

**MINUTES OF THE  
INFRASTRUCTURE AND GENERAL GOVERNMENT  
APPROPRIATIONS SUBCOMMITTEE MEETING**

Room 445, State Capitol

February 8, 2013

Members Present:            Sen. Wayne A. Harper, Co-Chair  
                                     Rep. Gage Froerer, Co-Chair  
                                     Rep. Jacob L. Anderegg, House Vice-Chair  
                                     Sen. Lyle W. Hillyard  
                                     Sen. David P. Hinkins  
                                     Sen. Scott K. Jenkins  
                                     Sen. Peter C. Knudson  
                                     Sen. Karen Mayne  
                                     Sen. Kevin T. Van Tassell

                                     Sen. Evan Vickers  
                                     Rep. Johnny Anderson  
                                     Rep. Kay J. Christofferson  
                                     Rep. Lynn N. Hemingway  
                                     Rep. John Knotwell  
                                     Rep. Douglas V. Sagers  
                                     Rep. R. Curt Webb  
                                     Rep. John R. Westwood

Members Absent:  
Rep. Janice M. Fisher

Note: A list of visitors and a copy of handouts are filed with the Subcommittee minutes. A copy of related materials and an audio recording of the meeting can be found <http://le.utah.gov/asp/interim/Commit.asp?Year=2013&Com=APPIGG>

**1. Call to Order/ Minutes**

There were no minutes to approve.

Co-chair Harper called the meeting to order 8:05 a.m.

**2. Capital Development Budget**

Mark Bleazard, Fiscal Analyst, Office of Fiscal Analyst, stated that currently there is not an ongoing budget for capital development. In 2008 the \$30 million ongoing budget became a rainy day fund. The Governor's budget funds \$96 million for capital facilities. Mr. Bleazard briefed the committee on the Governor's budget recommendations. The committee can decide to fund buildings with cash, general obligation bonds, or not to fund any buildings. The Building Board and the Board of Regents each have recommendations for ranking projects; land banking requests were also ranked. There is \$440 million in State funded capital development requests in the Building Board's ranking. The Building Board does not rank non-State funded requests. There is \$50,317,000 in other funds to build buildings. The total request for revenue bonds is

\$119 million. Operation and maintenance on the projects total \$8,748,000. The total construction budget for new facilities for the last five-years is \$1.909 billion. The committee can adopt a prioritized list of recommendations for the Executive Appropriations Committee. This committee will also need to take Legislative action on land banking proposals and non-State funded projects. Policy states that when capital facilities are funded, a certain amount for O&M is set aside. Non State funded projects still need State funding for O&M and the committee needs to decide how to fund that.

Sen. Jenkins stated that in the past the State was not responsible for O&M on non-State funded buildings. Mr. Bleazard stated that there is an effort to get donations for O&M along with the donated building. Sen. Jenkins asked what the purpose is for the one-time reduction. Mr. Bleazard replied there is an agreement that when the building is funded O&M is funded at the same time. The building doesn't need O&M for 2-3 years so it is reduced until the building comes on line. Sen. Jenkins asked if the money is available for one-time projects. Mr. Bleazard believes that Higher Education reallocates that money to another project. The Legislature could also choose to reallocate the money.

Sen. Hillyard stated that the Executive Appropriation Committee is aware of the O&M reduction and the money is spent elsewhere.

Sen. Mayne stated that donors should give money for O&M along with the new building. The money to build takes one-time money maintenance is forever.

Co-chair Froerer asked that the growth for the last five years of O&M and the relationship to capital development be shown on a graph. Mr. Bleazard stated capital development has been \$1.9 billion over the last five years. Capital improvement money does not parallel what is being funded for new facilities.

Co-chair Harper followed up on the revenue bond of \$64 million for the University of Utah (U of U), and asked why there is an additional \$3.9 million for O&M for deferred maintenance. Michael Perez, Associate Vice President, University of Utah, replied the \$3.9 million is the revenue source along with \$1.9 million in auxiliary money to retire the debt service. The electrical rates will be raised to take care of future costs. Co-chair Harper wanted clarification that the U of U is asking the State to authorize \$64 million in revenue bond, the U of U will increase rates to generate \$1.1 million, and the State needs to contribute an additional \$3.9 million to pay for about \$5 million in debt service. Mr. Perez stated that was correct.

Sen. Jenkins asked where the previously stated information was in the budget brief. Mr. Bleazard answered that it was in the capital development budget brief.

Rep. Sagers asked what it would entail to have a trust fund structured for O&M that a donor could receive a tax benefit. Mr. Bleazard stated that would need to be a policy decision from the Legislature.

### **3. Capital Facilities Reserve Funds**

Mr. Bleazard stated Division of Facilities and Construction Management (DFCM) oversees the Project Reserve Fund that allows the division to save money from projects that come in under budget for projects that have an additional cost. This fund has had as much as \$9 million and as little as just under \$5 million. Mr. Bleazard spoke to the history of the Contingency Reserve Fund; at the end of FY2012 there was \$7 million. The balance in the Project Reserve Fund at the end of FY2012 was \$6 million.

#### **4. State Facility Leasing**

The State leases about \$20 million in office space annually. Six leases costing more than \$200,000 come due for renewal in FY13-14. DFCM monitors State leases and advises agencies to renew the lease or pursue other options. The director of DFCM has discretionary authority to enter into leases with terms up to ten years. The State Building Board must approve leases for ten years or more. All leases are subject to Legislative appropriations. DFCM also oversees vacant space in State buildings to see if it can be utilized more efficiently. Currently there are 15,000 square feet of vacant space in state facilities. DFCM is also tasked with looking at State land that is vacant.

Rep. Sagers asked if all leases are the same and what type they are; medical office rates tend to be higher than regular office space. However, the rates the State is paying seem to be higher than medical office rates. Mr. Bleazard stated there is not one specific type of lease used by the State.

Sen. Jenkins asked for aerial photos of the State's vacant properties. Mr. Bleazard stated he could make them available.

Rep. Christofferson asked if the committee needed to approve the lease amounts as part of the budget. Mr. Bleazard replied the committee has given authority to DFCM to negotiate leases. The committee approves the amounts listed when money is appropriated for payment. Rep. Christofferson would like to know the total annual rent paid by the State. Mr. Bleazard replied it is about \$20 million a year for the entire State.

#### **5. Capital Improvements Budget**

Mr. Bleazard stated there is an ongoing budget for capital improvement of \$41,739,100, which was approved in House Bill 6. The law states this legislature is required to approve an O&M budget of 1.1 percent replacement value of all State buildings before new buildings can be approved. Currently the funding doesn't quite cover half of the requirement. The law further states that before the Legislature approve new facilities, the 1.1 percent has to be approved, which would be \$95 million. There are currently \$180 million in capital improvement requests. DFCM recommends to the Building Board how to allocate the funds. There are allocations of \$41 million in ongoing money and \$15 million in education money and \$15 million in general fund one-time money to expend in FY2013. Higher Education averaged 57 percent of the funds and State agencies averaged 35 percent. DFCM is allocated 8 percent, which is kept in reserve for emergencies.

Rep. Anderegg wanted clarification that the committee is out of compliance with the law by only funding half of the required amount and asked if Mr. Bleazard's recommendation would be to make capital improvements the number one priority of the committee. Mr. Bleazard stated that the committee is out of compliance with current ongoing appropriations. Rep. Anderegg asked why maintenance is delayed until the building is dilapidated. He would like to see the committee prioritize capital improvement first.

Co-chair Harper stated other members of the committee parallel what Rep. Anderegg stated. The committee will decide what is most important to recommend, is it new construction maintenance.

Sen. Hillyard asked how the School of the Deaf and the Blind receives funding, as they are not part of any school district and have no property tax base. Mr. Bleazard answered they are under the Office of Education.

Sen. Van Tassell asked if the total amount for capital improvement needs is \$360 million. Mr. Bleazard answered DFCM reported a current need of \$494 million, five year need of \$1.1 billion and ten year needs for \$340 million. Sen. Van Tassell asked who supervises the repairs. Mr. Bleazard answered DFCM.

Co-chair Harper highlighted the concerns of repairing buildings and the lack of funding.

Sen. Knudson asked if some of the buildings that are ear marked for replacement have been counted twice, once for capital improvements and again to build a new building. Mr. Bleazard stated no, but there is a possibility of some overlap in order to keep the building open.

Sen. Van Tassell stated that it appears there is some funding for maintenance on the buildings that are being replaced.

Mr. Bleazard showed the history of funding for the last several years; in 2001 it was around \$38 million, and last year \$71 million. The Legislative action would be to adopt an ongoing budget of \$41 million and the list of capital improvement projects. Funding the full 1.1 percent would require another \$53,280,600.

Richard Amon, Department of Administrative Services, stated DFCM is involved with some O&M of State facilities owned through the Internal Service Fund. O&M would be accomplished through the institutions.

Sen. Hillyard asked how the money is allocated if the full amount is not funded. Mr. Bleazard stated DFCM funds the most critical issues first.

## **6. Uintah Basin Transportation/Economic Study Report**

Sen. Van Tassell stated that gas and oil companies will not drill in Northeast Utah because there is limited transportation; Highway 40 is Uintah Basin's one primary artery. A transportation study was completed to see what unconstrained transportation out of the Uintah Basin would do for the economy.

Corey Pope, Utah Department of Transportation, stated Utah has significant oil and gas resources, however there is competition with the surrounding states. The Uintah Basin is hindered because it does not have close proximity to transportation. There is a 15 percent market price loss for every barrel of crude sold because of transportation limitations in the Basin. Oil shale production was not included in the study. The study found that over the next 30 years there would be a \$30 billion loss in lost production because of transportation constraints. There is an \$11.5 billion loss without improved transportation. The environmental and social cost is \$1.4 billion. The net effect is \$10 billion over 30 years. The regional output is upwards of \$35 billion. Total labor income, \$12 billion and there are close to 27,000 long-term jobs. Mr. Pope presented statistics of what \$30 billion would have on the economic impact to the State.

Rep. Anderson asked if there is easy access to the reserves with all the Federal regulations. Mr. Pope stated the study was pretty conservative, but confident the reserves are available. Sen. Van Tassell added there is potential to produce off the School Trust Lands.

Rep. Hemmingway asked if this would require a new highway between Vernal and Salt Lake City and how much it would cost to build it. Sen. Van Tassell stated the importance of the study was to determine the economic impact of what is out there, unconstrained. The next step will be to scope the issues and give alternative suggestions for transporting the oil; \$3 million is needed to begin the process of looking at rail, a new highway, a new pipeline and many other means. Rep. Hemmingway asked if there has been consideration to refine the oil on site. Sen. Van Tassell replied that a refinery sounds really well. However, the idea that makes the most sense is to pipeline the oil. Rep. Hemmingway asked about the cost to air quality. Sen. Van Tassell stated the best option would be to get it to a railroad and ship it to the refineries on the Gulf Coast for \$2 a barrel instead of \$4.

Sen. Mayne stated the State is heading for unemployment struggles with military shipping home and the end of the I-15 core project. This will leave highly skilled people unemployed. Sen. Mayne asked if the 27,000 jobs would be filled with Utah workers first. Sen. Van Tassell stated this project will require many workers and will be a multi regional aspect.

Rep. Christofferson asked how much it would cost to reach maximum capacity. Mr. Pope stated this hasn't been looked at because there are so many dynamics to understand what the costs would be and a full environmental review needs to be completed.

Co-chair Harper asked if the next study would need \$3 million. Mr. Pope specified the need to study the details and recommended an environmental review be started. A project

like the Mountain View Corridor has a burn rate of about \$2-\$3 million a year over 3-5 years. Co-chair Harper asked if State funding is needed or if there will be a combination of State and private funds. Sen. Van Tassell stated the first match would be \$1 million from the local leaders; \$3 million is needed for further studies.

**MOTION:** Rep. Christofferson moved to adjourn. The motion passed unanimously

Co-chair Harper adjourned the meeting at 9:50 a.m.

Minutes were reported by Cami Deavila, Senate Secretary.

---

Sen. Wayne A. Harper, Co-Chair

---

Rep. Gage Froerer, Co-Chair