CAPITAL PLANNING ADVISORY BOARD

Minutes of the Fourth Meeting of the 1998 Calendar Year

December 16,1998

The fourth meeting of the Capital Planning Advisory Board (CPAB) of the 1998 calendar year was held on Wednesday, December 16,1998 at 1:00 PM, in Room 327 of the Capitol. Representative Fred Nesler, Chairman, called the meeting to order, and the roll was called.

Present were:

Members: Representative Fred Nesler, Chairman; Bill Hintze, Vice-Chairman; Representative Lawrence Brandstetter; Susan Clary; Glenn Mitchell (representing Secretary Codell); LaChele Taylor (representing Bonnie Howell); Paul Isaacs; Lou Karibo; Jim Nealy; Norma Northern; Senator Denny Nunnelley; Nick Schwendeman; and Laurel True.

Guests: President Gordon Davies, Ken Walker, and Sherron Jackson, Council on Postsecondary Education; Commissioner Elizabeth Wachtel, Marcia Morgan, Bart Bolin and Paul Royce, Cabinet for Health Services; Teresa Suter, Terry Thompson, Kenny Glass and Darrell Welch, Cabinet for Families and Children; Commissioner Armond Russ, Department for Facilities Management; Gary Cloyd, Kentucky Community and Technical College System; Bob Bender and Hugh Smith, Department of Parks; Mary Allen, University of Kentucky; Ron Carson and Allen Holt, Governor's Office for Policy and Management; Bob Carter and Richard Owen, Department of Military Affairs; and Margaret Jo Shockley, City of Frankfort.

LRC Staff: Pat Ingram, Mary Lynn Collins, and Phillip Smith.

Chairman Nesler thanked the members for their attendance at today's meeting. Noting that this would be the last meeting for Representative Brandstetter and Senator Nunnelly, Chairman Nesler thanked them for their service and work on the Board. Phillip Smith was also introduced as the new Committee Staff Assistant.

Chairman Nesler then explained that there were 2 sets of minutes in the members' folders since a quorum was not present at the last meeting. Mr. True made a motion, which was seconded by Senator Nunnelley, that the minutes of the July 17, 1998 meeting be approved. Senator Nunnelley made a motion, which was seconded by Mr. Schwendeman, that the minutes of the September 22, 1998 meeting be approved. Both sets of minutes were approved without opposition.

Chairman Nesler asked the Board's Staff Administrator Pat Ingram to review the 3 information items in the meeting folders. Ms. Ingram stated that the first item dealt with postsecondary education. It lists the projects approved by the Council on Postsecondary Education as eligible to be financed from the Deferred Maintenance and

Government Mandates Pool which was authorized in the 1998-2000 budget (funding of $25 million from state bonds with a dollar-for-dollar match required from institutional funds). The item also reports that all of the presidents have committed to the maintenance standard as required by the 1998-2000 budget for the allocation of various capital funds and that the institutions are working with CPE staff to develop a common definition of "deferred maintenance."

The second information item provided a comprehensive list of those projects that have received allocations from the Statewide Deferred Maintenance Pool since it was first established in the 1996-98 budget. There have been appropriations of approximately $4.8 million to the pool, and allocations of approximately $2.5 million have been made to a total of 15 projects. Mr. True said he was surprised that parking lots were listed among the allocations and asked why they were considered deferred maintenance projects. Mr. Hintze explained that parking lots always fall to the bottom of the maintenance lists and often do not get addressed. Since these lots are all in Franklin County, there are economies of scale from addressing them all at the same time. The Department for Facilities Management, which is responsible for all of them, requested the funds because it has more needs than can be addressed from its maintenance pool. Mr. Hintze said there was a lot of concern and discussion before the allocation was made; this is not expected to be a frequent use of the Statewide Deferred Maintenance Pool.

The third information item addressed concerns of the Board in the last Statewide Capital Improvements Plan that steps should be taken to expedite the implementation of authorized capital projects. It summarized provisions of House Bill 391 that was enacted by the 1998 General Assembly, as well as some related procedural changes that have been made by the Department for Facilities Management. An attached list identified the state projects authorized in the 1998-2000 budget for which the architect or engineer selection process has been completed.

There being no questions about the information items, Chairman Nesler moved to the next item on the agenda and introduced Dr. Gordon Davies, President of the Council on Postsecondary Education. Since President Davies had been unable to attend the meeting at Murray State University in September, Chairman Nesler said he had been invited to make some comments today about the maintenance of Kentucky's postsecondary education facilities.

President Davies said he was pleased to speak to the Board today. He noted that he has visited all but 2 of the public postsecondary institutions during his first 6 months in Kentucky. He said he has learned a lot and that Kentucky has a tremendous array of riches. He said this was a wonderful situation to come into, because the state has made a commitment to reforming higher education and, unlike some other states, has also funded the effort.

President Davies said that while last year he was at the Columbia University Teacher's College in New York City, he had served as the head of the Virginia Council on Higher Education from 1977 until 1997. He said Virginia did not have a Capital Planning Advisory Board, but it seems to be a very good idea.

President Davies then introduced 2 CPE staff members who were accompanying him – Ken Walker, Vice President for Finance, and Sherron Jackson, Director for Equal Opportunities and Facilities. He also noted that Norma Northern, CPE's Director of Finance, serves on the CPAB.

President Davies said during his visits to the colleges and universities he had talked to community leaders, to presidents and to staffs, and is returning to meet with faculty senates. He said he has seen some really fine physical plants and some physical plants that need maintenance. There were also inconsistencies in the amount of space available at the institutions. He gave examples of 3 community college campuses. The first had 600 full-time equivalent (FTE) students and 160,000 square feet of space; the second had 1,200 FTEs and 160,000 square feet of space; and the third had 900 FTEs and 130,000 square feet of space. He said there may be reasons for the inconsistencies but when he asked how space planning was done, he found there was not a set of Kentucky space planning guidelines for CPE to use in developing its capital recommendations to the Governor and General Assembly. Currently, Texas and Virginia space utilization standards are used, so he has proposed that Kentucky develop its own space planning guidelines and utilization standards. President Davies said while these would allow recommendations of needs to be made in relative order, he realizes that other items are also considered when decisions are made by the General Assembly.

He said the guidelines and standards would have to be completed by July 1999 in order to be useful in the 2000 General Assembly, but to assist in their acceptance he would keep the members informed of their development over the next 6 months. Representative Brandstetter noted there might be a scheduling problem since the Board will be reviewing the agency plans at the same time the standards are coming on line. President Davies said he would work with CPAB staff to try to find a way to avoid that scheduling conflict. Representative Brandstetter added that it is important to decide how the data are to be used.

President Davies explained how the data were used in Virginia. He said the guidelines were developed in the mid 1970's by looking at other states and at the existing space use patterns in Virginia. They determined the assignable square footage that should be provided for student laboratories, classrooms, faculty offices, etc. The amounts changed over the years as the nature of teaching and learning changed. For example, more space was needed to accommodate computers in faculty offices. Institutions used the guidelines as they began developing their projects and the Council used them to determine what percentage of the requested space was justified. If 100,000 square feet was proposed, but only 60,000 square feet was justified, the project was considered 60 percent justified. An institution could still request funding for the entire square footage from the legislature. While the Virginia Council would usually recommend a project that was 100 percent justified over one that was 60 percent justified, it might occasionally say that the 60 percent project was needed, but recommend that it should be scaled back. The guidelines were intended to both help the institutions organize their requests, then to serve as a standard against which the Council made its recommendations and against which the policy makers could measure relative need.

Saying he truly regrets leaving this Board which he has enjoyed serving on for 4 years, Rep. Brandstetter said there is value in that in many respects the Board de-politicizes the use of precious state resources. He added that he hopes it can be maintained and strengthened.

Rep. Brandstetter said he was totally in favor of the guidelines as described by President Davies, but it takes a while for the credibility of the concept to sink in. He said the first goal of the standards should probably be to fine tune the projects that are already "in the pipeline" (having been submitted in previous capital plans), then eventually to become mainstream. Dr. Davies said his goal is for Kentucky to become like Virginia where legislators first ask the Council's priority of a proposed project, then the percent justification. He said he thought 80 percent of the capital funding in Virginia was based on the standards and the remainder was based on other factors as determined by the General Assembly.

Rep. Brandstetter asked whether there was a statutory relationship between the CPE's capital recommendations and the CPAB. Ken Walker responded that the Board makes its 6-year plan recommendations in the fall and that the CPE recommends capital projects for the upcoming biennium as a part of the budget request process. He said these processes have come closer together over the years and probably will continue to do so.

Rep. Brandstetter said, rather than having the 2 processes run concurrently, he thought it would make more sense for the CPE to set its priorities for postsecondary education and give them to the Board to use as it looked at capital projects statewide.

Ms. Ingram explained that in the past, CPAB has made an ad hoc request for the CPE to submit its recommendations to the Board to be considered at the same time as the other agency plans, usually in July. That has been done, then the CPE has made its budget recommendations to the Governor and General Assembly in November.

President Davies suggested that he and Ms. Ingram should discuss how the space guidelines could be scheduled to be helpful to the Board.

In response to Mr. Isaacs' question about whether other states have standards so that Kentucky does not have to re-invent the wheel, President Davies said some do, but the best approach may not be to just use the mid point of the standards in these states.

President Davies then described his concern that acquiring a building does not have any cost to it for the institution since maintenance and operations funds will accompany it. He said acquiring space should be regarded as incurring a liability (for its maintenance and operations), as well as being an asset. He said the institutions must make decisions between various desirable items, one of which is space. President Davies said electronic technology is another of those items, and there is a trade-off between the 2 items. If an institution is going to have a lot of instruction delivered by technology, it doesn't need as many classrooms. If the institution wants a lot of classrooms, it doesn't need as much technology to deliver the instruction.

President Davies suggested that one possibility would be to require the institution to provide for the replacement of a building by setting aside a certain percentage of the building's value each year or to set aside a certain percentage each year for maintenance of the building. The point is that constructing buildings has consequences and that should be incorporated into the planning for them.

President Davies then reported to the Board on the Commonwealth Virtual University (CVU). He said that they hope to have 10 pilot programs in operation next fall, 5 are at the community and technical college level and all involve collaboration by the institutions. The goal of the CVU is to provide access to higher education; it will be an economic development tool in that instruction can be delivered to the workplace. President Davies noted that such an approach to delivering education is growing in this country and worldwide. According to President Davies, the future success of universities will not be measured in the amount of brick and mortar they acquire, but by the access they provide and the richness of the curricula they are able to offer. He said the way of looking at capital is changing, and the CPE wants to support the Board as much as possible with good information.

Mr. True asked if there were some actions or policies from Virginia that could make an impact on the productivity of Kentucky's higher education system. President Davies cited 2 examples: 1) one of the universities offered, electronically, the last 2 years of a baccalaureate degree on the campus of every community college in Virginia and 2) the equivalent of a major graduate level school of engineering was created by 3 of the universities, electronically, without any spending for bricks and mortar. Both programs are now being offered in other states. He said these did not add to productivity in the traditional sense of increasing faculty workload, rather the intent was to increase learning with the number of faculty that are available.

Relative to the issue of student housing fire safety, President Davies said the Council has authorized expenditures totaling $15 million which is probably 50-60 percent of the need and that representatives of the Fire Marshal's office are making their first visits to the campuses today. He said this had been a good example of the presidents working together for a common good.

In response to a question from Chairman Nesler about his observations of maintenance on the campuses, President Davies noted that deferring normal maintenance does result in bigger deferred maintenance problems later. He said that with the new maintenance standards in Kentucky, institutions can be told to address those needs first before proposing renovation or new construction projects.

Mr. Hintze noted that maintenance needs were the first priority of this Board in the last plan and in previous plans. In the current budget, more funds were probably directed to new construction and expansion, but in leaner years there is more of a leveling of the resource allocation to maintenance and renovation as compared to new construction. He said the backlog of needs is huge and is probably concentrated more in areas other than the universities, including the 2 Cabinets which are to make presentations later in this meeting. The other agencies have fewer resources, fewer types of funds, and less systematic attention directed to these priorities because they must compete with programmatic priorities in the operating budget. Mr. Hintze said he

hoped the other areas of government could draw some lessons from what is being done in postsecondary education to address this issue.

Chairman Nesler thanked President Davies for his presentation, then noted that the next item on the agenda was approval of the instructions and forms for the 1998-2004 agency capital plans. He noted that Terry Haines of the Governor's Office for Policy and Management had worked very hard on updating the planning software and thanked State Budget Director Crit Luallen and Deputy State Budget Director Bill Hintze for allowing Terry to assist CPAB staff with this project. Chairman Nesler asked Pat Ingram to review the proposed instructions with the Board.

Ms. Ingram explained that KRS Chapter 7A directs that in each odd-numbered year each state agency is to submit information relative to its capital needs to the Capital Planning Advisory Board "in the format that shall be prescribed by the Board." The proposed forms and instructions for submission of the 1998-2004 agency capital plans are essentially the same as those used in the last planning process. The plan covers 6 years. Agencies are to report the status of projects authorized for 1998-2000, to identify their construction project needs for 2000-02 and 2002-04 and to identify equipment needs, including information technology, for 2000-02 only. They are also to report any proposed new leases or expansions of existing leases. Ms. Ingram said the instructions incorporate the recommendation made by CPAB in its *1996-2002 Statewide Capital Improvements Plan* calling for future instructions to state that all facilities proposed to address capital needs and priorities are to be submitted regardless of the anticipated means of acquisition. The instructions also stress the intent that each planning process starts from the previous plan; the planning process is not something that starts over every 2 years. Finally, Ms. Ingram said the proposed instructions do not specify a role for the Kentucky Information Resources Management Commission or for the Council on Postsecondary Education as they have in the past because of the ongoing changes in both of these areas of state government. Their roles can be defined later in the process.

Mr. Hintze said he wanted to emphasize 2 of the points made in Ms. Ingram's presentation. First, the Board is interested in all of an agency's capital development plans and needs regardless of how it plans to go about addressing those plans. And second, while changes are not precluded, the Board wants to start from the plans and materials that have already been compiled, and to have the changes explained.

Chairman Nesler said it was good that agencies were being asked to identify project needs beyond the current planning period (the upcoming two biennia). He then asked for a motion for approval of the proposed instructions and forms. Mr. Isaacs motion was seconded by Mr. Hintze, and approved.

Chairman Nesler said next on the agenda were presentations from the Cabinet for Families and Children (CFC) and the Cabinet for Health Services (CHS) concerning maintenance and planning for their state-owned facilities. He first introduced Teresa Suter, Executive Director of the CFC Office of Program Support, and Terry Thompson, Project Design Coordinator in the Facilities Management Branch of the CFC.

Ms. Suter said the CFC was formed in 1995 when the Cabinet for Human Resources (CHR) was split into 2 cabinets. Its mission is the protection of children and

vulnerable adults and moving families toward self-sufficiency. The Cabinet has approximately 6,000 employees and offices primarily in leased space in all 120 counties. CFC's central office is primarily housed in the CHR Building on East Main Street in Frankfort. The Facilities Management Branch, made up of approximately 20 employees, is in the Cabinet's Office of Program Support.

Ms. Suter said CFC owns 5 office facilities as follow: 1) the Ashland Youth Center which was built in 1949 and is in very poor condition, 2) the Owensboro State Office Building which was built in 1972 and is in fairly good condition, 3) the Jackson State Office Building which was built in 1965 and is in pretty good condition, 4) the Richmond State Office Building which was built in 1968 and is also in pretty good condition, and 5) the L&N Building in Louisville which was built in 1905 and purchased and renovated in the late 1980s; it is in pretty good condition. The Cabinet also owns an educational facility in Lexington referred to as "Re-Ed" and 6 senior citizen centers and 8 child day care centers. Finally, the Cabinet oversees approximately 240 leases for employees in the field.

Ms. Suter said that since the Board's questionnaire about facilities maintenance and planning had been completed, the Cabinet has reviewed its situation and determined that the Ashland Youth Center is in very, very poor condition such that it needs to be closed and the personnel moved into a leased facility. Those personnel include not only 58 CFC employees but also 30 additional employees from other state agencies including State Police and the Department for Juvenile Justice. Renovation of the building would cost over $10 million.

Ms. Suter said the initial estimate of the Cabinet's deferred maintenance needs included $10 million for Ashland. By dropping that project, the need is reduced to $1.9 million including $1 million for a major electrical upgrade and boiler replacement at Owensboro, and amounts for other projects at Jackson and the L&N Building in Louisville. Ms. Suter said the Cabinet also does a 10-year projection of maintenance needs. That need currently totals $8.8 million including $5.7 million for roof replacements, electrical upgrades, and interior renovations plus $3.3 million of projects that could be completed from the miscellaneous maintenance pool (the current appropriation of $300,000 per year for the next 10 years).

With regard to addressing maintenance, Ms. Suter said the Cabinet usually is in a position of reacting to critical emergencies; it cannot do much long-term planning because of limited funding in its miscellaneous maintenance pool. Factors considered in assigning priorities to projects are life safety, ADA compliance, the program need, general operation of the agency, the cost of the request and the source of funds, and the benefit of the action. Ms. Suter noted that the condition of the facilities creates both safety and morale issues for the Cabinet's clients and employees. She specifically pointed to problems with the heating and air system in Owensboro.

Ms. Suter said the electrical upgrade at Owensboro, estimated at $1.7 million, had been proposed in three previous capital plans. She said in 1996, they began using maintenance pool funds for Phase I of the project. That source will also be used to fund Phase II of the project, but taking the needed $250,000 from the $300,000 pool will leave little for the rest of the Cabinet's facilities.

Ms. Suter said the facilities sometimes are a drain on the Cabinet's programs when those funds must be used to address needs that should be paid from maintenance pool funds.

Ms. Suter said the mission for the Facilities Management Branch is to provide employees with a safe and comfortable work environment, but they don't feel they are able to do that now. She said the image it creates in the community about how the Cabinet values its employees and its clients is a major problem.

Mr. Hintze noted that the Ashland facility, owned by CFC, and the London State Office Building, owned by the Finance and Administration Cabinet, are both old TB hospitals and have similar problems. He said the state seldom gets rid of anything and even then the cost of demolition is astronomical. He also said many of CFC's biggest problems (the juvenile facilities) were transferred to the Department for Juvenile Justice when that department was created in the Justice Cabinet. That action left CFC with primarily office buildings which are difficult to fund amongst the competing priorities, particularly when they are not under the central management of those maintained by the Finance Cabinet.

Mr. Hintze said CPAB was instrumental in identifying the need for a statewide deferred maintenance pool which is now an option for agencies that have exhausted their maintenance pool appropriations and still need funding to address critical needs costing under $400,000. He said it provides funds to even out some of the disparities among funding in the agency maintenance pools which are not a reflection of facilities needs, but the vestige of historical allocations. The Deferred Maintenance Pool is not a panacea but can offer some short-term relief.

Mr. True said it looked like office buildings should be the Finance Cabinet's responsibility and asked staff to look into this issue. He also noted that the meeting information says the state built the senior citizen and child day care centers, but local governments maintain them. He asked how well those facilities are being maintained and whether the state would later be asked to address major needs such as roof replacements. Mr. Thompson said he visits those facilities at least twice a year and that they are probably in the best shape of anything the state owns. In response to a further question from Mr. True, he said the local governments do not make lease payments to the state. They provide all maintenance up to $5,000; the state is responsible for anything over $5,000.

Mr. True said he did not know what type of recommendation to make, but this situation needs to be looked at immediately. Mr. Thompson said some of the cities are interested in taking over ownership of and providing all of the maintenance for the facilities.

Mr. Hintze explained that these facilities were products of the 1990-92 budget authorization of a Human Resources Construction Pool, which in his opinion ought never to be repeated. The facilities almost all came at a cost far greater than estimated and have long-term recurring impacts. The funding resulted in only about one-third of the facilities originally planned.

Chairman Nesler thanked Ms. Suter and Mr. Thompson for their presentation, then introduced representatives of the Cabinet for Health Services, Marcia Morgan, Executive Director of the Office of Program Support, and Dr. Elizabeth Wachtel, Commissioner of the Department for Mental Health and Mental Retardation Services (DMHMR).

Dr. Wachtel thanked the Board for the opportunity to make a presentation on the Cabinet's facilities and their needs. She referenced a handout from the Cabinet that contained needs assessments for all of the facilities, which had been conducted over the past year.

Responding to Mr. True's questions, Dr. Wachtel said patients at the state hospitals are a combination of both acute psychiatric patients and long-term care patients; the long-term patients are becoming a minority because of de-institutionalization efforts and better drugs. Unless they are under 21 or over 65, the patients are not Medicaid eligible. A significant portion of the funding for the psychiatric hospitals does come from a federal source called "disproportionate share dollars."

Mr. True asked about the possibility of closing Western State Hospital and Chairman Nesler asked about the proposal in previous capital plans to spend $30 million to build a replacement facility. Dr. Wachtel said Western State has an average of 150 patients. The Department continues to look at various options for providing psychiatric care. In today's changing health care environment, she said there may be ways to provide acute and intermediate services in other venues. There may be alternatives to the construction of a new facility, but there are still intermediate and long term care needs that would have to be addressed, though not necessarily in a state hospital.

In response to a further question from Chairman Nesler, Dr. Wachtel said many private community hospitals are not equipped to address the needs of seriously mentally ill individuals, particularly those on involuntary commitments. She noted again that the environment is changing particularly in the area of managed care. For example, in Louisville, they have a partnership wherein the University of Louisville is handling the acute care needs and Central State Hospital is doing specialty care, intermediate and long term care for geriatric patients and individuals who have a dual diagnosis of serious mental illness and substance abuse, as well as a neurological unit for individuals with brain injury. Dr. Wachtel said the missions of the DMHMR facilities are being looked at very carefully.

Dr. Wachtel said there are also personal care homes - both state-owned and private - for individuals with serious mental illness who have not been successful in staying in the community and have recurring admissions to the hospital. These homes provide some supervision, but are a step down from hospitalization.

Dr. Wachtel then began a slide presentation on DMHMR facilities. She said on any given day, they are caring for about 1,500 residents. There are 3 psychiatric hospitals. Central State Hospital is located on LaGrange Road in Louisville. Eastern State Hospital, in Lexington, is the second oldest continuously operating psychiatric hospital in the country. Western State Hospital, in Hopkinsville, is of pre-civil war construction.

There are also 2 intermediate care / nursing facilities for individuals with serious mental illness, and also mental retardation. One is located on the grounds of Western State Hospital. The second is located in Glasgow at a facility that began as a TB hospital. Dr. Wachtel noted that the maintenance department has been able to greatly improve the appearance of that facility.

There are 4 facilities which provide long-term care for individuals with mental retardation. Central State Intermediate Care Facility for individuals with mental retardation is a 50-bed facility on the grounds of Central State Hospital. The Oakwood facility has cottages to house 420 individuals; the swimming pool at the facility was recently repaired. Outwood, operated under a contract with Res-Care, is located in Dawson Springs; it serves 80 individuals. Hazelwood, in Louisville, was also originally a TB hospital; it has a capacity of about 190 individuals and serves the most disabled population (e.g., non-ambulatory, profound mental retardation).

There are 3 community homes located in residential areas throughout the greater Louisville area, which were authorized in the 1990-92 budget. They serve 8 individuals each who move into them from Hazelwood. Thirty-four individuals are currently on the waiting list to move to one of these homes.

Two state-owned group homes, each serving 8 individuals with mental retardation, are located in Shelbyville and Inez.

The Kentucky Correctional Psychiatric Center (KCPC) operated by the DMHMR, located on the grounds of Luther Luckett Correctional Complex, provides in-patient competency assessments for pre-trial prisoners and serves as the psychiatric hospital for the Department of Corrections.

There are 3 personal care homes to serve individuals with severe mental illness: the Allen Building is located on the grounds of Eastern State Hospital; the Center for Rehabilitation and Recovery is located on the grounds of Central State Hospital; and the Caney Creek personal care home is located in Pippa Passes.

Dr. Wachtel then discussed some recently-funded projects at the facilities. With funding first provided in the 1990-92 budget, a therapy pool has been added at Hazelwood and 5 floors at the main building are being renovated. At Glasgow, a recently completed project has improved both the efficiency and appearance of the building. At the Allen Building (personal care home at Eastern State Hospital) major exterior work has just been completed, but because it was unable to be done in a timely fashion, there was interior damage to the building which will soon be addressed.

Dr. Wachtel said $400,000 was appropriated this fiscal year for roof repairs, but an additional $2.5 million is needed. Interior damage has resulted from the inability to fix roofs in a timely fashion. Other needs include chiller replacements (approximately $1.3 million); replacement of the coal-fired boiler system at Central State Hospital; window, sidewalk and asphalt repair at Outwood; and a sprinkler system for the nursing facility at Western State Hospital. Dr. Wachtel noted that additional funds are being directed to improve security at the Grauman Building at Central State Hospital which is the most secure unit for psychiatric treatment other than KCPC; this is an on-going issue.

With regard to planning for the future, Dr. Wachtel said the Cabinet is having to deal with a rapidly changing regulatory environment which often requires expenditures for the physical plants and due to changing missions, a number of facilities that were designed for one purpose are now being used for other purposes. She said they are constantly juggling competing priorities and trying to decide what are the most critical maintenance needs.

Dr. Wachtel then turned the presentation over to Marcia Morgan. Ms. Morgan said Cabinet Secretary Morse wanted her to relay how glad he was that the Cabinet was being given this opportunity to start a dialogue with the Board. She said in many instances the state-owned buildings have become liabilities rather than assets. She also said the Cabinet is trying to make the difficult decisions of what it should and should not be operating and that it needs to do a better job of aggressively managing its properties. The Cabinet is trying to do some creative things to open the buildings and shift the liability cost to other community organizations or at least to start the process of viewing the physical plants in a different light. Ms. Morgan said the upcoming 6-year capital plan is probably going to look very different from previous years.

Ms. Morgan said the Cabinet used the Statewide Deferred Maintenance Pool to deal with underground storage tanks since its maintenance pool was fully committed in August 1998. She said the Cabinet's accumulated deferred maintenance is at a critical stage. Approximately $2 million in residential programming funds have been used to address capital issues.

In conclusion, Dr. Wachtel invited the Board members to visit the Cabinet's facilities at any time.

Chairman Nesler thanked the CHS officials for their presentation then indicated that in the near future the Board would probably schedule a meeting at the new Justice Center in Jefferson County. He said if there were any other items the members would like for the Board to discuss, they should contact the Chairman, Vice-Chairman, or staff. Otherwise, he said he thought it was important to continue looking at maintenance of our state facilities. Mr. Hintze said he thought the presentations from CFC and CHS were very informative and he, too, would like to hear from other agencies with similar issues to present.

Mr. True said as the next plan is developed he would like for the Board to urge the General Assembly, the Administration, and the Cabinet to look at options that would allow mentally ill and mentally retarded individuals to stay in their communities rather than having the state continue to build and maintain the hospitals. He noted that this would be similar to previous recommendations by the Board relative to using alternatives to incarceration to alleviate the need to construct more prisons.

Chairman Nesler said he had been very glad and proud to serve on the Board again this year and hoped he would be able to continue to do so.

Following the motion by Mr. Nealy, the meeting was adjourned.