

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

(with changes)

Room 445 State Capitol Building

January 28, 2015

Members Present: Sen. Wayne A. Harper, Co-Chair
Rep. Gage Froerer, Co-Chair
Rep. Craig Hall, House Vice Chair
Sen. J. Stuart Adams
Sen. Lyle W. Hillyard
Sen. David P. Hinkins
Sen. Peter C. Knudson
Sen. Karen Mayne
Sen. Kevin T. Van Tassell
Rep. Jacob L. Anderegg
Rep. Brad King
Rep. Justin J. Miller
Rep. Douglas V. Sagers
Rep. Scott D. Sandall
Rep. R. Curt Webb

Members Absent: Rep. John Knotwell

Staff Present: Mr. Steven Allred, Deputy Director
Mr. Brian Wikle, 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 Harper called the meeting to order at 8:09 a.m.

2. Welcome and Introductions

The committee introduced themselves.

3. Overview

Co-chair Harper encouraged the committee to look at agency budgets, building priorities, road projects, and other funding with prudence, temperance, and due diligence.

Co-chair Froerer requested the committee take a detailed look at COBI and added that there was a 98 percent target for the base budget from Executive Appropriations Committee.

4. IGG Base Bill

Steven Allred, Deputy Director, Office of the Legislative Fiscal Analyst, presented an overview of tools, how-to videos, links to COBI, and committee binders for researching the base budget. There was ongoing revenue of \$179 million and one-time revenue of \$429 million. One-time revenue of \$112 million was surplus from FY14 carried forward and the rest was from growth.

Rep. Hall asked for clarification that the base budget bill was presented at 100 percent funding and the committee would need to make cuts to 98 percent of funding. Mr. Allred stated the base budget bill was 100 percent of last fiscal year's on-going appropriation and the committee's responsibility was to make prioritizations reducing the appropriation by two percent.

Mr. Allred reviewed agency budgets: Utah Department of Transportation (UDOT) was almost \$900 million, Debt Service at \$85 million, and Capital Improvements at \$47 million. Mr. Allred reviewed the Request for Appropriation form. There was a new requirement for the sponsor to state the State wide purpose of the appropriation and any request needed to go through a State agency. The request could not be a direct appropriation to a non-State agency.

Co-chair Harper highlighted the need for a two percent cut in the base budget and encouraged the committee to be creative when deciding on the cuts.

5. Department of Administrative Services

Brian Wikle, Fiscal Analyst, Office of Legislative Fiscal Analyst, stated the Department of Administrative Services (DAS) had a base appropriation of \$66 million. Mr. Wikle reviewed base budget line items, funding sources, and uses of funding. Other charges and pass through funding were over 50 percent of the appropriation for DAS. Finance Mandated had a line item of \$38 million, \$33.5 million accounted for other charges and pass through funding. Division of Facilities and Construction Management (DFCM) had a reserve balance account for building emergencies. Options for potential cuts included reductions to Full Time Equivalents (FTE) and shifting costs for current expenses. The committee needed to approve Federal Funds including a grant for the Archives Division. Mr. Wikle reviewed non-lapsing intent language, other intent language, and Consolidated Fee changes with estimated revenue impact.

Rep. Sagers asked if the budget increase from \$40 million in FY11 to \$66 million in FY15 was in line with other agencies. Mr. Wikle stated he would need to research the information.

Kim Hood, Executive Director, Department of Administrative Services, reviewed the DAS organization chart, divisions served, mission, vision, values, goals including SUCCESS Framework and the enterprise risk management structure, and services of DAS. DAS priorities for the Legislative session do not include any new General Fund requests outside of capital development and capital improvement. \$500,000 has been returned to the General Fund, \$400,000 was recommended to be reallocated internally, the cost savings target for Fleet Operations was more than doubled, and retained earnings were used to upgrade the procurement

system. Facilities and construction had a more efficient staffing model which is better geared to customers. Technology and AiM systems have been upgraded. Project managers are challenged to complete PMP certification. A real estate Request for Proposal (RFP) would be implemented in the coming year. 98 percent of State buildings have been re-commissioned with efficient lighting. The Building Board is now more independent with a separate line item, staffing, and budget. Ms. Hood reviewed the economic impact of building construction. The State had \$1.7 billion under contract with 24 projects. The cyber security audit followed 18 checkpoints and would be complete by August 2015. Archives recently launched an open records system allowing the public to request records through an online system. Finance collected \$14 in debt and fees owed to the State for every \$1 spent on collections. Purchasing and General Services conducted over 1,990 procurements and processed 1,280 contract amendments. Ms. Hood reviewed the 2016 future plans for Fleet Operations, pilot program with Enterprise car rental for motor pool, DFCM Contractor Portal, Open Records Portal, upgrading the procurement systems, reallocation of the base budget, completing the cyber security audit, DAS workforce profile, and wage distribution.

Rich Amon, Deputy Executive Director, Department of Administrative Services, reviewed the four appropriated divisions of DAS including Administrative Rules, Archives, Division of Finance, and DCFM. There is a request for two percent reductions. DAS requested a \$400,000 one-time reallocation from the Finance non lapsing balance. The reallocation would include; \$25,000 to Administrative Rules, \$250,000 to Fleet Operations for vehicle purchases, \$100,000 to the Post-Conviction Indigent Defense Fund, and \$25,000 to the Judicial Conduct Commission. The base budget was \$157 million, a two percent reduction would be \$3 million. Mr. Amon reviewed the Finance Mandated budget line items which included employee benefits, jail reimbursement, autism services, and employee health benefits totaling about \$20 million in pass through funding. Elected officials, other post elected officials, parental defense, Office of Inspector General, Post-Conviction Indigent Defense Fund, and the Judicial Conduct Commission would present their own agency cuts. The DAS core program budget reductions would include: \$22,000 from the Executive Director's Office for data security planning; \$8,100 from Administrative Rules for eRules maintenance; \$49,700 from the DFCM administrative budget to postpone the AiM interface for contractors; \$56,800 from Archives for one FTE reduction and outreach services; \$127,700 from Finance Administration to eliminate a Database Administrator; and \$12,600 from Purchasing to reduce or eliminate a training program.

Sen. Hillyard asked if cyber security was only for the DAS or for the whole State. Mr. Amon stated just the department and the Department of Technology Services provided security for the State.

Mr. Amon recommended a \$400,000 one-time reallocation to cover the two percent cuts instead of \$277,000 in on-going reductions.

Rep. Anderegg asked what percentage the \$400,000 represented of the total budget. Mr. Amon stated about three percent.

Mr. Amon reviewed an agreement with Utah Transit Authority (UTA) for bus passes for every State employee within the UTA service district. The contract included 19,000 passes costing \$1.8 million for five years, which would be billed to each agency. Currently 25 percent of the passes were being utilized. The program would need a new appropriation for an additional \$900,000 in State funding.

Rep. Miller asked if the \$1.8 million was for each year or all five years. Mr. Amon stated \$1.8 million each year for five years.

Co-chair Froerer asked why there had been a doubling of debt since 2010 for \$22 million, if the debt was backed up by assets, and what the plan was for future debt increases. Mr. Amon reviewed the ISF for Fleet Operations.

6. Department of Administrative Services – Internal Service Find

Mr. Amon reviewed the ISF for Fleet Operations, Risk Management, DFCM Facility Maintenance, Purchasing, and Finance. The Fleet Operations debt was more pronounced because it was asset based. The debt increased because assets increased. However, there are enough assets to cover the debt. FY 14 had \$41 million in General Fund debt with over \$100 million in net book assets. The trend was \$20 million climbing to \$40 million. Minimum revenue was not made to offset expenditures. Mr. Amon reviewed a partnership between Fleet Operations and Enterprise Rental Car that would improve utilization of vehicles with a kiosk similar to renting at the airport, allowing better agency management of vehicle utilization. There was a Request for Information (RFI) to see what the private sector offers in fleet management. Fleet would take \$250,000 out of overhead expenses. There was a moratorium placed on purchases.

Co-chair Froerer requested that DAS be careful in looking at the Enterprise RFP. The committee would like to review data on what Enterprise could do versus the State. He believed that as agencies were charged for more accurate vehicle utilization expenses would be reduced.

Rep. Anderegg asked if cross department vehicle utilization had been reviewed. Mr. Amon stated the Enterprise pilot program would eliminate idle vehicles. Agencies would instead use rental cars.

Sen. Van Tassell asked if forward contracting was used for gas purchases. Mr. Amon stated tanks were filled as they reached half capacity. Sen. Van Tassell asked if the \$500,000 collection on bad debt was high. Mr. Amon stated total bad debt was about \$300 million. The main debtors were from the courts and corrections system who don't have money to pay, or are stuck in the system making it difficult to collect. Sen. Van Tassell asked about variance in debt, retired debts, and if the bad debt could be sold to debt collection agencies. Mr. Amon stated most debt collection had been outsourced, wages were garnished whenever possible, and some debts were written off.

Rep. Sagers asked if there was a \$600,000 request in new money for the Inspector General Office of Medicaid. Mr. Amon stated there was not.

Sen. Mayne asked about longevity of the State employee workforce. Ms. Hood stated the younger employees do not usually stay employed with the State long term. Sen. Mayne asked if the UDOT fleet was included in the Enterprise pilot program. Ms. Hood stated the entire fleet management could be privatized including police vehicles, dump trucks, school busses, etc. Mr. Amon stated the RFP was for capital assets only.

Mr. Wikle reviewed dedicated credits of \$159 million, enterprise funds, and FTE's. DAS had no FTE contract employees. The bulk of the DAS ISF was current expenses under \$5,000 each. Mr. Wikle reviewed the performance measure comparing the DFCM ISF to other market rates. DFCM keeps rates low for their customer agencies. Mr. Wikle highlighted changes to the rates and fees bill including: Print Services would eliminate a debt elimination fee of half a cent per image on copied materials; a fuels network fee per gallon would be increased to 6.5 cent per gallon to cover administrative costs; Risk Management had increases due to better data on square footage of buildings and the standard deductible for vehicles increased from \$500 to \$750; Facilities Management had charge increases to several entities.

Mr. Amon stated \$165 million passes through the ISF. Personnel services had roughly \$18 million. Current expense was \$130 million annually including fuel, power, light, and maintenance for buildings, and insurance and claims for risk. Mr. Amon cautioned the committee on cutting funding for facility maintenance. Cuts to maintenance would work for the short term, but not for the long term. Risk Management needs Legislative support to ratify rate changes that would be passed on to agencies. The charter school rate decreased from \$18 per student to \$10. There were no rate changes in property premiums. Square footage valuation changes would affect premiums collected for property coverage. Auto premiums do not have a rate change but would have a deductible increase. There was a request to transfer one FTE from Fleet Operations to Risk Management to oversee property claims and accidents. Worker's compensation charges a separate rate of \$2,200 for aircraft pilots. Purchasing had 750 cooperative contracts with \$1.6 billion in usage. DAS asked for \$1.6 million in retained earnings to invest in an eProcurement system upgrade. Print Services eliminated the debt elimination fee. The State Copy Center was outsourced to the Utah Correctional Industries. Mail had minor rate changes. DFCM facilities cost per square foot for all facilities was projected at \$4.74.

MOTION: Rep. Anderegg moved to adjourn.

Co-chair Harper adjourned the meeting at 10:32 a.m.