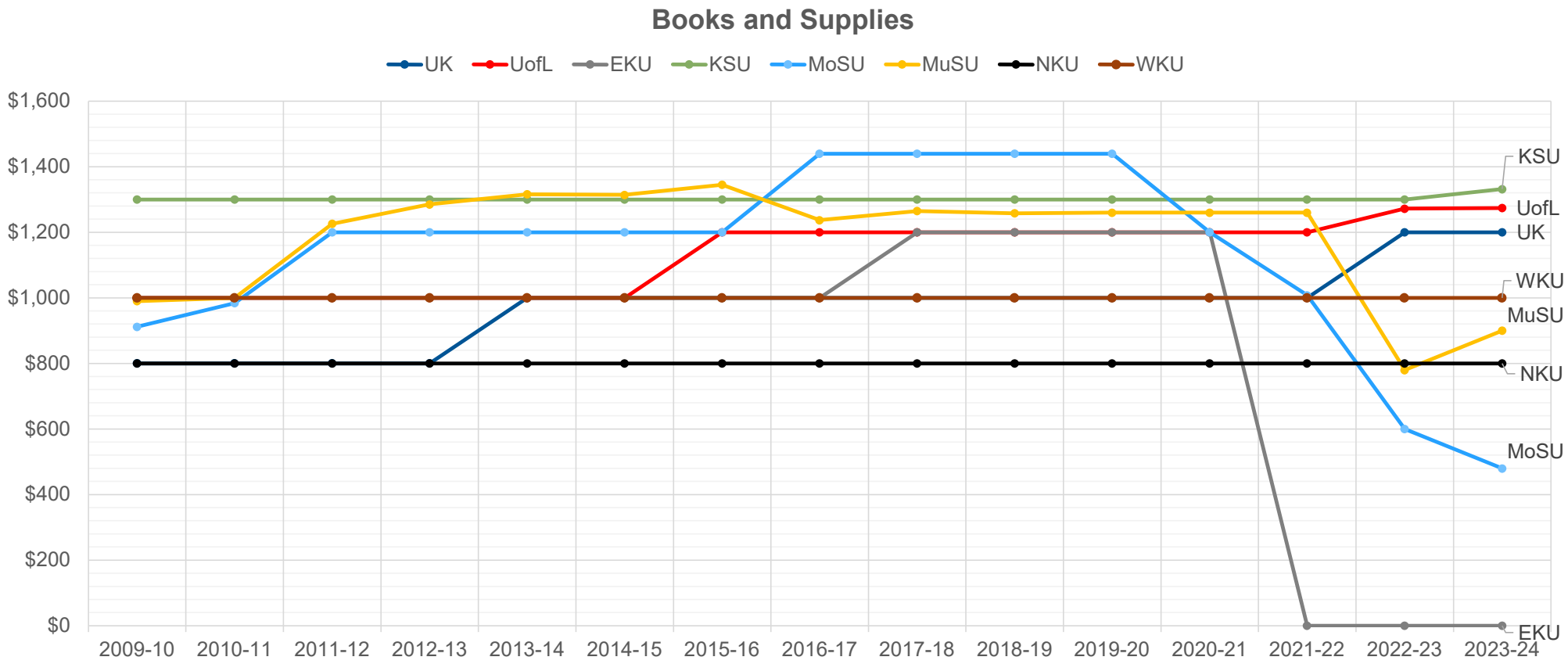
Kentucky Council on Postsecondary Education

University Comparisons
Other Expenses



Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved October 31, 2024.

University Comparisons
Books and Supplies



Source: National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS), retrieved October 31, 2024.

Kentucky Council on Postsecondary Education

Key Takeaways

- **In general, room and board prices have not drastically outpaced growth in tuition and fees** since CPE began setting tuition and fee ceilings**, however, room and board rates at some institutions have been accelerating in recent years**
- **Room and board increases occur more sporadically than tuition and fees**, often aligned with the opening of new/improved residence halls and other auxiliary services
- **Universities serving rural areas, in particular, have made efforts to maintain affordability** as evidenced by (1) room and board increases closely tied to the Council's historically low tuition and fee increases, (2) decelerating room and board increases, and (3) reductions in the cost of books and supplies
- **Data reported to IPEDS by the institutions would benefit from using a standardized methodology** for calculating each cost component, which would result in greater comparability across institutions over time, particularly for room and board, other expenses, and books and supplies
- **Methodologies and the rationales for their use differ across universities when calculating the components of total price**, which can have a differential impact on current and prospective students

FINANCE COMMITTEE **INFORMATION ITEM**
KENTUCKY COUNCIL ON POSTSECONDARY EDUCATION November 15, 2024

TITLE: Tuition Setting Process for Academic Year 2025-26

DESCRIPTION: Staff will discuss the upcoming 2025-26 tuition setting cycle, including the preliminary timeline and the Council's current *Tuition and Mandatory Fee Policy for Academic Years 2023-24 and 2024-25*.

STAFF CONTACTS: Bill Payne, Vice President of Finance Policy and Programs
Ryan Kaffenberger, Director of Finance Policy and Programs

SUPPORTING INFORMATION

Every year, staff works with campus presidents, chief budget officers, and Council members to facilitate a review of the Council's *Tuition and Mandatory Fee Policy* and to recommend changes to the policy as needed. Staff also works with the aforementioned stakeholders to develop and finalize a timeline for the upcoming academic year that identifies target dates and planned activities related to the tuition setting process. Both of these documents provide a framework for establishing tuition and mandatory fees at the public postsecondary institutions in any given academic year.

TUITION SETTING TIMELINE

A copy of a Preliminary 2025-26 Tuition Setting Timeline can be found in Attachment A to this agenda item. As can be seen in the timeline, it is anticipated that the Council will approve any revisions to the *Tuition and Mandatory Fee Policy* at its January 31, 2025 meeting, will adopt staff recommended tuition and fee ceilings on April 18, 2025, and will take action on campus tuition and fee proposals on June 13, 2025. Staff will work with campus chief budget officers and presidents over the next five months to finalize the 2025-26 Tuition Setting Timeline, the Council's *Tuition and Mandatory Fee Policy*, and recommended tuition and fee ceilings for academic year 2025-26.

TUITION AND MANDATORY FEE POLICY

Included in Attachment B to this agenda item is a copy of the Council's current *Tuition and Mandatory Fee Policy for Academic Years 2023-24 and 2024-25*. The Council typically reviews and approves proposed revisions to the policy at the beginning of each new tuition cycle. Once approved, the policy will help guide the development of a tuition and fee ceiling recommendation for the upcoming academic year, or in some cases two academic years, and facilitate submission and evaluation of campus tuition and fee rate proposals. At this time, CPE staff and

campus officials are in the process of reviewing the current tuition policy and will bring any proposed changes to the Council at the January 31, 2025, meeting. For the upcoming year, it is anticipated that revisions to the policy will be minimal.

Council on Postsecondary Education
Preliminary 2025-26 Tuition Setting Timeline

Nov 13, 2024	CBO Meeting – Council staff will share the current *Tuition and Mandatory Fee Policy* and a Preliminary 2025-26 Tuition Setting Timeline with campus chief budget officers. Possible changes to the policy and timeline will be discussed.
Nov 15, 2024	Finance Committee Meeting – Council staff will share the current *Tuition and Mandatory Fee Policy* and a Preliminary 2025-26 Tuition Setting Timeline with committee members and provide an overview of the tuition setting process.
Nov 22, 2024	CPE Meeting – The Chair of the Finance Committee will share the current *Tuition and Mandatory Fee Policy* and a Preliminary 2025-26 Tuition Setting Timeline with the full Council and describe the tuition-setting process.
Nov – Jan	Council staff will update policy relevant data in the areas of funding adequacy, shared benefits and responsibility, affordability and access, effective use of resources, and attracting and importing talent. Staff will work with campus CBOs to identify proposed changes to the *Tuition and Mandatory Fee Policy* and finalize the 2025-26 Tuition Setting Timeline.
Dec 4, 2024	Presidents' Meeting – Staff will share the current *Tuition and Mandatory Fee Policy* and Preliminary 2025-26 Tuition Setting Timeline with campus presidents. Potential changes to the policy and timeline will be discussed.
Dec 18, 2024	CBO Meeting – Council staff and CBOs will finalize proposed changes to the current *Tuition and Mandatory Fee Policy* and 2025-26 Tuition Setting Timeline.
Jan 1, 2025	Presidents' Meeting – Staff will share proposed changes to the current *Tuition and Mandatory Fee Policy* and 2025-26 Tuition Setting Timeline with campus presidents. Proposed changes to the policy and timeline will be finalized.
Jan 27, 2025	Finance Committee Meeting – Council staff will present a proposed *2025-26 Tuition and Mandatory Fee Policy* for committee review and action and will share a final 2025-26 Tuition Setting Timeline for information.
Jan 31, 2025	CPE Meeting – The Finance Committee Chair will present a recommended *2025-26 Tuition and Mandatory Fee Policy* for Council action and will share a final 2025-26 Tuition Setting Timeline for information.

Jan – Feb	Council staff will finalize updates of policy relevant data in the areas of funding adequacy, shared benefits and responsibility, affordability and access, effective use of resources, and attracting and importing talent and will work with campus officials to identify key issues that could impact the 2025-26 tuition-setting cycle.
Jan – Feb	Campus officials will collect and submit data to CPE on fixed cost increases, tuition revenue estimates, potential impact of tuition increases, anticipated uses of tuition revenue, and budgeted student financial aid expenditures.
Feb 19, 2025	CBO Meeting — Council staff and campus CBOs will review and discuss key issues and other policy relevant data that could impact the upcoming tuition-setting cycle and will begin discussing proposed tuition and mandatory fee ceilings for academic year 2025-26.
Feb 28, 2025	***Deadline*** for campus submission of fixed cost and tuition revenue data.
Mar 5, 2025	Presidents' Meeting – Council staff and campus presidents will review key issues and other policy relevant data and engage in preliminary discussions regarding tuition and fee ceilings for academic year 2025-26.
Mar 19, 2025	CBO Meeting — Council staff and campus CBOs will continue discussing key issues and potential tuition and fee ceilings for academic year 2025-26.
Apr 2, 2025	Presidents' Meeting – Council staff and campus presidents will finalize a proposed tuition and fee ceiling recommendation for academic year 2025-26.
Apr 14, 2025	Finance Committee Meeting – Council staff will present recommended 2025-26 tuition and mandatory fee ceilings for committee review and action.
Apr 18, 2025	CPE Meeting – The Chair of the Finance Committee will present recommended 2025-26 tuition and mandatory fee ceilings for Council action.
Apr – May	Campus officials will submit to the Council proposed 2025-26 tuition and mandatory fee charges for all categories students, including rates by degree level (undergraduate and graduate), residency (in-state and out-of-state), and attendance status (full-time and part-time). The Council president will keep Council members updated regarding the status of campus rate proposals.
May 7, 2025	Presidents' Meeting – Council staff will remind the presidents of an approaching deadline for submitting campus tuition and fee rate proposals.

May 23, 2025	***Deadline*** for submitting campus tuition and fee rate proposals to the Council.
June 9, 2025	Finance Committee Meeting – Council staff will present campus 2025-26 tuition and mandatory fee rate proposals for committee review and action.
Jun 13, 2025	CPE Meeting – The Chair of the Finance Committee will present campus tuition and fee rate proposals for Council action.

Council Postsecondary Education Tuition and Mandatory Fee Policy

Academic Years 2023-24 and 2024-25

The Council on Postsecondary Education is vested with authority under KRS 164.020 to determine tuition at public postsecondary education institutions in the Commonwealth of Kentucky. Kentucky's goals of increasing educational attainment, promoting research, assuring academic quality, and engaging in regional stewardship must be balanced with current needs, effective use of resources, and prevailing economic conditions. For the purposes of this policy, mandatory fees are included in the definition of tuition. During periods of relative austerity, the proper alignment of the state's limited financial resources requires increased attention to the goals of the *Kentucky Postsecondary Education Improvement Act of 1997* (HB 1) and the Strategic Agenda for Kentucky Postsecondary and Adult Education.

Fundamental Objectives

- Funding Adequacy

HB 1 states that Kentucky shall have a seamless, integrated system of postsecondary education, strategically planned and adequately funded to enhance economic development and quality of life. In discharging its responsibility to determine tuition, the Council, in collaboration with the institutions, seeks to balance the affordability of postsecondary education for Kentucky's citizens with the institutional funding necessary to accomplish the goals of HB 1 and the Strategic Agenda.

- Shared Benefits and Responsibility

Postsecondary education attainment benefits the public at large in the form of a strong economy and an informed citizenry, and it benefits individuals through elevated quality of life, broadened career opportunities, and increased lifetime earnings. The Council and the institutions believe that funding postsecondary education is a shared responsibility of state and federal governments, students and families, and postsecondary education institutions.

- Affordability and Access

Since broad educational attainment is essential to a vibrant state economy and to intellectual, cultural, and political vitality, the Commonwealth of Kentucky seeks to ensure that postsecondary education is broadly accessible to its citizens. The Council and the institutions are committed to ensuring that college is affordable and accessible to all academically qualified Kentuckians with particular emphasis on adult learners, part-time students, minority students, and students from low- and moderate-income backgrounds.

The Council believes that no citizen of the Commonwealth who has the drive and ability to succeed should be denied access to postsecondary education in Kentucky because of inability to pay. Access should be provided through a reasonable combination of savings, family contributions, work, and financial aid, including grants and loans.

In developing a tuition and mandatory fees recommendation, the Council and the institutions shall work collaboratively and pay careful attention to balancing the cost of attendance— including tuition and mandatory fees, room and board, books, and other direct and indirect costs—with students' ability to pay by taking into account (1) students' family and individual income; (2) federal, state, and institutional scholarships and grants; (3) students' and parents' reliance on loans; (4) access to all postsecondary education alternatives; and (5) the need to enroll and graduate more students.

- Effective Use of Resources

Kentucky's postsecondary education system is committed to using the financial resources invested in it as effectively and productively as possible to advance the goals of HB 1 and the Strategic Agenda, including undergraduate and graduate education, engagement and outreach, research, and economic development initiatives. The colleges and universities seek to ensure that every dollar available to them is invested in areas that maximize results and outcomes most beneficial to the Commonwealth and its regions. It is anticipated that enactment of Senate Bill 153, the *Postsecondary Education Performance Funding Bill,* during the 2017 legislative session will provide ongoing incentives for increased efficiency and productivity within Kentucky's public postsecondary system. The Council's Strategic Agenda and funding model metrics will be used to monitor progress toward attainment of both statewide and institutional HB 1 and Strategic Agenda goals.

- Attracting and Importing Talent to Kentucky

It is unlikely that Kentucky can reach its 2030 postsecondary education attainment goal by focusing on Kentucky residents alone. The Council and the institutions are committed to making Kentucky institutions financially attractive to nonresident students, while recognizing that nonresident undergraduate students should pay a significantly larger proportion of the cost of their education than do resident students. Tuition reciprocity agreements, which provide low-cost access to out-of-state institutions for Kentucky students that live near the borders of other states, also serve to attract students from surrounding states to Kentucky's colleges and universities.

A copy of the Council's nonresident student tuition and mandatory fee policy is contained in the paragraphs below. Going forward, Council staff will periodically review and evaluate the policy to determine its impact on attracting and retaining students that enhance diversity and the state's competitiveness.

Nonresident Student Tuition and Fees

The Council and the institutions believe that nonresident students should pay a larger share of their educational costs than do resident students. As such, published tuition and fee levels adopted for nonresident students shall be higher than the prices for resident students enrolled in comparable programs of study.

In addition, every institution shall manage its tuition and fee rate structures, price discounting, and scholarship aid for out-of-state students, such that in any given year, the average net tuition and fee revenue generated per nonresident undergraduate student equals or exceeds130% of the annual full-time tuition and fee charge assessed to resident undergraduate students (i.e., the published in-state sticker price). As part of the tuition and fee setting process, staff shall monitor and report annually to the Council regarding compliance with this requirement.

The Council acknowledges that in some instances increasing nonresident student enrollment benefits both the Commonwealth and the institution. For this reason, exceptions to the 130% threshold may be requested through a Memorandum of Understanding (MOU) process and will be evaluated on a case-by-case basis by the Council. The main objective of the MOU process is to clearly delineate goals and strategies embedded in enrollment management plans that advance the unique missions of requesting institutions.

Special Use Fee Exception Policy

During the 2010-11 tuition setting process, campus officials requested that the Council consider excluding student-endorsed fees from its mandatory fee definition, thus omitting consideration of such fees when assessing institutional compliance with Council approved tuition and fee rate ceilings. Based on feedback received from institutional Chief Budget Officers (CBOs) at their December 2010 meeting, it was determined that there was general interest in treating student-endorsed fees differently from other mandatory fees.

In January and February 2011, Council staff collaborated with institutional presidents, CBOs, and their staffs in developing the following Special Use Fee Exception Policy:

- To the extent that students attending a Kentucky public college or university have deliberated, voted on, and requested that their institution's governing board implement a special use fee for the purposes of constructing and operating and maintaining a new facility, or renovating an existing facility, that supports student activities and services;
- And recognizing that absent any exemption, such student-endorsed fees, when implemented in the same year that the Council adopts tuition and fee rate ceilings, would reduce the amount of additional unrestricted tuition and fee revenue available for an institution to support its E&G operation;

- The Council may elect to award an exemption to its tuition and fee rate ceiling equivalent to all or a portion of the percentage increase resulting from imposition of the student-endorsed fee, provided said fee meets certain eligibility requirements.

Definitions

A student-endorsed fee is a mandatory flat-rate fee that has been broadly discussed, voted on, and requested by students and adopted by an institution's governing board, the revenue from which may be used to pay debt service and operations and maintenance expenses on new facilities, or capital renewal and replacement costs on existing facilities and equipment that support student activities and services, such as student unions, fitness centers, recreation complexes, health clinics, and/or tutoring centers.

Maintenance and Operations (M&O) expenses are costs incurred for the administration, supervision, operation, maintenance, preservation, and protection of a facility. Examples of M&O expenses include janitorial services, utilities, care of grounds, security, environmental safety, routine repair, maintenance, replacement of furniture and equipment, and property and facility planning and management.

Eligibility Criteria

A student-endorsed fee will continue to be a mandatory fee within the context of the Council's current mandatory fee definition and may qualify for an exemption from Council approved tuition and fee rate ceilings. Campus officials and students requesting an exemption under this policy must be able to demonstrate that:

- All enrolled students have been afforded ample opportunity to be informed, voice their opinions, and participate in the decision to endorse a proposed fee. Specifically, it must be shown that fee details have been widely disseminated, broadly discussed, voted on while school is in session, and requested by students.

- For purposes of this policy, voted on means attaining:
  a) a simple majority vote via campus-wide referendum, with a minimum of one-quarter of currently enrolled students casting ballots;
  b) a three-quarters vote of elected student government representatives; or
  c) a simple majority vote via campus-wide referendum, conducted in conjunction and coinciding with the general election of a student government president or student representative to a campus board of regents or board of trustees.

- The proposed fee and intended exemption request have been presented to, and adopted by, the requesting institution's governing board. It is anticipated that elected student government representatives will actively participate in board presentations.

- Revenue from such fees will be used to pay debt service and M&O expenses on new facilities, or capital renewal and replacement costs on existing facilities and equipment that support student activities and services, such as student unions, fitness centers, recreation complexes, health clinics, and/or tutoring centers. The Council expects these uses to be fully explained to students prior to any votes endorsing a fee.
- In any given year, the impact of a student-endorsed fee on the overall increase in tuition and mandatory fees for students and their families will be reasonable. It may be appropriate to phase in the exemption over multiple years to maintain affordability and access.
- Requests for student-endorsed exemptions are infrequent events. The Council does not expect requests for exemptions under this policy to occur with undue frequency from any single institution and reserves the right to deny requests that by their sheer number are deemed excessive.
- A plan is in place for the eventual reduction or elimination of the fee upon debt retirement, and details of that plan have been shared with students. The Council does not expect a fee that qualifies for an exemption under this policy to be assessed at full rate in perpetuity. Such fees should either terminate upon completion of the debt or, in the case of new facilities, may continue at a reduced rate to defray ongoing M&O costs. In either case, to qualify for an exemption, students should be fully aware of the extent of their obligation prior to any votes endorsing a fee.

Exemption Process

Requests for an exemption under this policy will be evaluated on a case-by-case basis. To initiate the process:

- The requesting institution will notify Council staff of any pending discussions, open forums, referendums, or student government actions pertaining to a proposed special use fee and discuss fee details with Council staff as needed.
- After a fee has been endorsed by student referendum or through student government action and approved by the institution's governing board, campus officials and students will submit a written exemption request to the Council for its consideration.
- Council staff will review the request, assess whether or not the proposed fee qualifies for an exemption, and make a recommendation to the Council.

To facilitate the exemption request process, requesting institutions and students are required to provide the Council with the following information:

- Documents certifying that the specific project and proposed fee details have been widely disseminated, broadly discussed, voted on, and requested by students, as well as adopted by the institution's governing board.
- Documents specifying the fee amount, revenue estimates, uses of revenue, impact on tuition and fees during the year imposed (i.e., percentage points above the ceiling), and number of years the fee will be in place.
- Documents identifying the project's scope, time frame for completion, debt payment schedule, and plan for the eventual reduction or elimination of the fee upon debt retirement.

Asset Preservation Fee Exception Policy

During the 2017-18 tuition setting process, campus officials asked if the Council would consider allowing institutions to assess a new student fee, dedicated to supporting expenditures for asset preservation and renovation projects, that would be treated as being outside the tuition and fee caps set annually by the Council. Staff responded that it was too late in the process to allow for a full vetting of a proposed change to the Council's Tuition and Mandatory Fee Policy prior to the Council adopting tuition ceilings at the March 31, 2017 meeting. In addition, staff wanted to explore the possibility of adopting a system-wide asset preservation fee that would benefit and address asset preservation needs at every public postsecondary institution.

In August 2017, staff determined that there was general interest among campus officials to pursue a change in tuition policy that would allow each institution the option to implement a student fee for asset preservation, if its administrators and governing board chose to do so, that would be exempted from Council approved tuition and fee ceilings. In September and October, Council staff worked with campus presidents, chief budget officers, and Budget Development Work Group members to develop the Asset Preservation Fee Exception Policy described below.

- Given that in 2007, Council and postsecondary institution staffs contracted with Vanderweil Facilities Advisors, Inc. (VFA) and Paulien and Associates to conduct a comprehensive assessment of Kentucky's public postsecondary education facilities to determine both system and individual campus needs for new and expanded space, asset preservation and renovation, and fit-for-use capital projects;
- Given that in 2013, VFA adjusted the data from its 2007 study to account for continuing aging of postsecondary facilities and rising construction costs, and projected that the cumulative need for asset preservation and fit-for-use expenditure would grow to $7.3 billion within the 2017 to 2021 timeframe;
- Given that over the past five biennia, 2008-10 through 2016-18, the Commonwealth of Kentucky has appropriated a total of $262.0 million for its public

colleges and universities to address asset preservation and renovation and fit-for-use projects, representing about 3.6% of the total cumulative need identified by VFA;

- Given that in late summer 2017, the Council and postsecondary institutions concluded that one reasonable course of action to begin to address the overwhelming asset preservation and renovation and fit-for-use needs was through sizable and sustained investment in existing postsecondary facilities, which could be accomplished through a cost sharing arrangement involving the state, postsecondary institutions, and students and families;

- Given that the best way to ensure the ongoing commitment and participation of students and families in a cost-sharing partnership to address asset preservation and renovation needs is through the implementation of an optional dedicated student fee;

- Given that such an asset preservation fee, when implemented in the same year that the Council adopts a tuition and fee rate ceiling, would reduce the amount of additional unrestricted tuition and fee revenue available for an institution to support its E&G operation;

- The Council may elect to award an exemption to its tuition and fee rate ceiling of up to $10.00 per credit hour at the public universities, capped at 15 credit hours per semester for undergraduate students, for a dedicated student fee that supports asset preservation and renovation projects related to the instructional mission of the institution;

- The Council may elect to award an exemption to its tuition and fee rate ceiling of up to $5.00 per credit hour at KCTCS institutions, capped at 15 credit hours per semester, for a dedicated student fee that supports asset preservation and renovation projects related to the instructional mission of the institution.

Definition

An asset preservation fee is a mandatory, flat-rate fee that has been approved by an institution's governing board, the revenue from which shall either be expended upon collection on asset preservation and renovation and fit-for-use capital projects or used to pay debt service on agency bonds issued to finance such projects, that support the instructional mission of the institution. Thus, by definition, fee revenue and bond proceeds derived from such fees shall be restricted funds for the purposes of financing asset preservation and renovation projects. As a mandatory fee, an asset preservation fee may be assessed to students regardless of degree level or program or full-time or part-time status.

Eligibility Criteria

An asset preservation fee may qualify for an exemption from Council approved tuition and fee rate ceilings, provided the following criteria are met:

- The proposed asset preservation project(s) and related fee shall be approved by the requesting institution's governing board.
- Revenue from the fee may either be expended upon collection on asset preservation and renovation or fit-for-use projects, accumulated to meet a specific project's scope, or used to pay debt service on agency bonds or other instruments used to finance such projects.
- Both the direct expenditure of fee revenue and the expenditure of agency bond funds generated by the fee may be used to meet matching requirements on state bond funds issued for asset preservation projects. In previous biennia, state leaders have required a dollar-for-dollar institutional match on state-funded asset preservation pools.
- In any given academic year, the impact of implementing an asset preservation fee, when combined with a tuition and fee increase supporting campus operations, will be reasonable for Kentucky students and families. For the purposes of this policy exemption, the Council shall determine whether a proposed asset preservation fee, in combination with a tuition and fee increase allowed under a Council-approved tuition ceiling, is reasonable. This assessment will be made within the context of state economic and budgetary conditions, institutional resource needs, and affordability concerns at the time.
- Depending on the outcome of the aforementioned assessment, it may be appropriate to phase in a requested fee over multiple years to maintain affordability and access.
- The Council does not expect a fee that qualifies for an exemption under this policy to remain in effect in perpetuity. To be eligible for an exemption, the requesting institution must have a plan in place for the eventual elimination of a proposed asset preservation fee within 25 years of its initial implementation date.

Exemption Process

The Council will evaluate requests for a fee exemption under this policy on a case-by- case basis. To initiate the process:

- An institution's governing board must approve the proposed asset preservation project(s) and related student fee.
- Campus officials must submit to the Council a copy of that board approval, along with a written request to exempt the asset preservation fee from Council

tuition and fee ceilings.

- Council staff will review the request, assess whether or not the proposed project(s) and related fee qualify for an exemption, and make a recommendation to the Council.

To facilitate the exemption-request review process, a requesting institution shall provide the Council with the following information:

- Documents certifying that the specific asset preservation project(s) financed and proposed fee details have been approved by the institution's governing board.
- Documents specifying the fee amount, anticipated implementation date, revenue projections, uses of revenue, number of years the fee will be in place, and impact on tuition in year imposed (i.e., percentage points above ceiling).
- Documents identifying the project's scope, its timeframe for completion, debt payment schedule, and plan for the eventual elimination of the fee upon debt retirement.

Periodic Reporting

- Upon request by the Council, the postsecondary institutions will provide documentation certifying the date an asset preservation fee was implemented, annual amounts of fee revenue generated to date, uses of fee revenue, the amount of fee revenue or agency bond funds used to meet state matching requirements on asset preservation project appropriations, and the number of years the fee will remain in place.

Ongoing Usage

- Once an Asset Preservation Fee is approved by the Council, revenue generated from the fee may be used for ongoing asset preservation, renovation and fit-for-use projects with institutional board approval.
- Asset preservation, renovation and fit-for-use project(s) financed with asset preservation fee revenue shall comply with all statutory requirements pertaining to the approval of capital projects (KRS 45.750, KRS 45.763, KRS 164.020 (11) (a), KRS 164A.575).

Tuition Setting Process for Academic Year 2025-26

Tuition Setting Process
Background Information

- The Council has statutory authority to determine tuition (KRS 164.020)
- Collaborative process involving multiple stakeholders
  - Council president and staff
  - Campus presidents and chief budget officers
  - Council members
  - Student groups
- Data driven and transparent
  - Compare KY sticker and net prices to regional and national peers
  - Review trends in federal, state, and institutionally funded student aid
  - Compare net price as a % of family income; review student loan debt
  - Collect fixed cost and tuition revenue estimates from institutions

Tuition Setting Process

Background Information (Cont'd)

- Every year, the Council adopts tuition and fee policy, establishes tuition ceilings, and approves campus rate proposals
- This cycle, it could be a one-year or two-year tuition ceiling

Nov-Dec 2024

- CPE staff and CBOs review the Tuition and Fee Policy and discuss changes
- Develop a tuition setting timeline

Jan 2025

- CPE staff and presidents finalize the tuition policy and timeline
- Council approves policy and reviews timeline

Feb-Mar 2025

- CPE staff and CBOs exchange policy relevant data and identify key issues
- CPE staff updates Council members regarding progress

Apr 2025

- CPE staff and presidents finalize tuition and fee recommendation
- Council approves tuition ceilings

May-Jun 2025

- Campus officials submit tuition proposals to CPE that comply with adopted ceilings
- Council approves campus proposals

Tuition Setting Process

Preliminary 2025-26 Tuition Setting Timeline

- Every tuition cycle, staff works with campus officials to develop a timeline that identifies target dates and planned activities for the upcoming year
- A copy of the *Preliminary 2025-26 Tuition Setting Timeline* is provided in the agenda materials for this meeting (Attachment A)
- Some important dates include:

01-31-25	Council approves tuition policy, reviews final timeline
04-18-25	Council approves tuition and fee ceilings
05-23-25	Deadline for institutions to submit tuition proposals
06-13-25	Council approves campus tuition and fee rate proposals

Tuition Setting Process
Tuition and Mandatory Fee Policy

- Every year, staff works with campus officials to review and make changes to the *Tuition and Mandatory Fee Policy* (Attachment B)
- Over the years, there have been some notable changes:
  - the addition of an *Asset Preservation Fee Exception Policy*
  - a change in the nonresident student tuition policy that allows institutions to charge below 130% of the resident rate (with a MOU)
- At this time, staff does <u>not</u> anticipate major changes to the policy
- Once approved, the policy will provide a framework for establishing tuition and fee charges and evaluating campus tuition proposals