

CAPITAL PLANNING ADVISORY BOARD

Minutes of the 6th Meeting of the 2007 Calendar Year

October 3, 2007

The 6th meeting of the Capital Planning Advisory Board (CPAB) of the 2007 calendar year was held on Wednesday, October 3, 2007, at 10:00 AM, in Room 125 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; Representative Ron Crimm; Paul Gannoe; John Hicks; Bill Hintze; Jason Nemes; Doug Teague; Laurel True; and Garlan Vanhook.

LRC Staff: Pat Ingram, CSA, Nancy Osborne, Kristi Culpepper, Shawn Bowen, and Debbie Rodgers.

Mr. Hintze's motion to approve the minutes of the September 14, 2007 meeting was seconded by Mr. Vanhook and approved by voice vote.

Senator Westwood asked Committee Staff Administrator Pat Ingram to review the Information Items included in the members' folders. Ms. Ingram said the first item outlines the provisions of House Bill (HB) 1, which was passed in the Second Extraordinary Session of the 2007 General Assembly. She said HB 1 provides that to improve energy efficiency throughout state government, the Finance and Administration Cabinet is encouraged to utilize the LEED rating system or the Green Globes rating system for design, construction, and operation of high performance, energy-efficient buildings. The Cabinet is also to incorporate ENERGY STAR-qualified products in state agency procurements. The second Information Item reported on a recent presentation to a legislative committee concerning the state-owned Vest Lindsey House in Frankfort. The presentation requested that legislation be enacted by the 2008 General Assembly that would return the facility to use as a state meeting house, develop interpretation, maintain it as a central location to provide tour and visitor information, assist and support fundraising, and create an advisory board. The third Information Item reported that the School Facilities Construction Commission (SFCC) will request up to \$6 million in its 2008-10 budget to engage a third-party consultant to perform an assessment of local school facilities within the state, which would be similar to the recently-completed study of the state's postsecondary education facilities. The final Information Item responded to the issue raised at the last CPAB meeting as to whether funding for future maintenance

needs of a facility could be included in the debt that is issued to construct that facility initially. According to the memorandum prepared by LRC staff economist Kristi Culpepper, federal IRS arbitrage restrictions and state debt capacity considerations would preclude such an action.

Senator Westwood next explained that today's meeting would focus on a discussion of policy and project recommendations to be included in the Board's *2008-2014 Statewide Capital Improvements Plan*. He said after the meeting staff would prepare and distribute a draft of the statewide plan for final review and action at the Board's next meeting on October 22. He noted that KRS Chapter 7A calls for the statewide plan to be transmitted to the heads of the three branches of government by November 1. Senator Westwood asked Ms. Ingram to begin reviewing the proposed recommendations that had been included in the members' folders.

Ms. Ingram first presented an overview of the proposed content and organization of the plan. She explained that, consistent with recent plans, the document would include an executive summary; a policy recommendations section; a project recommendations section; and three sections of supporting documentation. The supporting information would include a status report on recently-authorized construction projects, a comprehensive listing of all of the proposed projects submitted by the agencies in their 2008-2014 plans, and appendices, which would include KRS Chapter 7A and the reports and recommendations requested by and submitted to the Board by the Council on Postsecondary Education and the Commonwealth Office of Technology. There were no questions about the proposed content and organization of the plan.

Ms. Ingram said the first proposed policy recommendation addressed state agency maintenance pools, which are used primarily for small projects that cost less than the threshold requiring line-item budget authorization (currently \$600,000 each). Ms. Ingram said the main source of funding for these pools is Investment Income (cash) and that, while bond funds have been substituted for some of the investment income in the last two budgets, the total amount appropriated for the maintenance pools has been in the range of about \$30 million in each of the past four budgets. Ms. Ingram said, as directed at the last meeting, the recommendation being presented for the Board to consider focuses on the importance of the maintenance pools and the need for sufficient funding, rather than calling for the development of a methodology to determine that funding. She read the following potential recommendation:

The Capital Planning Advisory Board recommends that in each biennium sufficient funding be appropriated for the agency miscellaneous maintenance pools to allow agencies to address maintenance projects in order to protect taxpayer investment in the state's physical plant.

The Board further acknowledges that the appropriation of bond funds for agency maintenance pools has had the positive effect of allowing agencies to undertake needed maintenance projects that otherwise would have required line-item budget authorization. However, this funding reduces the flexibility of agencies to undertake small projects that do not meet the 20-year useful life requirement for bond funding. As such, despite its benefits bond funding should not be used to the exclusion of the traditional cash funding.

The Board further recommends that each agency with responsibility for administering state-owned facilities should have access to a maintenance pool. Therefore, a Commerce Cabinet Miscellaneous Maintenance Pool should be established to address needs of the Northern Kentucky Convention Center, the Kentucky Artisans Center at Berea, the Eastern Kentucky Exposition Center, and the Frankfort Convention Center. This pool should not be available to other agencies in the Cabinet, which already have maintenance pool authorizations (e.g., Department of Parks, State Fair Board, and KY Horse Park).

Mr. True asked about recommending that all investment income be allocated to the agency maintenance pools before other funding sources, such as General Fund supported bonds are used. Mr. Hicks said that was good point because in the last two budgets bonds have been used to supplant rather than supplement the available Investment Income. Mr. Hintze said he agreed with recommending that all Investment Income be pledged for the maintenance pools so there is cash available to finance the smaller projects and that bonds be used to supplement that funding for larger items with a substantial service life. Mr. Hintze added that the portion of the recommendation calling for a Commerce Cabinet maintenance pool to address needs of major facilities attached to the Cabinet that do not have separate maintenance pools is what he had intended in his comments at a prior meeting. Staff was directed to revise the recommendation to call for all Investment Income to be pledged to the agency maintenance pools, with bond funds being used only to supplement - not supplant - those amounts.

Ms. Ingram said the next three recommendations addressed capital renewal and renovation needs of various state facilities. She said the first potential recommendation does not describe a specific methodology but does state that:

The Board recommends that legislation be enacted by the 2008 General Assembly to establish an approach for financing the major capital renewal and maintenance needs of facilities managed by state agencies.

Mr. Hicks said the recommendation appears to address dealing with future needs of state facilities, and he is supportive of that concept. However, he believes it is also important to address dealing with deferred maintenance needs. Staff was asked to make

necessary revisions to address funding for both deferred and future maintenance needs of state facilities.

Ms. Ingram said the next potential recommendation calls for a third-party assessment to determine the condition and maintenance needs of state agency facilities. She said this would be similar to the recently-completed study of the postsecondary education facilities and a study that is being proposed by SFCC for local school facilities. The potential recommendation stated that:

The Board recommends that funding be appropriated in the 2008-10 biennial budget for a third-party assessment of all state-owned facilities. The assessment should include, but not be limited to, an evaluation and report on the current condition of the facilities and an itemization and prioritization of their deferred and future maintenance needs, including cost estimates. Data collection should be done in a manner to facilitate incorporation of the information into the statewide real properties/facilities management database (known as ARCHIBUS) that is maintained by the Department for Facilities and Support Services pursuant to KRS 42.425.

In response to Senator Westwood's question, Ms. Ingram said SFCC was proposing a study of local school facilities because the current facility rating system used by the Department of Education was not deemed to be appropriate to use for making funding allocations. Senator Westwood asked whether there is a rating system for state agency facilities. Mr. Gannoe said the Department for Facilities and Support Services (DFSS) recently entered into a Memorandum of Agreement (MOA) with the Department of Insurance. He explained that every three years the Department of Insurance reviews each state building as a part of its appraisal/risk assessment process. Under the MOA, the DFSS has funded and will equip a position within the Department of Insurance to provide assessments of the condition of the various building systems, etc. that can be entered into the state's real properties / facilities management database (ARCHIBUS) and updated on an ongoing basis. As such, Mr. Gannoe said this recommendation may have already been addressed through another method.

Noting the number of facilities assessments that are being contracted to outside consultants, Mr. True suggested that state government should develop the in-house capacity to do such evaluations. Mr. Vanhook said the Judicial Branch felt it was important to develop its own assessment tool, but due to the lack of staff found it necessary to engage third-party assistance to do the actual facility reviews. That data was evaluated and interpreted by staff of the Administrative Office of the Courts. He said an efficient and cost-effective approach seems to be developing the criteria in house, then using consultants to do the evaluations based on those criteria.

In response to further questions, Mr. Gannoe said it should be possible to attach cost estimates to the needs identified in the evaluations being done by the Department of Insurance.

Mr. Hicks said he would like for the recommendation to take the broader approach proposed by Mr. True and call for maintaining the ability to assess facility conditions, needs, and repair and renovation costs on an on-going basis. Mr. Vanhook noted that the ARCHIBUS software should allow inflationary factors to be applied that will allow for on-going updates of cost estimates. Mr. Gannoe further explained that the Finance Cabinet's intent is to equip staff so that information can be collected in the field electronically and easily transferred to the database.

Ms. Ingram said staff would work to re-orient the focus of the recommendation from seeking funding for a study to addressing the need for in-house capabilities to complete and maintain facilities assessments and recognizing the work being done by the Finance Cabinet in that regard.

Ms. Ingram said the next recommendation specifically addressed capital renewal and renovation of the postsecondary education facilities and is basically the restatement of a recommendation contained in the report recently completed by VFA, Inc. on the condition and needs of Kentucky's postsecondary facilities. She said the study stated that sound practice with regard to funding renewal and renovation includes an explicit system-wide determination of levels of deferred maintenance on each campus; a multi-year plan for the elimination or significant reduction of the backlog, probably using a state bond issue; and a requirement that an amount equal to the GASB depreciation amount (1.5% to 2% of replacement value) be spent each year out of institutional operating funds on renewal and renovation projects. The study goes on to state that institutions should make the selection of projects to be funded and that the accountability requirement should be that the institution has an annually updated list of renewal and renovation priorities with funds in the amount of the prior year's depreciation amount being expended on the highest priority items. The following potential CPAB recommendation was presented:

1. The Board endorses the concept that the Commonwealth should appropriate funds to assist in the elimination of the backlog of deferred maintenance needs of the Education and General (E&G) facilities on the campuses of the state's postsecondary education institutions and that future renovation and renewal needs of E&G facilities should be totally an institutional responsibility; and,

2. The Board urges the General Assembly to enact legislation to require that each institution spend each year, an amount equal to 2% of its E&G facilities replacement value on renewal and renovation projects. Additionally,

each institution should be required to: a) maintain an annually updated list of renovation project priorities, and b) spend its annual 2% depreciation amount on the highest priority items in that list.

Ms. Ingram explained that the Board's prior recommendations of specific approaches to renewal and renovation for both state agency and postsecondary education facilities had received a generally favorable response. However, there were some concerns about those proposals, particularly among the postsecondary institutions.

Mr. Hicks said the VFA study did not appear to understand that in Kentucky there are only two revenue streams available to the institutions for their E&G facilities: 1) state funds and 2) tuition and fees. Therefore, making maintenance and renewal cost totally an institutional responsibility would involve using these fund sources. Senator Westwood said requiring the institutions to spend an amount equal to 2% of replacement value each year for capital renewal would appear to be an unfunded mandate. He said if the state did not provide the funding needed, the institutions would probably have to implement tuition increases.

Mr. Hicks said elements of the recommendation are good - for example, calling for the institutions to maintain an updated list of needed capital renewal and renovation projects. However, the difficult part is how to address funding those projects. He said it needs to recognize that there must be a shared responsibility that will involve an additional appropriation from the state General Fund. Senator Westwood said he thought the General Assembly would be reluctant to approve such legislation that did not clearly identify the source of the funding.

Mr. True suggested that the Council on Postsecondary Education (CPE) should be required to oversee the level of institutional expenditures for maintenance and renewal. He said the institutions should be required to justify to CPE if less than 2% is spent for this purpose. Senator Westwood said he likes this approach. Mr. Hintze noted that the VFA study addressed providing more institutional responsibility for identifying needs and setting priorities and that it also addressed national standards relative to resources to address the needs. He suggested that the institutions be required to provide information on how much of their available resources is being dedicated to these needs. Besides the CPE, such information should be provided to relevant players such as CPAB, the LRC Capital Projects and Bond Oversight Committee, and others to help evaluate if what is being done is adequate. If not, legislation might need to be considered in the future.

Mr. Hicks said the national benchmark as stated in the current potential recommendation should be maintained in any revised recommendation. Senator Westwood suggested that it would be preferable for the CPE, rather than the General Assembly, to require that the institutions spend 2% for capital renewal and maintenance.

Sherron Jackson, CPE Assistant Vice President for Finance and EEO, asked to address the Board on this issue. He explained that the CPE can require reports from the institutions on project needs and expenditures. However, it cannot require that the institutions spend a specific amount for a particular purpose. Mr. Jackson requested that the Council be allowed to work with CPAB staff in drafting a revised recommendation. Senator Westwood said that would not be a problem.

Mr. Hintze said while the CPE cannot mandate expenditures, it can mandate reporting. He said the recommendation should urge and emphasize that a specific level of expenditures is sound policy as indicated by prior recommendations of the Board, a national consultant, and national accounting standards. He said setting the tone, elevating the priority, and requiring the receipt and sharing of reports can accomplish the Board's intent without imposing a mandate that is beyond the statutory authority of the Council.

Ms. Ingram said the next recommendation addressed projects of the postsecondary institutions that would be financed from restricted funds. She explained that there is an interim process for authorizing projects that are funded 50% or more from private funds or from federal funds, and this summer representatives from CPE as well as officials from both the University of Kentucky and the University of Louisville asked the Board to consider recommending the establishment of a similar process for restricted funds projects. Such a process would allow greater flexibility for the institutions to address unanticipated needs. Additionally, they would also no longer have to identify a multitude of projects in the budget in order to have the appropriate authorization just in case the funds are available and the need arises. The potential recommendation was stated as follows:

The Board recommends that legislation be enacted by the 2008 General Assembly to provide an interim authorization procedure for qualified postsecondary institution restricted funds projects. A project to be funded 100% by restricted funds, or by a combination of restricted, private and/or federal funds, would be eligible for authorization upon review and approval by the institution's governing board, the Council on Postsecondary Education, and the LRC Capital Projects and Bond Oversight Committee.

Mr. Hicks said there is usually fairly strong evidence to support the need when the Board proposes a recommendation. However, in this instance the Board has not been presented with evidence that there is a widespread problem needing to be addressed. Instead he said it seems to be limited to one institution that is including a very large number of projects in the budget bill. He said there is already a process in place under which the institutions have flexibility to obtain unbudgeted equipment items during the interim, without prior authorization in a budget bill. Mr. Hicks suggested passing over the recommendation and encouraged its supporters to bring forth more evidence that there is a problem needing to be addressed.

Senator Westwood said he was aware of a situation where Northern Kentucky University did not have the necessary authority to issue agency bonds for a needed project. (This situation occurred because of a gubernatorial veto.) Mr. Hintze said any proposed legislation would need to be crafted such that it could not be viewed as a means of resurrecting a vetoed project during the interim. Mr. Nemes asked whether the recommendation as drafted would violate LRC vs. Brown because an interim committee would be authorizing or denying the use of funds. Representative Meeks said those who brought the proposal to the Board believe there is a problem. He added that the draft included various approvals, which would appear to provide the necessary safeguards.

With Representative Meeks' concurrence, Senator Westwood said this item would be passed over and possibly re-visited in the future.

Ms. Ingram said the next item related to doing a study of Kentucky's debt policies and practices and was a re-statement of a recommendation that was included in the last statewide capital plan. She said the recommendation recognizes that the state's debt policies and debt capacity methodology have not been reviewed systematically by the executive and legislative branches in nearly 20 years. Since that last review, a number of factors relative to the state's issuance of debt have changed, including the volume of debt, the types of projects for which debt is issued, the types of debt issued by the state, and the criteria used by the rating agencies. A study of Kentucky's debt policies and practices would also be an opportunity to address postsecondary education's request that there be a definitive review of the proposal that the institutions be authorized to issue auxiliary enterprise debt and not have that debt be considered in the calculation of the state's debt capacity. Ms. Ingram said the potential recommendation is that:

The Board recommends that the 2008 General Assembly establish a task force composed of representatives of the executive and legislative branches to review Kentucky's debt issuance processes and approaches to debt capacity. Subjects to be addressed by the task force should include, but not be limited to, the approach used to determine the amount of debt that should be issued by the Commonwealth, the type of projects for which debt is the appropriate funding mechanism, structuring guidelines for debt including appropriate terms and covenants, and the alternatives to address the capital needs of the postsecondary institutions.

Mr. Hintze said he liked the recommendation. Senator Westwood said this would include a review of the issue raised by postsecondary education concerning the authorization of agency bonds. There being no further comments or objections, staff was directed to proceed with the recommendation as drafted.

Ms. Ingram said the next item addressed the Budget Reserve Trust Fund (BRTF) and was a variation of the Board's usual recommendation in this regard. She explained that KRS 48.705 provides that the BRTF is to be financed through various means in order to maintain a balance equal to 5% of General Fund receipts. The national agencies that rate state bonds have indicated the existence of a reserve fund in an amount equal to 3% to 5% of revenues demonstrates a best effort to prepare a state for fiscal uncertainty. Kentucky's commitment to funding for the BRTF was a factor in rating upgrades and the state's strong credit rating in the late 1990s. The BRTF is projected to be at 2.6% of revenues at the end of the current biennium. The potential recommendation for consideration was that:

The Board recommends that the Governor and General Assembly place a high priority on fully funding the Budget Reserve Trust Fund at a level that represents 5% of General Fund revenues.

Mr. Hicks said he is very supportive of this recommendation. He explained that once the 5% target is achieved, revenues over the amount budgeted go to the General Fund Surplus. Senator Westwood asked if it would be better to recommend a lower goal that would be more realistic. Mr. Hintze said he thought consciously lowering the goal would send a bad signal to the bond rating agencies and others. Senator Westwood said perhaps it would be possible to achieve the 5% goal. There being no further discussion, staff was directed to proceed with the recommendation as drafted.

Ms. Ingram said the final proposed policy recommendation related to the need for alternatives to incarceration, which is also a perennial recommendation of the Board. She noted that again this year, the capital plan submitted by the Department of Corrections included several projects and significant funding to address the need for additional beds to deal with the state's increasing prison population. She reminded members that in testimony before the Board, Department of Corrections officials noted that a significant portion of the state's felon population is incarcerated for reasons directly or indirectly related to substance abuse. As in the past, members of the Board have noted that causes of the prison population increase must be identified and addressed because the state does not have the financial resources to continue to construct the number of prison beds necessary if the increases continue. Ms Ingram said members have also recognized that efforts have been and continue to be made to provide alternatives and treatment options that are less expensive than incarceration in a prison facility. These include home incarceration, community corrections centers, and the Recovery Kentucky drug treatment centers that are now beginning to open. The potential recommendation was stated as follows:

The Board recognizes and commends the actions of the Executive, Legislative, and Judicial Branches to provide alternatives to incarceration and to reduce recidivism. The Board recommends continuation of these efforts to

identify, fund, and implement alternatives to incarceration and adequate substance abuse treatment options, consistent with public safety and victim's rights, to reduce prison population growth and the attendant need for the construction of new facilities.

Senator Westwood said while some progress is being made, this is a good recommendation that needs to continue being included in the statewide plan. He said he can only see the problem getting worse as drug issues continue to increase, and the state cannot build the prisons fast enough to take care of the situation. Mr. True reminded the Board that a circuit judge, who previously served on the Board, has said the state can never build itself out of this problem and that sentencing guidelines must be changed. As such, Mr. True urged the Board to incorporate into the recommendation a reference from the prior last statewide six-year plan (2006-2012) to consider changing the sentencing guidelines. Senator Westwood said he concurred with this suggestion.

Mr. Nemes said he thought it would be inappropriate for the Board to include language about changing sentencing guidelines since it is a legislative question, and that if the Board does decide to include such language, it may be inappropriate for the courts to vote on the recommendation.

Representative Meeks inquired as to the history of including the language recommending that sentencing guidelines be examined. Mr. True explained that a prior member of the Board, who was a circuit court judge, had said the problem cannot be resolved through incarceration. While drug courts and treatment centers are important, the judge said the sentencing guidelines often provide no options for judges. Representative Meeks said this would simply be a recommendation, and he would encourage acceptance of the revision proposed by Mr. True. Senator Westwood said it would not be appropriate for the Board to impose a requirement concerning the sentencing guidelines, but he believes it would be appropriate to recommend looking at them.

Mr. Hicks said he likes the fact that the recommendation commends recent efforts of the three branches in providing for items such as drug treatment and drug courts that give the judicial system new options for addressing the issue.

Mr. Hintze re-iterated that recommendations, only, are being discussed, not mandates or legislation. He said one of the strengths of the Board is that over the years it has made recommendations addressed to each of the three branches of government. He specifically noted a previous recommendation calling for the Judicial and Legislative Branches to re-work the entire system of court facility financing and construction, which gave that effort a tremendous boost. He said if a similar recommendation regarding options to deal with the large increase in the felon population can help address this issue, that is what the Board needs to do.

Mr. Vanhook suggested that the recommendation be stated more directly in terms of mitigating the need for additional capital investment in order to provide more context and a greater connection with the Board's advisory role relative to capital issues.

Senator Westwood said the consensus is to accept the recommendation and include language relating to sentencing guidelines. Mr. Nemes said he would be in contact with the co-chairs and staff regarding his concerns.

Ms. Ingram said this concluded the policy recommendations that had been drafted based on review of the agency plans and discussion at the Board's last meeting. She said the next item would address project recommendations. She provided a brief overview of a document in the members' folders that summarized some of the amendments to the agency plans since they were reviewed by the Board at prior meetings.

Ms. Ingram then addressed materials that have been provided for the members' review in conjunction with making project recommendations to include in the *2008-2014 Statewide Capital Improvements Plan*. Those items included a copy of the recommendations from the last plan, an overview of the capital projects portion of the current (2006-08) budget, an overview of the projects included in the agency capital plans for 2008-2014 by type and by area of government, and the detailed listings of projects proposed for 2008-10 by each agency in its six-year plan.

Ms. Ingram explained that being distributed today was the draft of a proposed recommendation for projects to be financed from state funds, which was transmitted to members earlier in the week. She noted that the draft did not address including lists of projects that were specifically being recommended, rather it took an approach that would target general areas of need. The Board then proceeded to review and discuss each section of the draft recommendation.

Ms. Ingram said the recommendation began with introductory statements speaking to the Board's belief that good stewardship requires adequately maintaining existing assets, noting that many needed and worthwhile projects have been proposed, and emphasizing the Board's traditional focus on priority and need rather than specific project details (e.g., cost). The first section of the recommendation addressed the statutory capital funding pools or programs. It stated that sufficient funds should be appropriated such that the Capital Construction and Equipment Purchase Contingency Fund; the Emergency Repair, Maintenance and Replacement Fund; and the Statewide Deferred Maintenance Fund would each have an approximately \$10 million balance at the beginning of FY 2008/09 and FY 2009/10. It also stated that funding for the State-Owned Dam Repair program should be appropriated to address the needs documented by the Environmental and Public Protection Cabinet for 2008-10 (estimated at \$2,020,000) and that the appropriation for this program should be returned to the Department for Environmental

Protection. (This funding had been moved to the Flood Control Matching Program in the Governor's Office for Local Development in the 2006-08 budget.) The consensus of the Board was to proceed with this portion of the recommendation as presented.

Ms. Ingram said the next section addressed the state agency maintenance pools for construction needs for which the agencies had identified a need for approximately \$60 million in each biennium of the planning period as compared to recent appropriations of approximately \$30 million in each biennium. The proposed recommendation was that maintenance pool appropriations for all agencies be significantly increased in the 2008-10 budget. The consensus of the Board was to proceed with this portion of the recommendation as presented.

According to Ms. Ingram, the next item in the recommendation had not been specifically addressed by the Board in prior plans – maintenance pools for equipment items and funding for equipment replacement schedules. The recommendation called for funds to be appropriated for proposed equipment maintenance pools (aircraft, Department of Military Affairs emergency radio system, and KY Educational Television digital infrastructure) and for funding to be appropriated on a regular basis to allow agencies to establish and adhere to replacement schedules for equipment. It specifically recommended funding for this purpose for wildfire suppression equipment used by the Division of Forestry. Mr. Hicks said he is generally supportive of the recommendation, but is concerned that some of the maintenance pools identified are for systems, rather than equipment. He also said there are many other equipment replacement needs, and he is reluctant to specifically recommend only the fire suppression equipment. Senator Westwood said Mr. Hicks' points were well taken. Staff was directed to revise the recommendation to be more general.

Ms. Ingram said the focus of the next portion of the recommendation was the long-range plan for housing state agencies in Frankfort. The language commended the Finance and Administration Cabinet on its progress toward implementing the plan developed in response to KRS 42.425 to reduce the amount of space leased to house state agencies in Franklin County. It also recommended funding of the proposed "Repair Site Infrastructure-Capital Plaza Complex" project to ensure the safe and reliable operation of this facility while a comprehensive plan for addressing its future use and renovation is developed for consideration in the 2010-12 planning and budgeting process. Mr. Hintze said he was fine with the proposed language but suggested that the recommendation be broadened to address reducing leased space in Louisville/Jefferson County and Northern Kentucky, as has been done in prior recommendations. Ms. Ingram noted that, while the focus has been Franklin County, the statutory language does call for the other two areas identified by Mr. Hintze to also be addressed relative to having a plan to reduce the amount of space leased for state offices. Staff was directed to revise the recommendation to address the additional areas.

The next section of the recommendation addressed the proposed Capitol renovation/restoration project. Ms. Ingram explained that a master plan completed in 2000 called for various projects to address infrastructure needs as well as the construction of additional space to allow de-population of the Capitol and to house employees displaced by the renovations. She said many of the infrastructure needs have been or are currently being addressed. However, before the Capitol renovation can proceed, space must be provided to house occupants who would be displaced by that project. The draft proposed that the Board recommend funding for the "Design Capitol Annex Addition and Renovation" project in 2008-10 in order to move forward toward the eventual Capitol renovation project. Noting that a project has also been proposed to continue addressing upgrade and repair needs of the Capitol prior to the major renovation project, Mr. Hicks asked about the urgency of including that project in the recommendation. Mr. Gannoe said that project should probably also be recommended. Ms. Ingram said that approach would be consistent with the handling of the recommendation relating to the Capital Plaza Complex. Staff was directed to revise the recommendation to include the project for repairs and upgrades to the Capitol Campus.

Ms. Ingram next described the portion of the draft recommendation relating to postsecondary education explaining that it was based on the approach taken by CPE to recommend lump-sum pools for funds for capital renewal, maintenance and infrastructure; and for space adequacy and renovations. It also spoke to the earlier proposed recommendation concerning the amount that should be spent by institutions on capital renewal and renovation. She said most of this language would not be relevant if the Board chooses to recommend individual projects and given the earlier decision to change the recommendation addressing institutional spending requirements for capital renewal and renovation.

The next portion of the draft project recommendation addressed state agency grant and loan programs that provide assistance to local entities, usually through a competitive application process. Such programs are administered by the Governor's Office for Local Development, the Kentucky Infrastructure Authority, the Department of Agriculture, the Economic Development Cabinet, and the School Facilities Construction Commission. Rather than recommending specific amounts for these programs, Ms. Ingram said the proposed recommendation is that because of the limited resources available and the significant needs in other areas of government, the Board urges that decision makers carefully analyze existing fund balances or carry forwards prior to authorizing additional appropriations for these programs. There being no questions or discussion, Senator Westwood indicated that staff should proceed with this language.

Ms. Ingram explained that the next item addressed additional funding proposed for previously authorized projects. The proposed language called for the Board to recommend that funding be provided to complete previously authorized projects where it is appropriate and necessary to complete and provide a functional project, or where

significant state funding for design has previously been appropriated that would, in effect, be wasted if construction of the project is not undertaken. The draft language also stated that the Board is concerned about the number of projects in the 2008-2014 plans that propose additional funding for previously or currently authorized projects, and notes that in some instances it is difficult to determine the intent of the additional funding. As such, the Board would further urge that a formal process be developed and implemented to thoroughly identify and analyze the intended project components and determine the cost of major proposed construction and information technology projects so that the initial authorization can provide sufficient funding for a complete project. Mr. Hicks said he believes, while funding may not always be available to provide the entire project desired by an agency, steps are taken to ensure that a fully-functional project is constructed. Mr. Hintze said he is in agreement with the policy being stated in the second portion of the recommendation dealing with the Board's concerns about the number of projects that proposed additional funding for previously or currently authorized projects. Staff was directed to make the appropriate changes to include only this portion of the proposed recommendation.

Relative to the next portion of the draft recommendation, Ms. Ingram explained that it would endorse provisions of the plan submitted by the Administrative Office of the Courts, which did not propose any new court facilities projects for the 2008-10 biennium. Members noted that while this language would compliment the courts on taking this approach, such an endorsement did not need to be included in the statewide plan.

As the final item in the draft recommendation, Ms. Ingram said two specific projects had been identified as addressing the Board's on-going interest in enhancing efficiency of government and reducing leased space. However, it was decided that the Board members would submit individual lists of project recommendations and could propose these two specific projects to be considered with others included on the lists. It was further decided that separate lists would be submitted for each of three categories of projects – construction to protect investment in plant (maintenance), other construction, and information technology. Equipment items and the grant and loan programs would be addressed by the language already discussed in the draft recommendation. Ms. Ingram explained that project lists would be sent to members, and they would need to select a specified number of projects in each category. Senator Westwood noted that a quick response would be needed in order to have the recommendations compiled prior to the next meeting scheduled for Monday, October 22 at 10:00 AM.

There being no further business to come before the Board, the meeting was adjourned at 12:30 PM.