

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

Room 445 State Capitol Building
January 31, 2014

Members Present: Sen. Wayne A. Harper, Co-Chair
Rep. Gage Froerer, Co-Chair
Rep. Jacob L. Anderegg, House Vice Chair
Sen. Lyle Hillyard
Sen. Peter C. Knudson
Sen. Karen Mayne
Sen. Kevin T. Van Tassell
Rep. Johnny Anderson
Rep. Kay J. Christofferson
Rep. Lynn N. Hemingway
Rep. Douglas V. Sagers
Rep. R. Curt Webb
Rep. John R. Westwood

Members Absent: Sen. Evan J. Vickers
Sen. Scott K. Jenkins
Sen. David P. Hinkins
Rep. Knotwell
Rep. Janice M. Fisher

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.

1. Call to Order

Co-Chair Froerer called the meeting to order at 2:10 p.m.

2. Approval of Minutes

No minutes to approve.

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

a. Unfinished Items from Previous Agenda

No unfinished agenda items

b. Debt Service

Steve Allred, Analyst, Office of the Legislative Fiscal Analyst, explained the debt service issue brief. Total General Obligation indebtedness was \$3.1 billion, \$221 million was buildings and \$2.9 billion was highways. Bonds could be paid off early, however with the interest rate right around two percent, cash would be better spent on projects. The Build America Bonds program was cut by 7.2 percent because of sequestration. The committee should consider rescinding bonds that were authorized for the State Fairpark and the St. George airport, but not yet issued, which will require a change in statute.

Co-chair Harper asked for clarification on needing to rescind the St. George airport bond. Mr. Allred stated it was not rescinded in the 2013 session.

Mr. Allred continued there was \$815 million constitutional bonding authority remaining and \$1.1 billion in statutory bonding authority. Utah had a 7.3 percent debt service ratio compared to the median of other states at 4.9 percent. Mr. Allred explained appropriation changes needed to pay debt service.

Rep. Christofferson asked when the debt would be paid off and what the amount of the Build America Bond. Mr. Allred stated if no further debt was issued, 2029; Build America Bond was \$1.1 million.

David Damschen, Deputy Director, State Treasurer's Office, discussed options in paying off the Build America Bond program.

Co-chair Harper explained State debt payments.

Rep. Sagers asked what amount was available for bonding. Mr. Damschen stated there was just over \$3 billion outstanding or 81 percent of the constitutional limit.

Rep. Westwood asked for Revenue Bond amount and if they were included. Mr. Allred stated they were not included.

Mr. Damschen explained State credit rating issues.

Co-chair Froerer asked if there was a level of concern with debt prospects. Mr. Damschen stated the State could issue debt as needed, but long term the State should return to a lower rate of leverage. Mr. Bronson added the State debt ratio was high compared to other AAA rated states.

Rep. Anderegg asked what level the Legislature should try to get the debt to and how much more should the State be applying to pay off the debt. Mr. Bronson replied the State should not use cash to pay off bonds, instead be careful issuing new debt. Mr. Damschen added the State should take a comprehensive approach to capital projects.

Mr. Allred stated bonding capacity in the 2008 recession saved the State. The committee should spend cash for projects and free up bonding capacity for the future economic downturns.

Darin Janzen, Accounting Manager, Finance, presented current outstanding lease revenue bonds of \$282 million including principle and interest.

Rep. Sagers asked if the lease revenue bonds were lease purchase. Mr. Bronson stated strictly lease.

c. Capital Budget

Rich Amon, Deputy Director, Department of Administrative Services (DAS), presented a capital improvement statutory overview.

Josh Haines, Division of Facilities and Construction Management (DFCM), presented DFCM functions, goals, values, organizational chart, construction management, facilities management, real estate service, energy efficiency program, relationship to the Building Board, designed projects, and project reserves.

Rep. Hemmingway, Mr. Haines, and Mr. Amon discussed the energy savings program.

Co-chair Froerer asked for analysis on leasing versus buying buildings. Mr. Haines stated a business analysis was completed when deciding on constructing a new building.

Ned Carnahan, Chair, Building Board, presented the new capital improvement prioritized scoring process.

Jeff Reddoor, Director, Building Board, reviewed Building Board responsibilities, State funded projects, non-State funded projects, the five year plan for construction projects, and the prioritized scoring program and matrix.

Sen. Mayne asked if the maintenance level of the building was taken into consideration in the prioritization process. Mr. Reddoor stated maintenance was considered. Mr. Carnahan added a maintenance audit was being completed showing the condition of State buildings.

Rep. Anderegg asked if the board had a way to evaluate basic structural needs and address excessive architectural flare in buildings that leads to increased energy and maintenance costs. Mr. Carnahan stated occasionally the donor is involved in the design process. Mr. Haines stated both DFCM and the Building Board have design standards and use a price per square foot model. Mr. Amon showed the matrix for ranking projects, DFCM makes certain the projects meet State design standards.

Sen. Mayne stated the possibility that the building looked extravagant, but was indeed energy efficient.

Co-chair Froerer stated support for the new prioritization process.

Mr. Reddoor explained facility condition assessments and results from the capital needs audit.

Co-chair Harper asked about UDOT using improvement money for a development project. Mr. Reddoor clarified the project was a replacement building due to a road being built and could be considered an improvement project.

Sen. Hillyard asked what happened to leftover funds from a building completed under budget. Mr. Haines stated excess funds were placed in the Project Reserve account. Sen. Hillyard asked why projects were brought to the committee needing emergency replacement or repair. Mr. Haines stated DFCM was developing a plan to prevent that from happening. Mr. Carnahan stated that O&M needed to be funded at a higher rate.

Rep. Sagers asked how O&M was funded for projects from other funding sources. Mr. Haines stated DFCM uses a formula based on square footage.

Rep. Webb asked if the Building Board knew the condition of every State asset and if an additional appropriation was needed. Mr. Reddoor stated the facility condition assessment program shows about 50 percent of the State inventory and should be complete by 2016. Mr. Amon stated the data was lost when funding was cut.

Rep. Christofferson asked if the committee needed to pick what percent capital improvements would be funded. Co-chair Froerer stated capital improvements needed to be changed from one-time money to ongoing. Mr. Carnahan stated the full 1.1 percent, or higher, was needed to catch up on capital improvements.

Co-chair Froerer stated whether or not to continue with phase funding needed to be addressed.

4. Adjourn

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

Co-Chair Harper adjourned the meeting at 4:25 p.m.