

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

Room 445 State Capitol Building  
January 29, 2014

**Members Present:** Sen. Wayne A. Harper, Co-Chair  
Rep. Gage Froerer, Co-Chair  
Rep. Jacob L. Anderegg, House Vice Chair  
Sen. David P. Hinkins  
Sen. Scott K. Jenkins  
Sen. Peter C. Knudson  
Sen. Karen Mayne  
Sen. Kevin T. Van Tassell  
Rep. Kay J. Christofferson  
Rep. Janice M. Fisher  
Rep. Lynn N. Hemingway  
Rep. John Knotwell  
Rep. Douglas V. Sagers  
Rep. R. Curt Webb  
Rep. John R. Westwood

**Members Absent:** Sen. Lyle W Hillyard  
Sen. Evan J. Vickers  
Rep. Johnny Anderson

**Staff Present:** Mr. Mark Bleazard, Fiscal Manager  
Mr. Gary K. Ricks, Fiscal Analyst  
Ms. Cami Deavila, Secretary

**Note:** A copy of related materials and an audio recording of the meeting can be found at [www.le.utah.gov](http://www.le.utah.gov).

**1. Call to Order**

Co-Chair Froerer called the meeting to order at 2:21 p.m.

**2. Approval of Minutes (September 12& 13, 2013)**

**MOTION:** Sen. Jenkins moved to approve minutes from September 12 & 13, 2013 meeting.

The motion passed unanimously with Sens. Hillyard and Vickers, and Rep. Anderson absent for the vote.

**3. Base Budget Bill S.B. 6 and IGG Agencies Discussion and Analysis**

**a. Unfinished Items from Previous Agenda**

Gary Ricks, Analyst, Office of the Legislative Fiscal Analyst, presented Division of Facilities

and Construction Management (DFCM) appropriated budget line items in S.B. 6. The base budget was \$2,322,300, dedicated credits of \$1.5 million, capital projects fund of \$2 million, project reserve fund of \$200,000, contingency reserve of \$82,300, and beginning and closing non-lapsing balance of \$507,900, for a total budget of \$6,128,200.

Kim Hood, Executive Director, Department of Administrative Services (DAS), introduced the DAS staff.

Rich Amon, Deputy Director, DAS, reviewed the DAS annual report including the base budget, services and functions, customer service summary, and SUCCESS framework.

Josh Haines, Director, DFCM, presented an overview of changes in the division including customer surveys, the new management team, performance metrics, and SUCCESS framework.

Sen. Jenkins asked about the specialty trades program. Mr. Haines explained the roofing, paving, and hazmat specialty trades programs.

Sen. Mayne asked if DFCM practices best bid as opposed to lowest bid. Mr. Haines explained DFCM uses a value based bidding process.

Rep. Sagers asked for an overview of the human resources department. Mr. Haines explained steps taken in the reorganization of the division.

Rep. Fisher asked for clarification in the bidding process. Mr. Haines stated steps were being taken to make the bidding process more consistent and bring greater control.

Rep. Anderegg asked what matrix DFCM uses in the design phase of a new building to keep architecture and future maintenance costs to a minimum. Mr. Haines explained DFCM was looking at updating design standards, including energy standards. Mr. Amon stated the question needed to be addressed to the Building Board and was a broader policy issue involving the Board of Regents. Ms. Hood stated 40 buildings were verified as exceeding the National Energy Star Label rating.

Co-chair Froerer asked what DFCM was doing to involve smaller construction companies in bidding and building State projects. Mr. Haines explained the need to control risk but also keep the bidding process open to all contractors.

Co-chair Harper commended DFCM on improvements that have taken place.

Mr. Ricks highlighted item 18 in S.B. 6, Finance Administration appropriated budget.

Mr. Amon reviewed issues in the Finance Administration budget; total expenditures have decreased 18 percent.

Ms. Hood gave an overview on institutionalizing cyber security.

John Reidhead, Director, Division of Finance, spoke on cyber security and encryption.

Mr. Ricks reviewed item 17, State Archives appropriated budget. Total budget is \$2,394,600, \$2.2 million from the General Fund. Federal funds and dedicated credits have declined in recent years.

Mr. Amon explained the Archives budget remained flat despite having increased responsibilities, such as the Records Ombudsman and the State public notices website.

Ms. Hood stated 1 million items are now stored in the digital archives.

Patricia Smith-Mansfield, Director, State Archives, reviewed responsibilities of State Archives. Federal grants are competitive and difficult to acquire.

Rep. Fisher stated support for State Archives.

Rep. Christofferson asked for clarification on the competitiveness of Federal grants. Ms. Smith-Mansfield stated grants were awarded based on how much competition and there is less money available. Two to three grants will be applied for and usually one is received at a reduced amount. Mr. Amon added the grants are project based, if a grant is not received the project is not completed. The budget is not dependent on grants.

Co-chair Froerer asked for insight on the relocation of State Archives to the Freeport Center. Ms. Smith-Mansfield stated work space was maximized, equipment updated, improved efficiency, and there was a savings in the budget.

Mr. Ricks explained item 23, Purchasing and General Services appropriated budget, total appropriated budget is \$615,900.

Mr. Amon highlighted expenses and a reduction of more than 50 percent in the appropriated budget, which was returned to the General Fund. Purchasing is changing to a fee based system.

Ms. Hood explained the Purchasing customer base was very broad and includes cities, counties, school districts, higher education, and State agencies. The broad customer base shares administrative costs with the fee based model.

Kent Beers, Director, Purchasing and General Services, reviewed State contracts and government agencies that have saved money from using State contracts.

Rep. Christofferson asked if all State agencies are required to utilize businesses with State contracts. Mr. Beers stated only State agencies are required to use State contracts, it was a voluntary service for other State entities, which keeps Purchasing competitive.

Sen. Jenkins commented on the importance of State contracts for small local government agencies.

Rep. Hemmingway asked how many employees State Purchasing had. Mr. Beers stated about 24.

Rep. Westwood asked if there were fees associated with State contracts and does the fee go to the General Fund. Mr. Beers stated there was a small administrative fee paid by the vendor. Fees collected stay with Purchasing unless there was an excess balance. Mr. Amon stated the fees collected stay in the ISF as a profit or loss.

Rep. Sagers asked how the excess funds were invested. Mr. Amon stated the funds were invested with the Public Treasurer.

Mr. Ricks stated ISF's were included as a separate amount of the appropriation bills Mr. Ricks gave an overview of ISF statutory rules. Mr. Ricks reviewed item 29, Purchasing and General Service ISF. There were dedicated credits of \$19,152,500, FTE of 89.7, and authorized capital outlay of \$3,061,100. Item 32, DFCM ISF included revenue of \$29,103,900, FTE of 134, and authorized capital outlay of \$39,000.

Mr. Amon commended DFCM for having the lowest rates for maintenance in the State.

Mr. Ricks reviewed item 30, Division of Fleet Operations. Dedicated credits of \$70,717,700, sales of fixed assets of \$627,500, FTE of 27, and authorized capital outlay of \$20,913,800. The three programs within the ISF are; motor pool, the fuel network, and the travel office.

Mr. Amon stated the goal of Fleet Operations was to have a highly utilized and highly energy efficient fleet.

Sam Lee, Director, DAS Fleet Operations, stated how the fleet was being used, how to trim vehicles, and purchasing energy efficient vehicles.

Mr. Ricks reviewed item 31, Risk Management ISF. There were premiums of around \$33 million, interest income of \$311,000, and Workers Compensation of just over \$9 million.

Mr. Amon stated property, liability, and auto accidents are self-insured. Workers Compensation is contracted out.

Ms. Hood stated Risk Management has focused on automating their systems and procedures.

Tani Downing, State Risk Manager, DAS, stated the State has \$9 billion in property assets, \$31 billion including school districts, higher education institutions, and 60 charter schools. Risk Management has modernized the claims process.

Sen. Van Tassell asked if Utah Highway Patrol (UHP) vehicles involved in accidents are self-insured. Ms. Downing stated UHP was self-insured and reviewed the process, policy, and rates for UHP.

Rep. Sagers asked if the entire State or just the division was self-insured and asked about catastrophic coverage. Ms. Downing stated all higher education institutions, school districts, State agencies, and 90 percent of charter school were self-insured. Catastrophic is limited to \$1 billion from the market.

Rep. Westwood asked about charter schools that do not purchase coverage from Risk Management. Ms. Downing stated the charter schools that do not purchase through Risk Management purchase from the private market or Risk Management chooses not to cover them.

Rep. Christofferson asked for clarification on training. Ms. Downing stated training is offered quarterly in a group setting and online. Mr. Amon stated there was a request for one additional FTE to focus on data.

Mr. Ricks reviewed the Finance ISF including the Consolidated Budgeting and Accounting Operation and Purchasing Card (P-card) program.

Mr. Amon stated consolidating the Finance ISF reduced redundancy in accounting operations.

Sen. Van Tassell asked about the verification process in P-card purchases to ensure against fraud. Mr. Reidhead reviewed the approval process for issuing P-cards.

Ms. Hood stated the Consolidated Budgeting and Accounting capitalized on economies of scale and skill.

Collin Winchester, Executive Director, Judicial Conduct Commission (JCC), reviewed the responsibilities of the JCC. The JCC was an independent agency that received about 90 complaints a year.

Sen. Mayne stated support for the JCC.

Lee Wycoff, Inspector General, Utah Office of Inspector General (OIG), gave an overview of responsibilities, measures of success, monies recovered, case management, and best practices for the OIG office. The OIG spent just under \$2.5 million in State and Federal funds for FY13, recovering \$24.9 million in the same time frame.

Rep. Hemmingway asked how cases were reviewed and where the recovered money was returned. Mr. Wycoff explained the triage process for cases and money was returned to the General Fund Medicaid line item.

Rep. Sagers asked what percent of audits find fraud and if offenders were a particular group of

people. Mr. Wycoff stated 99 percent of the time mistakes were unintentional.

Sen. Van Tassell asked how OIG would handle the expansion of Medicare. Mr. Wycoff stated research would need to be completed.

Rep. Christofferson asked what percent the recovered money makes up compared to total Medicaid funding. Mr. Wycoff stated around 1 percent and a portion of that was returned to the Federal government.

Mr. Ricks stated the Economic Development Tax Increment Financing (EDTIF) program was a mandated program within DAS.

Sophia DiCaro, Deputy Director, Governor's Office of Economic Development (GOED), stated EDTIF rebates were paid back in the form of post-performance tax credits. There was an estimated \$7,260,765 remaining in contracts that would continue to be paid with cash incentives instead of tax credits for FY 14 and \$7,713,120 for FY 15.

Chris Conabee, GOED, added the contracts could fluctuate based on tax revenue.

Rep. Knotwell asked how long the credits would continue. Mr. Conabee stated one would end in 2028, one in 2025, and two in 2016.

Co-chair Froerer asked how the State compares against other competing states. Mr. Conabee stated competition was statutory, Utah has a low crime rate, inexpensive and highly educated work force, inexpensive real estate, close proximity to universities, and good transportation; which enables one of the lowest and cheapest post performance programs in the nation.

Sen. Mayne stated the need for craftsman in the workforce and the value of all occupations and skills. Ms. DiCaro stated GOED works closely with Workforce Service to facilitate what would be needed.

Rep. Hemmingway stated Utah's unemployment rate was 4.1 percent and asked if relocating companies bring their own work force. Mr. Conabee stated underemployment was high.

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

Co-Chair Froerer adjourned the meeting at 5:17 p.m.