

**MINUTES OF THE  
EXECUTIVE APPROPRIATIONS COMMITTEE**  
Tuesday, July 14, 2015 – 2:00 p.m. – Room 445 State Capitol

**Members Present:**

Rep. Dean Sanpei, Co-Chair  
Sen. Jerry W. Stevenson, Vice Chair  
Rep. Brad L. Dee, Vice Chair  
Sen. J. Stuart Adams  
Sen. Gene Davis  
Sen. Luz Escamilla  
Sen. Peter C. Knudson  
President Wayne L. Niederhauser  
Sen. Ralph Okerlund  
Rep. Patrice M. Arent  
Rep. Joel K. Briscoe  
Rep. Rebecca Chavez-Houck  
Rep. James A. Dunnigan  
Rep. Francis D. Gibson

Speaker Gregory H. Hughes  
Rep. Brian S. King  
Rep. Brad R. Wilson

**Members Excused:**

Sen. Lyle W. Hillyard, Co-Chair  
Sen. Jim Dabakis  
Sen. Karen Mayne

**Staff Present:**

Mr. Jonathan Ball, Legislative Fiscal Analyst  
Mr. Steven Allred, Deputy Director  
Ms. Greta Rodebush, Legislative Secretary

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

**1. Call to Order/Approval of Minutes**

Co-Chair Sanpei called the meeting to order at 2:18 p.m. The minutes were not approved at this time.

**2. Fiscal Health Check-up [Agenda Item 3]**

Mr. Ball announced a new website, [budget.utah.gov](http://budget.utah.gov), which will improve accessibility to resources produced by LFA. The site has a more user-friendly design that is optimized for mobile devices and includes links to LFA's most-used budget resources: Quick Facts card, Compendium of Budget Information, Appropriations Report, Appropriation Summary, Fiscal Health Dashboard, Interactive Budget Visualizer, and Taxpayer Receipt.

Mr. Ball credited Ms. Kellie Lewis and Mr. Aaron McElwee, Department of Technology Services, for the design of the website.

Dr. Andrea Wilko, Chief Economist, LFA, demonstrated how to use the Taxpayer Receipt program to discover how an individual's taxes are spent using state income tax and state sales tax figures. She noted that this program had been updated for FY 2016.

Ms. Clare Tobin Lence, Fiscal Analyst, LFA, reviewed newly updated information on the Fiscal Health Dashboard for General Obligation (G.O.) Bond Debt and Revenue Bond Debt.

Mr. Brian Wilke, Fiscal Analyst, LFA, presented the Issue Brief, "Debt Service," and discussed Utah's G.O. bond debt, constitutional and statutory bonding capacity, credit rating, and debt ratios.

Referring to the chart, “General Obligation Debt Outstanding,” Mr. Wikle indicated that under the current schedule (assuming no additional bonds issued), the State will pay off its G.O. bond debt in 2029. He noted that there is about \$537.2 million in bonds authorized by the Legislature that has not been issued yet. The majority of the \$537.2 million will go towards the construction of a new prison, and a smaller portion, approximately \$63 million, was authorized for highway construction in 2009. Mr. Wikle said that the State Treasurer, the Division of Finance, and the Department of Transportation, do not anticipate issuing the \$63 million, adding that if the Legislature so chooses, it can rescind that debt and pull it off the books.

Mr. Wikle reported Utah’s total G.O. bond debt was below the constitutional debt limit and the State’s statutory debt limit. As of July 2, 2015, Moody’s, Standard and Poor’s, and Fitch gave Utah a “Triple A” rating. Mr. Wikle also reported that as of April 29, 2015, the State’s G.O. bond debt per capita is estimated to be \$962; debt as a percentage of personal income is 2.44 percent. He noted that Utah’s per capita debt is high relative to other “Triple A” rated states.

Rep. Sanpei asked why the \$63 million had not been issued. Mr. Carlos Braceras, Executive Director, UDOT, responded that due to the completion of highway projects ahead of schedule and greater than anticipated revenues, UDOT has not needed to make use of the bonding.

**MOTION:** Sen. Stevenson moved to open an Executive Appropriations Committee bill file to rescind authorized but unused general obligation debt for the Utah Department of Transportation in the amount of \$62,486,700 for the Transportation Investment Fund and \$1,165,200 for the Critical Highway Needs Fund. The motion passed unanimously with Sen. Adams and Rep. Wilson absent for the vote.

For future analysis, Rep. Arent asked that Utah’s G.O. bond debt per capita be compared with other states.

President Niederhauser, referring to the Fiscal Health Dashboard, asked for clarification on General Fund Borrowing.

Co-Chair Sanpei indicated that Sen. Hillyard, Sen. Dabakis, and Sen. Mayne had asked to be excused from today’s meeting due to other obligations.

**MOTION:** Sen. Stevenson moved to adopt the minutes of the June 16, 2015 meeting. The motion passed unanimously with Sen. Adams absent for the vote.

### **3. Federal/Non-federal Grants Review [Agenda 2]**

Mr. Ken Matthews, Federal Assistance Management Officer, Governor’s Office of Management and Budget (GOMB), discussed the “Federal and Non-Federal Grants Report” dated July 14, 2015. Mr. Gary Syphus, Fiscal Analyst, LFA, provided assistance.

Under federal grants, there was one new grant and one continuation of an existing grant requiring legislative action. In addition, the Governor’s Office approved seven new grants.

Under non-federal grants, there was one new grant requiring legislative action and two new grants approved by the Governor's Office.

Mr. Matthews also noted that this month, no grant needing EAC approval would require additional state money if federal funding were to be reduced or eliminated.

**MOTION:** Sen. Stevenson moved to recommend acceptance of the federal and non-federal grants as outlined on page 1 of the handout entitled, "Federal/Non-Federal Grants Review and Approval" under the heading, "Grants Requiring EAC Review and Recommendation" and dated today, July 14, 2015. The motion passed unanimously with Sen. Adams absent for the vote.

#### **4. Fiscal Note and Budget Item Follow-up Report**

Mr. Stephen Jardine, Fiscal Analyst, LFA, presented the Issue Brief, "[Fiscal Note and Budget Item Follow-Up Report](#)," which follows-up on 161 fiscal notes and budget actions from past legislative sessions, in particular, the 2014 General Session. The report includes an index of bills and budget items and is organized by appropriation subcommittee.

Mr. Jardine referred to the stop light (red, yellow, and green) guidelines for scoring follow-ups in terms of implementation status, budget accuracy, and performance. Mr. Jardine indicated that the color coding may vary due to differences in interpretation and that it would be helpful to read the explanation section to gain a better understanding of the circumstances associated with each fiscal note and budget item.

Findings show that 80 percent of the fiscal notes and budget items scored a green for implementation status as opposed to 88 percent last year. For accuracy, 56 percent scored a green, a decline from 68 percent last year. For performance, 54 percent of the fiscal notes and budget items scored a green for performance, better than the 41 percent for last year.

Twelve fiscal notes or budget items were selected for presentation, based on four themes: 1) Initial fiscal note estimates were higher than actual experience resulting in savings; 2) Initial fiscal note estimates were lower than actual experience needing to be absorbed; 3) What did you get for what you spent, i.e. outcomes; and 4) Items of general interest.

Co-Chair Sanpei asked what percentage of the actuals spent were over or under projected cost estimates. Mr. Jardine reported that there was an estimated cost savings of \$46 million and additional costs of \$1.4 million.

LFA staff analysts presented the following fiscal notes and budget items from the follow-up report for the 2014 General Session and responded to committee questions.

1. Jail Contracting Growth, page 17 (Gary Syphus)

**MOTION:** Sen. Stevenson moved to ask the Executive Office and Criminal Justice Subcommittee to consider reducing \$2,058,100 one-time from the Department of Corrections – Jail Contracting line item related to the Jail Contracting Growth Item as shown on page 17 in the 2015 Interim *Fiscal Note and*

*Budget Item Follow-up Report* and consider additional ongoing reductions based on its review. The motion passed unanimously with Sen. Adams absent for the vote.

2. Salary Parity Increases – Attorney General’s Office, page 24 (Clare Tobin Lence)
3. Amendment Three Defense, page 26 (Clare Tobin Lence)
4. Rape Kit Processing Backlog, page 30 (Gary Syphus)

Mr. Jay Henry, Laboratory Director, Utah Department of Public Safety Crime Lab, commented on the delay in processing rape kits that had not been previously submitted by law enforcement agencies to the State Crime Lab as well as vendor laboratory compliance.

5. Administration of Avenue H Health Insurance Marketplace, page 54 (Dr. Andrea Wilko)

Rep. Dunnigan recommended that this item be sent back to the subcommittee.

**MOTION:** Sen. Stevenson moved to ask the Business, Economic Development and Labor Subcommittee to consider reducing \$400,000 one-time from the Governor’s Office of Economic Development – Administration line item related to the Administration of Avenue H Health Insurance Marketplace Item as shown on page 54 in the 2015 Interim *Fiscal Note and Budget Item Follow-up Report* and consider additional ongoing reductions based on its review. The motion passed unanimously with Sen. Escamilla, Rep. Briscoe, Rep. Gibson, Speaker Hughes, and Rep. King absent for the vote.

6. After school programs to address intergenerational poverty, page 66 (Frandsen)

Ms. Kathy Bounous, General Counsel, Department of Workforce Services, briefly explained that federal TANF (Temporary Assistance to Needy Families) funding is being used to start 21 new and expand 32 current after school programs in Title I schools. DWS is working with the Utah State Office of Education in this effort and is using a third party evaluator, Utah Policy Education Center, to study the efficiency of these programs.

7. Garland Community Resource Center – Infrastructure, page 99 (Stephen Jardine)
8. Office of Energy Development Administration, page 123 (Brian Wikle)
9. H.B. 168 – School and Institutional Trust Lands and Funds Management Provisions, page 134 (Ivan Djambov)

Mr. Ball commented that \$60,000 of the \$113,600 that was spent was used to pay the salary of the interim director. Because that employee was already employed by the Attorney General’s (A.G.) Office, the A.G. is going to lapse back the \$60,000 to the General Fund.

**MOTION:** Sen. Stevenson moved to ask the Public Education Subcommittee to consider reducing \$475,400 one-time from the School and Institutional Trust Fund Office line item related to the H.B. 168 School and Institutional Trust Lands and Funds Management Provisions Item as shown on page 134 in the 2015 Interim *Fiscal Note and Budget Item Follow-up Report* and consider additional ongoing reductions based on its review. The motion passed unanimously with Sen. Davis, Rep. Briscoe, Rep. Dee, Rep. Gibson, and Rep. Wilson absent for the vote.

10. Statewide Online Education, page 138 (Angela Oh)
11. Heber Valley Railroad, page 151 (Brian Fay)
12. Capitol Hill Security Infrastructure, page 154 (Steven Allred)

Rep. Arent briefly commented on the request for appropriation process and balancing the time spent in the appropriations subcommittees in hearing each request.

Mr. Ball responded that the EAC chairs were in agreement with Rep. Arent's observations and have directed the LFA to put together some options to address this issue.

Mr. Ball indicated that staff is prepared to present the Interim *Fiscal Note and Budget Item Follow-up Report* to the appropriations subcommittees which will allow them to scrub the base budget early on before the general session.

**MOTION:** Sen. Stevenson moved to ask the Executive Appropriations Committee to reduce \$82,500 General Fund, One-time from the Capitol Preservation Board for the Capitol Hill Security Infrastructure as shown on page 154; and ask each appropriations subcommittee to review each item in the report under their purview and consider adjusting appropriations as shown. The motion passed unanimously with Rep. Briscoe, Rep. Dee, and Rep. Gibson absent for the vote.

## **5. Capital Improvements and Deferred Maintenance Update**

Ms. Angela Oh, Senior Statistician, LFA, presented the Issue Brief, "[Capital Improvements and Deferred Maintenance](#)." She explained that Utah has a statutory requirement to fund capital improvements, and is one of few states that use ongoing appropriations to do so.

Ms. Oh stated that current law requires the Legislature to fund capital improvements at a level equal to 1.1 percent of the replacement value of existing state buildings before the Legislature may approve new capital development projects. During budget deficits, statute allows funding to fall below the 1.1 percent replacement value of existing state buildings to 0.9 percent.

During the last recession, the Legislature reallocated capital improvement funding to fund other pressing budget needs. The Legislature restored ongoing appropriations to the required 1.1 percent of value in FY 2016. Ms. Oh indicated that requests for capital improvements and deferred maintenance continue to outpace appropriations. During the 2015 General Session, the State Building Board received capital improvement requests totaling \$174.1 million while the total allocation was \$111.5 million.

The Analyst recommends that the Legislature consider the following: 1) Increasing the capital improvement appropriation from 1.1 percent to 2 percent of replacement value, and 2) Funding capital improvements prospectively when new buildings are approved and funded.

Ms. Oh pointed out that industry's standard for capital improvement funding is 2 percent of replacement value.

Co-Chair Sanpei asked what an increase in funding from 1.1 percent to 2 percent of replacement value would equate to in terms of dollars. Ms. Oh indicated that the increase would equate to an additional \$90 million in funding.

Mr. Ball commented that moving from 1.1 percent to 2 percent of replacement value would allow the Legislature to build its working rainy day fund and avoid deferred maintenance. He also indicated that forward funding capital improvements would help maintain a structural surplus.

Pres. Niederhauser asked about the net present value of capital improvements when approving a building.

Sen. Adams commented that there are three options to consider: increasing appropriations for capital improvements, increasing appropriations for capital development, and front loading maintenance.

Mr. Ned E. Carnahan, Chairman, Utah State Building Board, introduced Ms. Kim Hood, Executive Director, Department of Administrative Services and Mr. Bruce Whittington, Interim Director, Division of Facilities and Construction Management, who were in attendance, and Mr. Jeffrey Reddoor, Director, Utah State Building Board, who presented the Building Board report.

Mr. Carnahan briefly discussed some organizational changes within the State Building Board and its new focus on the life cycle of buildings. He invited legislative members to join the State Building Board on its annual tour of facilities on August 20-21, 2015.

Mr. Jeff Reddoor, Utah State Building Board, addressed a number of topics in his slide presentation, "Utah State Building Board," dated July 14, 2015. He discussed projected capital improvement needs, capital improvement spending, facility condition assessments, and funding at 1.1 percent. He used the example of the Unified State Lab to illustrate that buildings can cost as much or more to maintain over 50 years as they do to build. Mr. Reddoor also talked about capital improvement money by agency over 10 years.

Sen. Adams asked if the State Building Board ever compared the total cost of building, improving, and maintaining a building with the cost of long term leasing. Mr. Reddoor responded that the State Building Board had not made the comparison.

Co-Chair Sanpei indicated that due to the lack of time, the last two items on the agenda would be moved to next month's EAC meeting.

## **6. Performance Measures in Intent Language Follow-up Report**

This agenda item was scheduled for the August EAC meeting.

## **7. Higher Education Mission/Equity Based Funding Report**

This agenda item was scheduled for the August EAC meeting.

## **8. Other Business**

**MOTION:** Sen. Stevenson moved to adjourn. The motion passed unanimously with Rep. Dee, Rep. Gibson, and Rep. Briscoe absent for the vote.

Co-Chair Sanpei adjourned the meeting at 4:08 p.m.