

CAPITAL PLANNING ADVISORY BOARD

Minutes of the 3rd Meeting of the 2007 Calendar Year

July 20, 2007

The 3rd meeting of the Capital Planning Advisory Board of the 2007 calendar year was held on Friday, July 20, 2007, at 9:00 AM, in Room 171 of the Capitol Annex. Senator Jack Westwood, Presiding Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jack Westwood, Co-Chair; Representative Reginald Meeks, Co-Chair; Senator David E. Boswell; Bradford Cowgill, David Fleenor, Ben Fletcher, Paul Gannoe, John Hicks, Bill Hintze, William May, Doug Teague, and Garlan Vanhook.

Guests: Mark Farrow, Chief of Staff, and Glenn Mitchell, Fiscal Officer, Department of Agriculture; Debra Gabbard, Executive Director, Office of Budget and Fiscal Management, and Paul Steely, Commissioner of Aviation, Transportation Cabinet; General Julius Berthold, Executive Director, Office of Management and Administration, and Rick Flynn, Budget and Finance Staff Assistant, Department of Military Affairs; General Les Beavers, Commissioner, and Shaun McKiernan, Fiscal Manager, Department of Veterans Affairs; Robin Kinney, Associate Commissioner, Office of Administration and Support, Department of Education; Laura Owens, Secretary, Education Cabinet; Dr. John Hayek, Interim Vice President for Finance, Allen Lind, Vice President for Information and Technology, and Sherron Jackson, Assistant Vice President for EEO and Finance, Council on Postsecondary Education; Dr. Gary Ransdell, President, and John Osborne, Associate Vice President for Campus Services, Western Kentucky University; Dr. Randy Dunn, President, Tom Denton, Vice President for Finance and Administrative Services, Dewey Yeatts, Associate Vice President for Facilities, and Bob Jackson, Associate Vice President for Institutional Development, Murray State University; Beth Patrick, Vice President for Planning, Budgets and Technology, and Mike Walters, Vice President for Administration and Fiscal Services, Morehead State University; Ken Ramey, Vice President for Administration and Finance, and Mary Paula Schuh, Director of Campus Planning, Northern Kentucky University; Dr. Lee Todd, President, Bob Wiseman, Vice President for Facilities Management, and Angie Martin, Vice President for Planning, Budget and Policy, University of Kentucky; Larry Owsley, Vice President for Business Affairs, University of Louisville; Dr. Rodney Piercey, Provost and Vice President for Academic Affairs, and James Street, Executive Director for Capital Planning and Facilities, Eastern Kentucky University; Dr. Michael McCall, President, and Eric Shaffer, System Architect, Kentucky Community and

Technical College System; and Alice Johnson, Vice President of Finance and Business Affairs, Steve Mason, Executive Assistant to the President, and Jack McNear, Director of Capital Planning and Construction, Kentucky State University.

LRC Staff: Pat Ingram, CSA, Nancy Osborne, Shawn Bowen, Kim Link, and Debbie Rodgers.

Senator Boswell's motion to approve the minutes of the June 14, 2007 meeting was seconded by Mr. Cowgill and approved by voice vote.

Senator Westwood noted two Information Items in the members' materials. Both items responded to questions raised at prior meetings. The first reported on compliance with job requirements attached to the receipt of funds from the Kentucky Economic Development Finance Authority (KEDFA) loan program and the Economic Development Bond (EDB) program. The second addressed the cost of digitizing public records as compared to the cost of constructing an addition to the state Library and Archives building in which to store those records.

At the request of Senator Westwood, Committee Staff Administrator Pat Ingram described the format for the day's meeting and the plan review materials that had been prepared by staff and provided to the members.

The Board then proceeded to the review of agency plans. In each instance, a CPAB staff overview of the agency's programs, facilities, and current projects as provided in the Staff Analysis and Comments document was presented. A presentation from an agency representative and questions from the Board followed.

Department of Agriculture - Mark Farrow, Chief of Staff, and Glenn Mitchell, Budget Director, represented the Department of Agriculture. Mr. Farrow explained that all of the proposed capital projects related to statutorily mandated programs of the Department. Funding is proposed for two grant/loan programs - Animal Shelters and Preservation of Agriculture Conservation Easements (PACE). Funding is also proposed for expansion of the fuels testing lab and for a new large scale test truck.

Relative to the Animal Shelters program, Mr. Farrow said \$1.6 million has been awarded as grants to the counties, but there have been requests for \$9.5 million.

Relative to the fuels testing lab expansion, Mr. Mitchell said Kentucky has been doing the statutorily required testing through a contract vendor in Nashville, but there is a long turnaround time and the accuracy cannot always be assured. The 2006-08 budget appropriated \$1.6 million for equipment for the Department to establish its own lab, which is being constructed and will be leased from a private vendor. The \$1.0 million expansion would allow Kentucky to do testing for other jurisdictions, with the cost of the

expansion to be financed from the charges. Senator Boswell said the lab and its expansion would be a good investment especially given the increasing use of ethanol and bio-fuels.

Relative to the large scale test truck, Mr. Mitchell said the Department currently has five vehicles that are used to fulfill the statutory requirement that scales be checked at least once a year. This new vehicle would complete the replacement cycle such that none of these trucks would have excessive mileage.

In response to Representative Meeks' question, Mr. Farrow said some counties have merged their animal control efforts, and the Animal Control Board does look favorably on grant applications representing regional proposals that would reduce costs. Representative Meeks said he has proposed legislation to support these efforts and would like to work with the Department further on that issue.

Representative Meeks also asked for a report on work being done by the Department to support efforts of farmers to diversify.

Addressing Representative Meeks' questions about agency-occupied facilities, Mr. Mitchell said in Frankfort the Department has offices in two state-owned buildings and leases space in two locations. One of the leased locations is a lab. In response to a question about whether it is better to own or to lease space, Mr. Farrow said the Department has previously proposed and would like in the future to be consolidated in a single facility.

Senator Boswell asked about the state's use of vehicles that use bio-fuels. Mr. Mitchell said the Department does not have any vehicles that use bio-diesel, but does have vehicles that operate on ethanol. He noted that the state is trying to buy this type of vehicle when available. Mr. Farrow said the lack of fueling stations away from Frankfort and the urban areas is a deterrent to the use of these vehicles by employees working in the field.

In response to Senator Boswell's questions about the Department's responsibility to inspect amusement park rides, Mr. Farrow said there are seven inspectors assigned to this program; they are supplemented by individuals from other sections of the agency. He added that the growth in more complicated, high-tech rides increases the time required to inspect them.

Transportation Cabinet - Debra Gabbard, Chief Financial Officer, and Paul Steely, Commissioner of the Department of Aviation, addressed the Board on behalf of the Cabinet. Ms. Gabbard noted that to the extent the Cabinet uses Road Fund dollars for capital projects, those funds are not available for road construction or maintenance projects so the list of capital projects that is submitted to the Board is usually reduced

significantly from the initial proposal that is generated internally. She said maintenance of existing buildings is always the Cabinet's top priority, such that about 50% of the Road Fund financed projects are for maintenance pools. Other Road Fund financed projects proposed for the first biennium are new construction (three new maintenance garages and replacement of the Manchester District Office Building) and software or other equipment to assist in the delivery of the road construction program.

Ms. Gabbard further explained that the transfer of aviation responsibilities from the Department of Military Affairs to the Transportation Cabinet's Department of Aviation has resulted in a significant increase in the number of projects proposed to be financed from the General Fund. Those projects include an aircraft maintenance pool and the purchase of three quality used aircraft (two helicopters and one fixed-wing aircraft) to replace existing aircraft that are aging.

Finally, Ms. Gabbard said the one project that would be financed from agency bonds is replacement of the Automated Vehicle Information System (AVIS). The replacement project was initiated a few years ago but halted due to a major deficit in the Road Fund in 2001. The 2006 General Assembly increased vehicle registration fees and earmarked the \$6 increase for AVIS replacement. Since it would take eight or nine years to accumulate the amount needed to purchase the system outright, the Cabinet is proposing to issue bonds with the debt service to be paid from revenues generated by the increased fees.

Mr. Steely then responded to Mr. Hicks' request for more information about the proposals to purchase three aircraft. Mr. Steely said the average age of the state's aircraft is 33 years. The proposal is to replace the fixed wing 1972 model Beechcraft King Air with a more modern, more fuel efficient aircraft that would better represent Kentucky to economic development prospects. Mr. Steely said a twin-engine helicopter is also needed to transport economic development prospects since only about one-half of the counties have an airport. Kentucky currently does not have a twin-engine helicopter in its fleet. The third aircraft - a single-engine helicopter - would allow an existing single-engine helicopter to be retired. While the other two aircraft would be used for economic development and executive transport, the single engine helicopter would be used for drug eradication and similar activities.

In response to a further question from Mr. Hicks, Ms. Gabbard said the Cabinet's Road Fund maintenance pools are based on different categories of needs (e.g., overhead doors, painting, landscaping) and that seems to work well. After a statewide needs assessment is completed, the funds are allocated by priority.

Noting the high cost of aviation equipment and the general public's tendency to be critical of such purchases, Senator Boswell asked if the \$12 million in proposed purchases is predicated on selling the existing fleet. Mr. Steely said in spring 2007 two

existing aircraft were sold. Relative to the proposed projects, he said two - the fixed wing aircraft and the single-engine helicopter - would directly replace existing equipment, but the twin-engine helicopter would be an addition since the state currently does not have such an aircraft in its fleet. Mr. Hintze said he supports both the fixed wing and the helicopter projects.

In response to Mr. Hintze's question about the Parks Road Maintenance Pool, Ms. Gabbard said while the funds can be used for the Parks or the Horse Park, the amount had not been increased specifically to address needs related to the 2010 World Equestrian Games.

Senator Westwood then noted that members of the Board had been contacted by Frankfort residents with concerns about development of the Capital City Airport, and asked about those plans and the oversight for such development. Mr. Steely said there is an airport layout plan that reflects future plans for the facility. He added that a project is currently underway to ensure that the airport runway has the required 1,000 foot safety overrun, rather than the current 600 foot overrun. This will result in moving the landing threshold on Runway 24 further away from town.

Department of Military Affairs - Brig. Gen. (Ret) Julius Berthold, Executive Director, Office of Management and Administration, and Rick Flynn, Budget and Finance Staff Assistant, addressed the Board on behalf of the Department of Military Affairs (DMA). After expressing Adjutant General Storm's regrets at not being able to attend the meeting, General Berthold reported that Kentucky has 1,459 National Guardsmen deployed and is preparing to send another 240 soldiers and airmen to the war zone.

General Berthold then explained that the Department is seeking funds to address a backlog of maintenance needs. He said \$7.7 million from the General Fund is being proposed for 2008-10 for an Armory Installation Facility Maintenance Pool and that the federal government has indicated it will match up to \$3 million of that amount, which makes this an opportune time to address these needs. Relative to Bluegrass Station, General Berthold said there are critical electrical and water infrastructure needs. He added that the Office of Financial Management and the Governor's Office for Policy and Management are satisfied the installation has an adequate revenue stream to support the issuance of agency bonds to address those needs as proposed in the six-year plan.

In response to Senator Boswell's questions about new readiness centers proposed for Owensboro and Northern Kentucky, General Berthold said the City of Owensboro has expressed an interest in acquiring the existing armory. In Northern Kentucky, DMA is leasing a facility until the center can be built. Land at the airfield has been offered as the site, which is consistent with General Storm's vision of having armories located as close to airfields as possible in order to be better able to respond to emergencies. The unit in

Northern Kentucky has administrative and command control duties and will not have aircraft.

Representative Meeks asked about the proposed radio projects, especially relative to the issue of interoperability. General Berthold said DMA has received several Office of Homeland Security Grants to take care of interoperability. He said a maintenance pool is being proposed because a primary concern now is adequately maintaining the equipment and towers.

Mr. Hicks noted that the 2004-06 budget provided additional maintenance pool funding that allowed DMA to undertake some large projects at the armories such as HVAC replacements. General Berthold said that funding was very helpful and because DMA used some of the \$2.3 million to address facilities in which there was a federal interest, the federal government provided an additional \$1 million match.

In response to another question from Mr. Hicks, General Berthold said DMA plans to demolish the existing human resources office building at Boone National Guard Center to provide a site for construction of a new Army Aviation Support Facility that would be closer to the airfield and in a more central location.

Department of Veterans Affairs - General Les Beavers, Commissioner, and Shaun McKiernan, Fiscal Manager, spoke on behalf of the Department of Veterans Affairs. Handouts were distributed to the members. General Beavers said the agency's capital project needs fall into three categories - nursing homes, cemeteries, and homeless transition facilities.

After noting that the three existing veterans nursing homes in Kentucky are at capacity with 98 additional veterans on the waiting list, General Beavers said the project proposed for 2010-12 to construct a fourth nursing home needs to be moved to the 2008-10 biennium. He said the upcoming federal funding authorization for the entire program is expected to be between \$165 million and \$250 million, which is a significant increase over the \$100 million that has usually been provided.

General Beavers further explained that the US Department of Veterans Affairs (VA) identifies two tiers of projects - Tier I for those with state matching funds and Tier II for those without state matching funds. Additionally, the past practice of all life and safety projects going to the top of the priority list has been changed such that now 70% of the available federal funding must be used for life and safety projects and the remaining 30% for new bed construction. Thus, when the state match is authorized for a fourth nursing home - probably to be located in the Jefferson County-Hardin County area - it would move to Tier I and be in line for funding.

According to General Beavers, the VA allocates the number of beds it will fund based on the veteran population in each state. Kentucky is authorized for a total of 759 beds. In the three existing nursing homes, there are 525 beds. Therefore, a fourth 160-bed facility could be constructed, the western Kentucky facility could be expanded by the 40 beds already authorized in the state budget, and a domiciliary (assisted living) facility with 24 beds could be established.

General Beavers said the agency's highest priority for 2008-10 is elevator replacement and upgrades of the Nurse Call and Wander Guard systems at the Thomson-Hood facility. These are life safety items that would receive a 65% federal funds match. Relative to the other item proposed for 2008-10, General Beavers said the Vet Net information technology project would design a web-based program to coordinate and link data (e.g., healthcare, benefits, cemeteries) about individual veterans in Kentucky.

Relative to projects proposed for future biennia, General Beavers said KDVA has discussed acquiring land at the Leestown Campus of the Lexington VA hospital as the site for a homeless facility (2010-12). Additionally, land adjacent to the Thomson Hood Nursing Center could be used as the site for a domiciliary facility (2012-14).

After noting that the Fort Knox cemetery opened in June 2007 and the Williamstown cemetery will open next summer, General Beavers said sites are now being considered for the cemeteries authorized for northeast and southeast Kentucky. The northeast cemetery will be in the Greenup County area. The southeast location may require the acquisition of two smaller land plots because it is difficult to get a 30-acre tract of land suitable for a cemetery in the Pike County area.

Senator Boswell thanked General Beavers and KDVA for the service they provide to Kentucky's veterans then asked if any federal funding would be available for the proposed Vet Net project. General Beavers said the federal government is interested in some pilot programs at the state level that would assist in processing the backlog of veterans claims. He added that the patient record system for the VA hospitals is good, but the nursing homes are not linked to that system and KDVA's goal is to integrate several systems including the cemeteries.

Mr. Hintze said the Vet Net program sounds like something that should be done. He asked about the level of federal funds coming to Kentucky through veterans programs and about the potential for increasing that amount through having a better database such as Vet Net proposes. General Beavers said the FY 2005-06 impact was \$595 million which reflects 11% of the state's veterans receiving benefits. He said he thinks the ceiling would be for about 14 or 15% of the state's veterans to have some form of service-connected claim for which they receive benefits. He added while benefits are the major factor, there are also financial impacts from the health clinics and capital projects such as the nursing homes and cemeteries.

In response to further questions, General Beavers said there is a debate over constructing more beds for long-term care because of the additional federal funding required to support the one-third of the per diem cost that is also paid by the federal government. He said the approach of providing more adult daycare, home healthcare, and respite care services sounds good, but the acuity level of the nursing home patients is such that their needs cannot be addressed at home. Thus, he has recommended that the state issue bonds to finance the entire amount needed to move forward with the west Kentucky expansion and then receive the 65% federal reimbursement when it becomes available. (The project is not listed in KDVA's capital plan because the project, including the 35% match was authorized in the 2006-08 budget.)

Department of Education - The capital plan for the Department of Education was presented by Robin Kinney, Associate Commissioner, Office of Internal Administration and Support.

Ms. Kinney said the Department's capital projects - both bricks and mortar and information technology - relate to the goal established under the Kentucky Education Reform Act that all public school students would be proficient by 2014. Projects proposed for the Kentucky School for the Deaf and the Kentucky School for the Blind (KSB) relate to implementation plans developed to revise and update programs for the client populations on the campuses and statewide. Without the funding proposed to modernize and make the campuses more efficient, maintenance costs on the 30+ year old buildings will continue to increase, and there is the potential for the disruption of services. While previously proposed for full funding in a single biennium, the work has now been divided into three phases at each campus.

Ms. Kinney expressed appreciation for funding provided by the 2006 General Assembly for information technology and said the projects proposed for 2008-10 build on the infrastructure provided by those projects. The Student Information System proposal would complete the project authorized in the 2006-08 budget to implement a single system to collect and use student data at the district and school level while establishing a state-level database based on a unique identifier for each student. The On-Line Assessment project would provide a more efficient mechanism to deliver, score, and return test results. The Knowledge Management Portal would be a one stop resource for educators to share best practices.

In response to Senator Westwood's question about whether the Student Information System will help address the drop-out situation, Ms. Kinney said the system is designed to collect student data so what is happening to an individual student can be tracked.

Noting that KSB is in his district, Representative Meeks asked if the projects proposed reflect what the school says is needed. Ms. Kinney said KSB representatives participated in the stakeholder groups that developed the plan, and she is unaware of anything they proposed that was not adopted by consensus of the entire group.

Education Cabinet - Secretary Laura Owens presented the Cabinet's plan which was comprised of plans developed by the following entities - Office of the Secretary, Department for Workforce Investment, Kentucky Department for Libraries and Archives (KDLA), Kentucky Educational Television (KET), and the Educational Professional Standards Board (EPSB).

Secretary Owens said the Cabinet's first priority is the proposed 16,000 square foot expansion of the Library and Archives Building for storage of the state's archival records. The second priority is Phase 2 of the Kentucky Education Network (KEN), which would expand the network to other agencies and the area technology centers. The next two priorities are maintenance pools. Priority 5 is the EPSB's Online Certification and Integration system to provide for on-line teacher certification. The next two priorities are pools specifically for HVAC systems and roofs. The eighth priority is Tele Learning, which is video conferencing using Internet2 and the KEN network. Secretary Owens noted that KET is proposing an upgrade and expansion project in order to reach more viewers, as well as a maintenance pool for its digital equipment.

In response to Senator Westwood's question about the federal digital conversion mandate, Linda Hume, Deputy Executive Director for Administration and Support, said KET has met the mandate to be able to transmit digitally, but cannot generate programming digitally. A project currently under way will allow that at the network center, and the project proposed in this plan will expand the ability to generate digital programming to KET facilities in Louisville and Frankfort.

Senator Westwood also asked about the impact of the moratorium on the transfer of court records to the state archives. Wayne Onkst, State Librarian and KDLA Commissioner, said the records are now at risk and inaccessible as a result of being housed in courthouses and various locations around the state under conditions that are not environmentally appropriate for their preservation. When they can be brought to Frankfort, the records are cataloged, protected, and accessible.

Representative Meeks expressed concerns about physical conditions at the two Department for Workforce Investment offices in Louisville. Secretary Owens said she is aware of some items that may be obstacles to individuals accessing services at the facilities, and the Department is working to address them (e.g., the handicapped elevator). There has been discussion of consolidating the two offices in space available at the downtown location (Sixth and Cedar), but that would create problems for individuals

unable to travel to downtown. Representative Meeks said he would follow up on some specific issues later with Secretary Owens and her staff.

Council on Postsecondary Education (agency plan) - Representing the Council on Postsecondary Education (CPE) were Dr. John Hayek, Interim Vice President for Finance, Sherron Jackson, Assistant Vice President for Finance and Equal Opportunity, and Alan Lind, Vice President for Information and Technology.

Mr. Jackson distributed a handout describing the agency and its priorities. He explained that information technology projects authorized for CPE in the 2006-08 budget were unable to be implemented because the source of funds was to have been pools that were authorized by the 2006 General Assembly but vetoed by the Governor.

Dr. Hayek outlined several long-term planning efforts currently underway at CPE including the comprehensive facility study, a diversity study, and a "double-the-numbers" plan to increase postsecondary education enrollments. He noted that in addition to capital investment needs that will be presented by the institutions later in the day to support enrollment growth and research, statewide information technology and infrastructure will also play a critical role in moving the system forward over the next six years.

Mr. Lind then explained that technology can do three things very well -reduce costs, improve quality, and increase accessibility. Relative to specific items in the CPE plan, he explained that the Learning Object Repository (Priority #2) is a project being coordinated by the Southern Regional Education Board in Atlanta. The concept is to change the development of courses from a "cottage industry creation" to a manufacturing process; the repository would be the source of parts to be assembled and input into the educational process. The Integrated Library System (Priority #1) would replace the current system used by the institutions to keep the cost of library operations down. The third priority - a postsecondary education data warehouse - would be used to track student performance and be used in conjunction with the KDE warehouse proposal to allow for P-16 tracking. Among other things, it would track the impact of K-12 education reform on postsecondary performance.

Responding to Mr. Hicks' questions, Mr. Lind explained that the integrated library system addresses administrative functions of a library (e.g., book acquisition, cataloging, tracking books on the shelf). The current system - housed at the University of Kentucky and the University of Louisville - is accessed remotely and used by all of the institutions.

Mr. Lind also addressed Mr. Hicks' question about the project related to Internet2 by explaining that Internet2 is a very high speed network dedicated solely to researchers and the education community. UK and UL are members of the consortium of research universities that run it. Recently, an "on ramp" was placed in Louisville, and the proposed capital project is intended to facilitate connecting the other institutions to the network.

Representative Meeks said he is supportive of making improvements in the area of technology. However, noting that Kentucky has low numbers of African American, Appalachian, and low-income students graduating from its postsecondary institutions, he said the state needs to be sure it is meeting the needs and ensuring the success of all students as it works to increase postsecondary enrollments.

Senator Westwood thanked Representative Meeks for his comments. He then recessed the meeting for a lunch break.

The Capital Planning Advisory Board reconvened at 12:30 PM to discuss the 2008-2014 capital plans submitted by Kentucky's postsecondary education institutions. Before beginning the individual plan reviews, Ms. Ingram first described the format of the materials provided in the members' notebooks.

Western Kentucky University - President Gary Ransdell and John Osborne, Associate Vice President for Campus Services, represented Western Kentucky University (WKU).

President Ransdell said while WKU has some new construction underway and planned to address enrollment growth, the preponderance of the needs are for major renovations or complete rebuilds of structures. Noting that pools to provide matching funds for deferred maintenance needs had been very helpful in the past, he encouraged that such a pool be established again in the future. President Ransdell said WKU instituted a campus rebuilding fee last year. He said the institution's philosophy is if the state will fund the major academic priorities, WKU will try to address other needs (e.g., infrastructure, student activities centers, parking) using self-generated revenues, federal funds, and private funds.

President Ransdell reviewed the projects for WKU that had been vetoed in the 2006-08 budget. Projects proposed to be financed with agency bonds and for which the architectural work has been completed are North Campus parking, renovation of Van Meter auditorium, an addition to the Preston Activity Center, and the Ivan Wilson (fine arts) Center renovation and addition. Three other vetoed projects would be financed from state bonds. The top priority is completion of the Science Campus renovation project. (The vetoed funding level was \$9 million but a total of \$24 million will actually be needed to complete the project.) Also vetoed were completing the build out of the materials characterization lab at the Center for Research and Development and design funding for a building to replace Grise Hall, which houses WKU's College of Business. A Kentucky Community and Technical College System (KCTCS) project that was vetoed - additional funding for the Owensboro Advanced Technology Center - is also a priority for WKU. After noting that WKU will have academic space in this facility, President

Ransdell explained that Daviess County has also provided 29 acres and committed to funding a \$6 million administrative facility for WKU in Owensboro.

According to President Ransdell, WKU's number one priority for the main campus is completing renovation of the underground electrical infrastructure. Several power failures have occurred, and there is the potential for more serious problems.

President Ransdell said another high priority was not anticipated a few years ago. It is construction - in conjunction with KCTCS - of Phase III of the Central Regional Postsecondary Education Center in Elizabethtown. This project will address the increasing postsecondary education needs of the Hardin County area especially because many people will be relocating to the area due to additional missions being assigned to Fort Knox as a result of the Base Realignment and Closure (BRAC) process.

Noting the state's goal of significant increases in the number of degree holders, Senator Westwood said the required enrollment increases will put a tremendous strain on the infrastructure at the university campuses. President Ransdell said the combined need for new facilities and existing facility renovations is a daunting challenge that can be met, but the universities cannot do it on their own.

President Ransdell next responded to Senator Westwood's request for clarification of the Science Campus project. He said the campus includes two old buildings, two new buildings, and a planetarium. While there has been little change in the square footage, construction and equipment costs have increased since the first phase of the project was authorized in the 1998-2000 budget.

Mr. Fletcher asked about the Materials Characterization Center (MCC) and its impact as an economic development stimulus for the state. President Ransdell said the Center for Research and Development - housed in a renovated former shopping mall - contains three labs. The Applied Physics Institute is primarily focused on homeland security initiatives involving nuclear physics, robotics, etc. The Institute for Combustion Science and Environmental Technology addresses the state's energy agenda focusing on alternative uses of fuels and emissions controls. The Materials Characterization Center focuses on analysis of surface composites. The labs have several hundred contracts with business and industry and are moving toward commercialization with private industry to produce income. The MCC project would complete the build out of the mall. Over 300 jobs have been created because of the labs.

Representative Meeks asked if the health and safety of any students, faculty, or staff are in jeopardy if the vetoed projects are not undertaken immediately. President Ransdell said it would be a stretch to say that anyone's physical health and safety are at risk. The main issue is that when the projects are undertaken, they will either require additional funding or the work to be done will have to be scaled back.

In response to Representative Meeks' further question about WKU's experience with contracting out the management of its facilities, President Ransdell said there has been great value and efficiency in contracting with Sodexo Corporation to handle this function. Sodexo employees hold eight administrative positions, while most of the 300 employees in the facilities department are WKU employees. A major benefit is that the contract gives WKU access to consultants, expertise, and employees throughout the Corporation to help deal with the complex issues that arise on a university campus. President Ransdell added that using contractual services for auxiliary functions allows the university to focus on its teaching, research, and service missions.

Murray State University - Representing Murray State University (MuSU) were President Randy Dunn; Tom Denton, Vice President for Finance and Administrative Services; Dewey Yeatts, Associate Vice President for Facilities; and Bob Jackson, Associate Vice President for Institutional Development. President Dunn distributed a handout to accompany his presentation. He said MuSU is dealing with the challenges of maintaining quality, increasing enrollments to address CPE goals, and staying affordable and accessible.

President Dunn next reviewed MuSU's priorities for General Fund-supported projects for 2008-10. Priority number one is the science campus. This 10-year project to create a three-building campus has seen increased construction costs resulting in the need for an additional \$15 million described as the final phase. The next two priorities are funding for fixtures, furnishings, and equipment for the science facilities.

President Dunn said replacement of the Breathitt Veterinary Center in Hopkinsville is another high priority for MuSU. The Center's director indicates a critical need to have a level three facility and to be able to expand services addressing homeland security, food safety, and other public safety issues. A feasibility study will be undertaken for this project.

According to President Dunn, originally upon completion of the Science Campus it was expected that the existing Blackburn Science Building would be demolished. However, it has been determined that while not appropriate to use for science education, the building could house offices and campus centers. Therefore, the renovation of the Blackburn Science Building is now being proposed. Other priorities for 2008-10 include construction of a new university library to replace two existing facilities (Pogue and Waterfield) that do not function adequately as libraries, construction of a Madisonville postsecondary education center in conjunction with KCTCS, and acquisition of additional land to strengthen the university's farm laboratory. President Dunn concluded by noting the importance of funding for capital renewal and infrastructure (especially electrical) needs.

Mr. Fletcher noted that the Breathitt Veterinary Center in Hopkinsville is really an area of excellence. President Dunn explained that there is a tremendous demand for the services of the Center. Additionally, it provides lab facilities for students and also has economic development potential.

Morehead State University - Beth Patrick, Vice President for Planning, Budget and Technology, and Mike Walters, Vice President for Administration and Fiscal Services, represented Morehead State University (MoSU). They reported that President Andrews had a prior out-of-state commitment and expressed his regrets at being unable to attend. Two handouts related to the presentation were distributed.

Ms. Patrick explained that capital planning is a part of MoSU's strategic planning process. The current strategic plan was approved in June 2006. It is supported by multiple action plans including the campus master plan, which is in turn shaped and defined by focus plans. Since the last six-year planning process, two such plans - for housing facilities (2006) and for athletic facilities (2007) - have been developed.

Ms. Patrick said MoSU's top priority is additional funding for the Space Science Center facility to reinstate two components deemed critical to the overall mission of the program. Specifically, cost increases in both technology and construction costs required that the Star Theater and Clean Room be deleted in order to stay within the authorized project budget.

MoSU's second priority is phase two of the project to renovate and expand the university student center. Ms. Patrick said this project to complete the renovation will replace central infrastructure and expand the building to facilitate creation of a one-stop shop for all student services. Priority three is equipment for the imaging sciences and nursing programs that will be housed in the new Center for Health, Education and Research, which will soon begin construction. Priority four would renovate the Bert Combs Classroom Building to address significant utility infrastructure and classroom/lab needs.

Ms. Patrick also addressed two agency bond projects that were vetoed in the 2006-08 budget. She noted that construction of a student recreation center is to be financed by a self-imposed student fee, and the residence hall renovation project (Alumni Tower) is needed to stay on schedule with a ten-year plan to renovate and/or replace every student housing facility on campus.

Mr. Walters addressed issues impacting the institution's physical plant and facilities management. He said the most significant issue is replacement of the pollution control system (baghouse) and power plant. In spring 2007, MoSU's largest coal boiler was taken off-line when it failed a particulate matter emission standards test and received a notice of violation from the state's Division of Air Quality. A short-term solution will

involve leasing a natural gas fired boiler to get through the coming winter, but for the long-term, an economic analysis has determined that rehabbing the coal boiler and replacing the baghouse filtration system is the best approach (Priority #7). Mr. Walters said MoSU budgets significant resources for facilities renewal and replacement and additional funding is needed for that purpose (Priority #5).

In conclusion, Mr. Walters noted that MoSU recently made a significant budgetary investment in facilities management operations and personnel. A multi-year reorganization of facilities operations is underway, and the university plans to hire someone with planning and design credentials and background to be a part of the capital planning process.

Relative to Senator Westwood's questions about the additional amount needed for the Space Science Center, Mr. Walters said the project had to be bid twice. Removing the Star Theater and Clean Room allowed the second bids to come in within the authorized budget.

Northern Kentucky University - Vice President for Administration and Finance Ken Ramey, accompanied by Director of Campus Planning Mary Paula Schuh, expressed President Votruba's regrets at being unable to attend the meeting. Handouts describing two proposed projects were distributed.

Mr. Ramey first provided an overview of Northern Kentucky University (NKU) and its space needs. He said the CPE space model calculates that NKU currently has a deficit of over 67,000 square feet of instructional space and that deficit will increase to 180,000 square feet by 2020. With only 84 square feet per student, NKU has 50 square feet less per student than the average of Kentucky's other comprehensive universities. As a result, Mr. Ramey said NKU is faced with the options of program cuts, limiting enrollment growth, or not implementing new initiatives.

Mr. Ramey said over the past three biennia, NKU has invested \$3 million to \$4 million per biennium in capital renewal and repair. This includes funds from state matching pools, private donations, and an energy savings performance contract. The long-term goal is to increase the annual capital renewal and replacement investment to 1 to 2 percent of the appraised value of its buildings consistent with Association of Physical Plant Administrators (APPA) standards.

Noting that the capital plan includes multiple capital renewal projects, Mr. Ramey said the most important is renovation of the old science building. The facility was nearly vacated upon completion of the new physical science building, but due to space needs is again occupied. As such, this renovation, which would largely address building systems, will not address NKU's space deficit.

Priority two - which Mr. Ramsey said could really be considered 1A - is construction of a new health innovation center to consolidate NKU's health care related disciplines (e.g., nursing, allied health, psychology) and allow for the initiation of new programs (e.g., physicians assistant, health care administration, gerontology, digital imaging). This space is needed so that qualified applicants are not turned away and so that NKU can help address the region's needs for healthcare professionals.

Relative to the proposed Albright Health Center construction/renovation project, Mr. Ramey said addressing NKU's significant deficit of physical education and recreation space is a challenge given the need for academic space. As such, the university eventually hopes to present a proposal whereby the project would be partially funded using agency bonds supported by student fees. However, because student fees are also underwriting 100% of the cost of the new student union project, there is a limit to the amount of the fee that can be imposed.

Addressing agency bond-funded projects, Mr. Ramey said the university has acquired a former nursing home adjacent to the campus, which will be renovated for student housing, and an additional residence hall project is also proposed for 2008-10. While the university is encouraging the use of mass transit, construction of another parking garage is also a priority for NKU as surface lots continue to be converted to building sites.

In conclusion, Mr. Ramey said Vision 2015, the strategic plan for the northern Kentucky region, provided the foundation for the university's new strategic plan. He added that NKU has built considerable momentum toward linking its plans with the northern Kentucky economy and asked for the Board's support in its efforts.

Senator Westwood said NKU has been a good steward of the resources it has been provided, and he is very concerned that students may be turned away because of the lack of classroom or student housing space.

University of Kentucky – In presenting the University of Kentucky (UK) plan, President Lee Todd was accompanied by Bob Wiseman, Vice President for Facilities Management, and Angie Martin, Vice President for Planning, Budget and Policy. A brochure on the UK plan was distributed. President Todd said UK is ahead of the enrollment goals and slightly behind the research goals it set in its Top 20 Business Plan. That plan is the basis for the university's six-year capital plan. He said the CPE space needs model shows deficits for UK in classroom and lab space, as well as research space.

Because the Lexington campus is landlocked, President Todd said UK tries to make efficient use of the space available. For example, when constructing a building, shelled space may be included to be fit out later. Additionally, space is being recaptured

on the central campus by moving some functions (e.g., administrative, library, data center) to other locations so as to provide more space for classrooms and labs.

Relative to construction of the new hospital facility, President Todd said the current authorization of \$450 million will provide for construction of two bed towers, which will include some shell space. UK is now seeking authorization to use an additional \$250 million in restricted funds to fit out the shell space so the existing hospital can be vacated. President Todd explained that the needed funds will be available due to increasing hospital revenues.

President Todd said UK's top priority for new construction is Research Building 2, which will provide space to attract researchers and faculty needed to achieve the goal of becoming a top 20 research institution. The facility is expected to generate \$17.2 million dollars worth of research. UK's second priority is construction of the Gatton Building Complex, which would allow the College of Business to increase its enrollment and allow the existing facility to be reassigned to accommodate the growth of other colleges. Approximately \$17.5 million has already been generated to apply to the \$25 million in private funds being proposed to help finance the cost of the new \$100 million complex.

The last construction priority described by President Todd was Phase 2 of the Livestock Disease Diagnostic Lab expansion and renovation project. He explained that this project – at a scope of \$13.5 million - was vetoed in the 2006-08 budget. A scope of \$16.5 million is now being proposed because UK has been advised that it will be assessed approximately \$500,000 per year due to the nature of the effluent from the facility. The \$3 million increase will allow the discharges to be treated on-site before they enter the city sewer system, and thus avoid the assessment.

President Todd said several pools proposed as priorities in the UK plan would address some of the significant capital renewal needs identified by the VFA facilities condition study. Noting that previous capital renewal pools had required institutional matches to access the state funds, he said he is supportive of that approach.

In conclusion, President Todd also asked the Board to consider recommending that the postsecondary institutions be allowed to undertake cash-funded projects during the interim even if the projects are not authorized in the biennial budget.

Responding to Mr. Hicks' questions about the recent and proposed research building projects, President Todd said two recent facilities - the Biomedical/Biological Sciences Research Building (BBSRB) and the Pharmacy Building - include both research and academic space. The occupants are also interdisciplinary. He added that everyone in the BBSRB must receive extramural funding, which pays for a portion of the debt service

on the building. Mr. Wiseman said the proposed new facility would be primarily research oriented and include some animal quarters.

Mr. Hintze asked for clarification of the timeline for expenditure of funds proposed for the hospital project. Mr. Wiseman said the currently authorized \$450 million will be used now to construct the core and shell, and the additional \$250 million that is proposed would be expended over the next several years to fit out the shelled space. Approximately \$75 million would be expended in the near term with the entire amount to be spent by 2018.

Noting that - across all agencies reviewed thus far – there have been significant increases in project scopes over those submitted in the last plan, Mr. Hintze asked the UK representatives to comment on the higher costs. Mr. Wiseman cited the example of the hospital which had been projected with 4% annual increases during the initial planning stages. However, the increases have proven to be 7% instead. He added that it is probably best to be conservative and use high estimates to avoid having to seek increase authorizations in the interim. President Todd added that constructing a research building is expensive, particularly when compared to the cost of a classroom facility.

Saying what UK has done with regard to constructing shelled space is interesting, Mr. Vanhook noted that it is unusual for an architect to be allowed to provide during the initial construction the infrastructure necessary to eventually add on to the top of a facility. Mr. Wiseman said the approach has been effective in offsetting the impact of inflation. Additionally, it is easier to bring only the clean trades back on site, and the approach also avoids disturbing the building occupants with wholesale changes. He said UK has been effective in obtaining federal grants to finance the fit outs.

University of Louisville – Larry Owsley, Vice President for Business Affairs, distributed a handout, which outlined his presentation on the University of Louisville's (UL) plan.

Mr. Owsley said the university's plan takes seriously the facilities issues addressed by the VFA report and emphasized that the space issue for UL is not a projected deficit, but instead is a deficit in the amount of space currently available. Of the 1,130,000 square feet of additional space that the report indicates is currently needed, 57% is at UL. In an effort to address that need, UL's top priority for 2008-10 is a new classroom building on the Belknap Campus. The VFA study calculated a relatively good facilities condition index for UL. It is 17% currently but projected to worsen to 31% in five years, so UL is proposing to renovate some existing facilities (natural sciences and education in 2008-10) and is also seeking funding for a capital renewal pool.

Mr. Owsley said the Belknap Campus has been developed pursuant to a master plan that was last updated in 1993 and is pending a further update. He noted that the

campus has become more residential since the mid 1990s resulting in the use of a privatized approach to the construction of student housing. UL is now re-thinking its approach to housing and will issue a request for proposals for land owners adjacent to the campus to build housing for students on their property. UL would then partner with the developer on the programmatic aspects of student life so the residents will feel they are a part of the campus. If this approach works, UL may also be able to take some existing housing facilities off-line and convert them to address deficits in the areas of office and support space. As the resident population has increased, UL has also encouraged retail and commercial development adjacent to the campus to address student needs.

Mr. Owsley said needs of the Belknap campus include classrooms, teaching labs, and office space. A major research building is also proposed for the second biennium. He said a pool for capital renewal is important, and UL would welcome a matching program as was used in the past. A final need for the Belknap campus is additional land; the owner of a 32 acre parcel south of campus will relocate if a means can be worked out for UL to acquire the property.

Mr. Owsley said the master plan for the Health Science Campus has recently been updated and contains a lot of research expansion to build on recently completed projects. Critical infrastructure needs including parking and utility capacity, and needs in the area of capital renewal (dental school, medical-dental research building) and land acquisition have also been identified.

Addressing the Shelby Campus, Mr. Owsley said a master plan was completed in 2005. Renovations to provide a regional computer forensic lab (in conjunction with the FBI) were recently completed, a major regional bio-safety lab is currently under construction, and work is about to begin on a roadway project. The intent is for the campus to become a business and technology park to provide opportunities for spin offs from university research activities.

In conclusion, Mr. Owsley said UL is seeking innovative ways to develop its campuses (e.g., alternative funding sources, partnerships) while still being accountable. He also endorsed President Todd's request for more flexibility to use restricted funds for projects during the interim. Relative to project cost increases, he noted that the large amount of development now underway throughout the city is putting significant pressure on construction costs.

In response to Mr. Hintze's question, Mr. Owsley said UL will know by the start of the 2008 General Assembly if its proposal for local developers to construct student housing is successful so the necessary budget authorizations (e.g., master lease) can be obtained.

Eastern Kentucky University - The Eastern Kentucky University (EKU) presentation was made by Dr. Rodney Piercey, Provost and Vice-President for Academic Affairs, accompanied by James Street, Executive Director of Campus Planning and Facilities. He expressed regrets that President Glasser could not attend due to a scheduling conflict.

Dr. Piercey said to meet the ambitious goals set for 2020, ECU will need increased enrollment, expanded programs, and more appropriate facilities. He said the VFA facilities assessment had given ECU a new perspective on its infrastructure and resulted in the addition of a new project as a high priority in its plan. He said the university's top priority is phase two of the new science building project. This project will allow the biology program to relocate from Moore and Memorial Science Buildings, which do not meet modern instructional needs or current research methodologies. This facility will have a significant impact on the campus since all students must take a minimum of two science classes.

According to Dr. Piercey, the additional funding needed for the Business and Technology Building, Phase 2 project (EKU priority #2) is the result of construction cost increases since the initial authorization in the 2004-06 budget.

Dr. Piercey said ECU's third priority is a new project based on the VFA report. It replaces the Renovate Donovan/Donovan Annex/Mattox Hall project proposed in the last plan with a project to construct a new College of Education complex, which would raze and replace the Donovan Complex. The project would consolidate the College of Education and the Model Laboratory School (teacher training facility) in a single structure to address safety, efficiency, and pedagogical concerns associated with the current arrangement.

ECU's fourth priority is to Renovate and Expand the Powell Building. Dr. Piercey explained that this is a total renovation of the student center facility, rather than the partial renovation that was previously proposed. The facility, constructed in 1971, no longer meets the entertainment and social needs of today's student and will be rejuvenated to address those needs with the collateral benefit of helping with student recruitment and retention.

Dr. Piercey concluded by noting that the university's fifth priority, an aviation instructional facility at the airport, would allow both instruction and flight opportunities for the aviation program to be provided in Madison County. (The Mount Sterling airport is now used for the flight component of the program.)

There were no questions for Mr. Piercey.

Kentucky Community and Technical College System - The capital plan for the Kentucky Community and Technical College System (KCTCS) was presented by KCTCS President Michael McCall, accompanied by System Architect Eric Shaffer. President McCall explained that KCTCS is unique in being a system that is comprised of 16 colleges and multiple campuses statewide. The process of ranking proposed projects involves all of the colleges and considers the proposed facility, how occupational and technical needs are being addressed by the college, and business needs statewide.

President McCall said the KCTCS priorities can be organized into two groups. The first group includes projects that were vetoed in the 2006-08 budget including the Owensboro Technology Center, Phase 2. The second group includes other projects such as construction of an advanced manufacturing center in Georgetown for Bluegrass Community and Technical College (CTC) in partnership with Toyota, an Allied Health Building at Hopkinsville CTC, and a facility for the North American Racing Academy for which the Kentucky Horse Park has allocated 40 acres.

Senator Westwood reiterated President McCall's comments on the unique responsibility and challenge that KCTCS has in addressing needs of campuses located throughout the state.

Kentucky State University - Kentucky State University (KSU) was represented by Alice Johnson, Vice President of Finance and Business Affairs. She was accompanied by Steve Mason, Executive Assistant to the President, and Jack McNear, Director of Capital Planning and Construction. After expressing President Mary Sias' regrets at being unable to attend today's meeting, Ms. Johnson proceeded to discuss the handout that had been distributed.

Ms. Johnson said KSU's recent strategic planning and master planning processes have been very productive and helpful in setting the university's direction for the future. She said the top capital project priority is expansion and renovation of the Betty White Nursing Building. The facility is inadequate to meet teaching needs, and due to the lack of space, there is a waiting list of 80 students for the nursing program. Ms. Johnson stated that KSU's plan is to construct a new facility on the south campus.

Ms. Johnson said other KSU priorities include construction of a Business and Technology Center to address growth of the College of Business, a pool for roof repair and replacement, a pool for capital renewal and maintenance, construction of classrooms and a performing arts center to serve both KSU and the City of Frankfort, and renovation of the Carroll Academic Services Building.

Representative Meeks asked for an update on KSU's Environmental Education Center in Henry County. Mr. Mason said the land was transferred to KSU by the Kentucky Heritage Land Conservation Board and is to both address environmental

education and serve those with disabilities. A plan that is compliant with all requirements of the Board has been developed and will be submitted this month. The university has also requested that moneys originally provided to the Department of Education in conjunction with this project be transferred to KSU.

In response to Senator Westwood's questions about the proposal to implement smart cards (the Upgrade KSU OnLine Security project), Ms. Johnson said the technology is not new, and KSU's main interest is in using it for student security and dormitory access.

This concluded the university presentations. Senator Westwood then asked members to follow-up with staff on policy issues or other issues that may have arisen for which recommendations need to be drafted to consider for inclusion in the statewide capital improvements plan.

Mr. Hintze commented that there seem to be a lot of new projects ranked as high priorities in the 2008-2014 plans as compared to prior plans.

Senator Westwood said he had noted this as well as the cost increases mentioned earlier by Mr. Hintze. He said some of the increase in the number of new projects may be attributable to the CPE 2020 goals.

There being no further business, the meeting was adjourned at 3:40 PM.