

**MINUTES OF THE  
GOVERNMENT OPERATIONS INTERIM COMMITTEE**  
Wednesday, October 23, 2002 – 2:00 p.m. – Room 405 State Capitol

**Members Present:**

Sen. John W. Hickman, Senate Chair  
Rep. Craig W. Buttars, House Chair  
Sen. Ron Allen  
Sen. Lyle W. Hillyard  
Sen. Millie M. Peterson  
Rep. Eli H. Anderson  
Rep. Ron Bigelow  
Rep. DeMar "Bud" Bowman  
Rep. Don E. Bush  
Rep. Neil A. Hansen  
Rep. Neal B. Hendrickson  
Rep. Bradley A. Winn  
Rep. Peggy Wallace

**Members Absent:**

President Al Mansell

**Staff Present:**

Mr. John Q. Cannon, Research Analyst  
Mr. John L. Fellows, Associate General Counsel  
Ms. Cassandra N. Bauman, Legislative Secretary

**Note:** A list of others present and a copy of materials can be found at <http://www.image.le.state.ut.us/imaging/history.asp> or by contacting the committee secretary at 538-1032.

**1. Committee Business**

Chair Buttars called the meeting to order at 2:21 p.m.

**MOTION:** Rep. Hansen moved to approve the minutes of the September 18, 2002 meeting. The motion passed unanimously with Sen. Hickman, Sen. Hillyard, Rep. Anderson, Rep. Bigelow, Rep. Bush, and Rep. Winn absent for the vote.

**2. Issuance of State Bonds**

Mr. Fellows explained that there are two types of debt that the state issues: general obligation bonds, issued by the State Bonding Commission, and revenue bonds, issued by the State Building Board acting in its capacity as the State Building Ownership Authority. He discussed the difference between general obligation bonds and revenue bonds. He stated that the issue before the Committee is whether it would be appropriate to centralize the authority to issue both general obligation bonds and revenue bonds in the State Bonding Commission.

Mr. Kent Michie, Vice President, Zion's Bank Public Finance and State Financial Advisor, stated that the Legislature created the State Building Ownership Authority to issue bonds for and on behalf of the state. He indicated that the authority would build the project and then lease the project to the state agency—known as lease revenue bonds. He explained that the proposed recommendation is that the State Bonding Commission be made the issuer of both state obligation bonds and state lease revenue bonds. He opined that the change would be fairly minor, and responded to questions.

Mr. Alyn Lunceford, DFCM (Division of Facilities Construction and Management), stated that the current system to issue revenue bonds is working. He stated that DFCM has a historical relationship with the

agencies who currently lease buildings funded by revenue bonds. He indicated that DFCM feels they should continue to be involved in the process.

Mr. Edward T. Alter, State Treasurer, explained that the State Building Ownership Authority is the issuing authority for state revenue bonds and that the State Building Board currently works as the State Building Ownership Authority. He suggested that the State Bonding Commission could act as the State Building Ownership Authority. He opined that the matter in question is whether control and responsibility should be centralized. He responded to questions.

Mr. Dale Okerlund, Wells Fargo Brokerage, opined that the proposal would place authority where responsibility lies. He indicated that he does not feel the commission would need to increase its membership. He stated that it would be a slight improvement in the state's process of issuing bonds.

Mr. Kevin Walthers, Fiscal Analyst, Office of the Legislative Fiscal Analyst, indicated that the Capital Facilities and Administrative Services Appropriations Subcommittee carefully studies the revenue bond requests and the general obligation bond debt issued each year. He explained that revenue bonds are not subject to the constitutional limitations on general obligation bonds.

Committee discussion followed.

**MOTION:** Sen. Hickman moved that the Committee not prepare legislation on this subject for consideration in the 2003 General Session.

**SUBSTITUTE MOTION:** Rep. Bigelow moved that staff bring additional analysis on the issue to the November meeting for further committee discussion. The motion passed unanimously with Sen. Hillyard and Rep. Wallace absent for the vote.

### **3. Rainy Day Fund Revisions**

Mr. Cannon explained that the Rainy Day Fund establishes that up to 25% of the surplus of the General Fund be reserved for the Rainy Day Fund each year. He indicated that proposals from the Office of the Legislative Fiscal Analyst and the State Financial Advisor recommend that a similar mechanism be established for the Uniform School Fund as well as the General Fund.

Mr. John Massey, Director, Office of the Legislative Fiscal Analyst, opined that the Legislature could reserve funds from both the Uniform School Fund and the General Fund to strengthen the Rainy Day Fund. He indicated that, as a rule of thumb, up to 5% of a state's funds should be set aside for the budget reserve account and that Utah (in 2000) was at 2.7%, calculated from both the General Fund and the Uniform School Fund.

Mr. Michie distributed correspondence on "Utah Budget Reserve Account (Rainy Day Fund)." He recommended that the Uniform School Fund be incorporated into the Rainy Day Fund with up to a 6% cap of the combined General Fund and Uniform School Fund. He opined that the Legislature should replenish the Rainy Day Fund as soon as possible. He responded to questions.

Mr. Alter concurred that increasing the Rainy Day Fund would be beneficial to the state, both for financial flexibility and to maintain its bond rating.

**MOTION:** Rep. Bush moved that staff draft legislation incorporating the Uniform School Fund into the Rainy Day Fund with a cap of 6% of the combined General Fund and Uniform School Fund appropriation. The motion passed unanimously with Sen. Hillyard and Rep. Wallace absent for the vote.

#### **4. General Obligation Bond Template**

Mr. Fellows distributed draft legislation "State General Obligation Bond Act" and an amendment to the legislation. He explained that there is consistent language in the bond legislation every year and that the proposed legislation would create a master general obligation bond act that would codify that repetitive language. He indicated that this process would allow for shorter bond bills each year.

**MOTION:** Sen. Allen moved to adopt the following amendment to the legislation:

Page 8, Line 246: After "sale" insert "of those bonds"

Page 9, Line 253: After "(a)" delete "require" and insert "provide" and after the first "that the" delete "text of the bond anticipation notes specifies that the"

The motion to amend passed unanimously with Sen. Hillyard, Rep. Bigelow, Rep. Bowman, and Rep. Wallace absent for the vote.

Mr. Blake Wade, bond counsel, Ballard & Spahr, indicated that he has worked with Mr. Fellows and believes that the legislation will simplify and assist in implementing the process.

Mr. Alter and Mr. Michie both indicated that the legislation will be beneficial to the process.

**MOTION:** Rep. Bush moved to adopt the legislation as amended as a committee bill. The motion passed unanimously with Sen. Hillyard, Rep. Bowman, Rep. Hansen, and Rep. Wallace absent for the vote.

#### **5. Other Items / Adjourn**

**MOTION:** Rep. Bowman moved to adjourn the meeting. The motion passed unanimously.

Chair Buttars adjourned the meeting at 3:56 p.m.