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MEMORANDUM

To: Senator Lyle Hillyard, Senate Chair
Representative Dean Sanpei, House Chair
Senator Jerry Stephenson, Senate Vice Chair
Representative Brad Dee, House Vice Chair
Executive Appropriations Committee

From: Senator Wayne A. Harper, Senate Chair
Representative Gage Froerer, House Chair
Representative Craig Hall, House Vice Chair
Infrastructure and General Government Appropriations Subcommittee

Date: December 13, 2016

Subject: Infrastructure and General Government Appropriations Interim Meeting Report

The Infrastructure and General Government (IGG) Appropriations Subcommittee met twice during the 2016 interim. The subcommittee discussed several issues that were identified in a letter from the Senate President and House Speaker to the subcommittee chairs dated June 21, 2016, and IGG addressed a few additional items. The following sections summarize IGG's interim meetings.

July 14th Meeting

- 1. S.B. 156, 2016 General Session (GS), State Facilities Amendments** – S.B. 156, gave the State Building Board rulemaking authority regarding operations and maintenance funding (O&M). Ned Carnahan, Board Chair, and Jeff Reddoor, Executive Director, reported that a rule had been drafted to create an O&M program within each institutional budget line item. The board was also developing a process to review and adjust inflationary cost increases for O&M. In addition, the board changed its scoring methodology for higher education capital development projects by giving greater weight the higher a project was prioritized by the Board of Regents.

2. **S.B. 80, 2016 GS, Infrastructure Funding Amendments** – Carlos Braceras, Executive Director of the Department of Transportation (DOT), presented a chart showing changes in sales and use tax earmarks due to S.B. 80, and he summarized the estimated impact of the changes to the Transportation Investment Fund from FY 2017 through FY 2023. Committee members asked questions regarding how the funding changes might affect DOT’s programming of projects. Mr. Braceras explained that projects planned in the near future will probably not be affected, but the revenue reduction to TIF might delay projects that are planned farther in the future.
3. **H.B. 3, 2016 GS, Item 63 (Department of Transportation Intent Language)** – Shane Marshall, DOT Deputy Director, and Thomas Young and Angela Oh, Fiscal Analysts, presented estimated financial effects of advancing construction of currently programmed road projects by issuing bonds. In each scenario the costs of bond interest and issuance outweighed the benefits.
4. **Fiscal Note and Building Block Follow-up Report** – Brian Wikle, Fiscal Analyst, presented the Fiscal Note and Budget Item Follow-up Report that covers implementation status, budget accuracy, and performance criteria for selected funded items. He explained that for the items under IGG’s purview, the bulk of money appropriated but not spent during FY 2015 was for buildings under construction and that unspent money was carried over to FY 2016 so construction could continue.

October 20th Meeting

1. **Internal Service Fund (ISF) Rates and Impacts** – Brian Wikle, Fiscal Analyst, reviewed legislation passed in the 2016 General Session related to composition of rate committees for internal service funds. He explained that the Legislature approved shifting the Department of Human Resources to an ISF and that the Legislature funded the consequent rate impacts. The Legislature did not fund the rate impacts for ISFs in the Departments of Administrative Services (DAS) and Technology Services (DTS). Ken Hansen, DAS Interim Executive Director, and Mike Hussey, DTS Executive Director, explained how their departments strive to minimize ISF costs while providing quality service. Tani Downing, Division of Risk Management Director, discussed challenges the division and its customer agencies have faced because risk impacts were not funded.

Executive Appropriations Committee had asked IGG to recommend a course of action regarding funding of FY 2017 ISF rate impacts. However, due to lack of a quorum IGG did not take action.
2. **Uintah Basin Applied Technology College (UBATC)** – Aaron Weight, UBATC President, discussed the college’s requests for a new welding facility. Committee members asked how the facility would serve the needs of citizens and employers in the region, particularly given the effect that oil prices have had on the region’s economy.

- 3. Division of Fleet Operations' General Fund Borrowing** – Jeff Mottishaw, Division of Fleet Operations Director, discussed initiatives the division has undertaken to reduce costs of providing services to state agencies. Fleet has entered into lease agreements with private vendors and it is expanding the number of state agencies and locations that are serviced through leased vehicles. Last January the division projected that its debt to the General Fund would increase over the next few years due to vehicle purchases. But with the lease contracts in place and with other efforts to reduce costs, Fleet now projects that its debt will decrease over time.
- 4. Fiscal Year-end Actuals Compared to Projections** – Brian Wikle, Fiscal Analyst, introduced a document that showed actual expenditures by expense category compared to projected expenses for FY 2016 for each line item and program in the Departments of Administrative Services, Technology Services, and Transportation.
- 5. State Fair Park and Department of Agriculture Long-term Building Plans** – Larry Mullenax, State Fair Park Executive Director, and Luann Adams, Department of Agriculture and Food (DAF) Commissioner, presented early plans and projected costs for construction of a DAF headquarters building at the State Fair Park. They explained how the facility could integrate space needed for the Fair Park and how the location would benefit both parties and the community.
- 6. Division of Facilities Construction and Management (DFCM) Update** – Eric Tholen, DFCM Director, summarized the state's ownership and leasing of buildings. He reported that about 99 percent of state-owned space is currently utilized. Mr. Tholen presented a comparison of the costs of ownership versus leasing. For a building with construction cost of \$70 million, DFCM projects that leasing would be cheaper for about the first 23 years. By year 25 owning the building would save about \$8.8 million, and additionally the state would own the asset.
- 7. Operations and Maintenance (O&M) Expenditure Update** – Jeff Reddoor, State Building Board Executive Director, discussed progress on gathering data for the O&M database. Data will be used to more accurately track O&M expenditures for each building and to better anticipate maintenance needs and costs. The committee chairs encouraged Mr. Reddoor to push agencies to provide requested data as soon as possible.
- 8. State Building Board and Board of Regents Priorities** – Ned Carnahan, State Building Board Chair, and David Buhler, Commissioner of Higher Education, presented their respective priorities for new building funding. Both entities ranked the University of Utah's request for a medical complex, Dixie State University's request for a human performance center, and Weber State University's request for renovation of its social science building as the top three priorities.