

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

Room 445 State Capitol Building  
July 14, 2016

**Members Present:** Sen. Wayne A. Harper, Co-chair  
Rep. Gage Froerer, Co-chair  
Rep. Craig Hall, House Vice Chair  
Sen. Karen Mayne  
Sen. Kevin T. Van Tassell  
Rep. Jacob L. Anderegg  
Rep. Lynn N. Hemingway  
Rep. Don L. Ipson  
Rep. Brad King  
Rep. John Knotwell  
Rep. Douglas V. Sagers  
Rep. Scott D. Sandall  
Rep. Mike Schultz  
Rep. R. Curt Webb

**Members Excused:** Sen. J. Stuart Adams  
Sen. Lyle W. Hillyard  
Sen. David P. Hinkins  
Sen. Peter C. Knudson

**Staff Present:** Ms. Angela J. Oh, Fiscal Analyst  
Mr. Brian Wikle, Fiscal Analyst  
Mrs. Cami Thorpe, 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 1:37 p.m.

**2. Updates on S.B. 156, “State Facilities Amendments”**

Ned Carnahan, Chairman, State Building Board, reviewed the requirements of Senate Bill 156. More information can be found online at [2a-Senate Bill 156, General Session](#)

Jeff Reddoor, Director, State Building Board, stated that changes would be made to the weighting measure for scoring capital development projects this year. Necessary changes would be made to the weighting measure of the Board of Regents priorities so that higher priorities would have a higher weight. However, it wouldn't ensure that the Building Board priorities

would follow that process. A new rule was drafted to make all the required statutory changes and would be voted on in the September board meeting. The rule included creating an O&M program within the institution line item budgets. A process to review and adjust inflationary cost increases to O&M would be created. Data collection and analysis would need to take place before the process could be created.

Rep. Sagers asked if a cost comparison of owning versus leasing buildings had been completed. Mr. Reddoor stated the new processes would allow for a comparison.

Mr. Reddoor stated that language would be included in the FY18 capital needs statement requiring Higher Ed capital development requests to state how a building would help meet its market needs. The capital improvement threshold was increased from \$2.5 million to \$3.5 million. Infrastructure projects could be funded up to \$7 million, allowing infrastructure problems to be addressed before they grew too large. Intent language was in place that developed a process to ensure that non-State funded requests had a funding stream for O&M available for the life of the building. The requirement could be added to statute instead of intent language. The Board of Regents would address using research funds for O&M with new policy. The final item in S.B. 156 required the Building Board to determine actual O&M costs for new buildings. A web-based portal showing an institution's buildings with direct and indirect maintenance costs had been created. The portal would be operational in August 2016. A draft rule was created requiring agencies report any changes to O&M to the Building Board by October 15, instead of in December.

Rep. Sagers asked if the Building Board had looked into the concept of building cookie cutter buildings. Mr. Carnahan stated they hadn't, but he believed that having a master plan for buildings could help with cost containment. Mr. Reddoor added that maintenance-type buildings would be ideal for a cookie cutter building design.

Sen. Mayne asked if it were possible to postpone any new construction for a year and instead put all funding into fixing deferred maintenance. Mr. Reddoor stated that the idea would be suggested to the committee at a future meeting. The Building Board had collected the information showing current and deferred maintenance needs.

Co-chair Froerer asked if Higher Ed was comfortable with the capital development weighting changes. Mr. Reddoor stated that most of the time the State Building Board and Board of Regents priorities' parallel each other. Co-chair Froerer asked if DFCM had an estimate for the cost of the State Fair Park structure, if the project would come under the 65 percent cost of the building, and if the project would impact any existing DFCM projects in terms of personnel. Eric Tholen, Director, DFCM, was confident the project would hold to the 65 percent requirement and the project has had donations.

### **3. Updates on S.B. 80, “Infrastructure Funding Amendments”**

Carlos Braceras, Executive Director, Utah Department of Transportation (UDOT), reviewed the program contingency of \$10 million in 2017 and \$20 million in 2018 going through 2023. Capacity projects had been aligned with sales tax and the number of earmarks had been reduced to clean up the funding between the Transportation Investment Fund (TIF) and the Transportation Fund. Mr. Braceras continued with a review of the impacts from Senate Bill 80 to the Transportation Fund and TIF. More information can be found online at [3b-Department of Transportation Update on Senate Bill 80, 2016 General Session](#)

Co-chair Froerer asked for an explanation on the criteria for upgrading interchanges and ranking them from first to last. Mr. Braceras directed the committee to the UDOT webpage and the STIP Workshop Workbook containing the prioritization methodologies, which were updated as needed.

Rep. Sandall asked if the draft proposed TIF projects were programmed through 2023. Mr. Braceras stated the project list provided to the committee had not been programmed.

Co-chair Harper asked if the TIF projects would be programmed through 2024 next year. Mr. Braceras stated they felt programming through 2024 went out too far.

### **4. Report on H.B. 3, Item 63 (Department of Transportation Intent Language)**

Mr. Braceras stated that a financial analysis showing cost savings and financing costs from advancing programmed projects within the TIF had been prepared.

Shane Marshall, Deputy Director, UDOT, stated three projects were selected from Interstate 15 in Utah County, Salt Lake County, and Davis County. Four scenarios were completed showing project schedules, debt schedules, outstanding debt, and the impact to the constitutional debt limit. More information can be found online at [4a-Department of Transportation Report on House Bill 3, Item 63, 2016 General Session](#)

Sen. Van Tassell asked if UDOT had ‘right-of-way’ to be able to add one more lane in Salt Lake County. Mr. Marshall stated for the most part yes. Sen. Van Tassell asked if the State had a plan to keep citizens working if the economy were to slow and there were favorable interest rates. Mr. Braceras stated they were more prepared to react because projects were ready through 2023. Mr. Marshall stated that the program was funded at \$3 billion over six years and could be moved up or back depending on the economy.

Rep. Sagers asked if the analysis showed that bonding would be encumbered all at once and if the present value of money and construction costs had been taken into consideration. Mr. Marshall stated that the bonding would only be when needed. The present value of money had been considered. Rep. King asked what the current borrowing interest rate was.

Becky Bradshaw, Chief Financial Officer, UDOT, stated the interest rate was based on the current AAA rating plus a quarter of a percent.

Co-chair Froerer asked if UDOT had a plan in place if a natural disaster happened, such as a major earthquake. Mr. Braceras stated a geotechnical design to understand each type of soil had been completed for every bridge and retaining wall. Lifeline facilities and access points were constructed with higher standards.

Angela Oh, Fiscal Analyst, Office of the Legislative Fiscal Analyst, presented a net present value analysis of bonding scenarios to show if the costs outweigh the benefits for accelerating UDOT projects. The net present value was calculated to be -\$138 million, denoting that the costs outweigh the benefits.

Thomas Young, Fiscal Analyst, Office of the Legislative Fiscal Analyst, reviewed each scenario. All scenarios showed that the costs come in higher than the benefits. More information can be found online at [4b-Issue Brief - 2016 Interim - Net Present Value of Bonding Scenarios](#) and [4c-LFA Presentation on Net Present Value of Bonding Scenarios](#)

Rep. Sagers asked if commuter time savings had been considered in the analysis. Mr. Young stated the time savings provided by UDOT was used and converted into revenue.

Rep. King asked if the analysis showed the increase in cost of money and interest rates, and what would happen if interest rates increased. Mr. Young stated a discount rate of 1.5 to 1.9 percent had been used, which was a good proxy for inflation.

Co-chair Harper stated the State should be prepared for a recession.

Ms. Oh concluded that the analysis was not meant to say the State should not bond, but that accelerating projects when climates were good may not make the most sense. It may make more sense to bond during recessionary periods when the cash flow is limited.

## **5. Fiscal Note and Building Block Follow-up Report**

Brian Wikle, Fiscal Analyst, Office of the Legislative Fiscal Analyst, explained the Fiscal Note and Budget Item Follow-up Report. For each item, the report covers implementation status, budget accuracy, and performance criteria. The full report can be found online at [5-Issue Brief - 2016 Interim - Fiscal Note and Budget Item Follow-up Report, 2016, IGG](#)

Sen. Van Tassell clarified that the Olympic Oval had work completed but the project had not been finalized.

Rep. Sagers asked if the report covered only one year. Mr. Wikle stated items on the report were generally from the completed fiscal year. However, there were items going back more than one

fiscal year depending on carry-over authority. The bulk of unspent money was in buildings under construction, which takes several years to spend.

**6. Other Business**

**MOTION:** Sen. Van Tassell moved to adjourn. The motion passed unanimously.

Co-Chair Froerer adjourned the meeting at 3:28 p.m.