Fiscal Note and Budget Item Follow-up Report - IGG

Infrastructure and General Government Appropriations Subcommittee
Staff: Brian Wikle, Senior Economist

ISSUE BRIEF

The Office of the Legislative Fiscal Analyst presented its annual "Fiscal Note and Budget Item Follow-up Report" to the Executive Appropriations Committee on July 17, 2018. Staff reviewed 232 items from the 2015 through 2018 General Sessions and recommended actions for 84 of those items. The following pages in this brief extract from the full report those pages that are pertinent for review by the Infrastructure and General Government Appropriations Subcommittee (IGG). Analysts recommended actions on six items under IGG's purview and they reviewed another 27 items for which they did not make recommendations.

Fiscal Note and Budget Item Follow-Up Report

LEGISLATIVE FISCAL ANALYST

Executive Appropriations Committee

ISSUE BRIEF

SUMMARY

This report reviews a limited number of fiscal notes and budget items from past legislative sessions to assess the accuracy of earlier estimates, report the current status of associated initiatives, and recommend potential future budget actions. It assesses the work of state agencies and institutions as well as the Office of the Legislative Fiscal Analyst (LFA). The findings not only relate to these specific initiatives themselves, but they will also improve the accuracy of future fiscal notes and budget items.

To prepare this report we reviewed 232 budget items, including those associated with bills. We reviewed primarily items from the 2017 General Session and select items from the 2015 through the 2018 General Sessions. We considered three key criteria, using agency input, supplemental information, and internal analysis:

- **Implementation:** Was the item fully implemented in a timely manner?
- **Accuracy:** Was the estimated cost or collection amount accurate compared to actual experience?
- **Performance:** Was performance measured? How successful was the item?

Using these criteria, we identified items for which an action of the Legislature, LFA, or a state agency or institution could improve the outcome of that item or inform future budget items. We included only items with recommended actions -- a total of 84 or 36 percent -- in the body of this report. (Additional information about item assessment is available in Appendix A.)

Because we selected items based on the opportunity for action, the report does not provide an assessment of the overall quality of work by state agencies or institutions or LFA on average or in total. At the end of the report, we compiled a list of items that we reviewed but which did not need a recommendation, as they were proceeding appropriately and the initial estimates were reasonably accurate. (A list of reviewed items is available in Appendix B. Detailed information on any budget item not included in the report may be requested directly from LFA.)

INDEX OF BUDGET ITEMS IN REPORT

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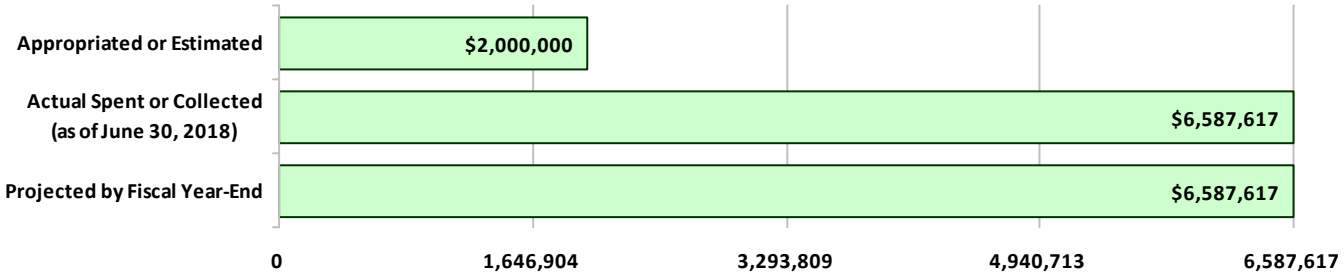
2017 G.S. Debt Service Costs

Analyst: Brian Wikle Committee: IGG



Explanation

The Legislature appropriated $2.0 million one-time General Fund in FY 2018 to partially cover the first interest payments for bonds for prison construction that were anticipated to be issued in July 2017 (S.B. 2, 2017 G.S., Item 54), and the Legislature planned for the remainder of the payments to be covered using the nonlapsing balance in the Debt Service line item (which at that time was about $7.0 million).

Issue of Interest

The Division of Finance estimated that the Debt Service line item would close FY 2018 with approximately $2.5 million in nonlapsing balance.

Potential Action

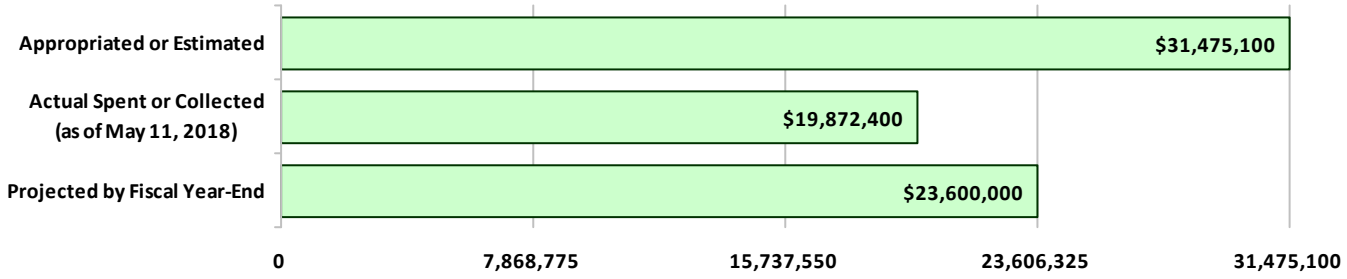
We recommend that the Legislature consider increasing the nonlapsing balance in the Debt Service line item to allow more flexibility in the structuring of future bond issuances and to protect against unforeseen circumstances such as subsidies from the federal government for certain past bond issuances being less than anticipated, and that our office recommend an amount for the nonlapsing balance to the Executive Appropriations Committee prior to the 2019 General Session.

Administrative Services Response

Supports The Division of Finance "would like to emphasize the importance of maintaining or increasing the recommended nonlapsing balance due to the noted potential scenarios."

2017 G.S. Higher Education and Technical College Buildings

Analyst: Brian Wikle Committee: IGG



Explanation

The Legislature approved three new capital development projects at universities and one new capital development project at a technical college in the 2017 General Session. The Legislature appropriated a total of $31,475,100 one-time Education Fund in FY 2018 for these projects as follows:

Dixie State University Human Performance Center - $8.0 million;
University of Utah Medical Education & Discovery / Rehabilitation Hospital - $5.0 million;
Weber State University Social Science Building Renovation - $14.0 million; and
Uintah Basin Technical College Welding Technology Building - $4,475,100.

Note: The Legislature appropriated one-time Education Fund in FY 2019 for the university projects as follows:

Dixie State University Human Performance Center - $17.0 million;
University of Utah Medical Education & Discovery / Rehabilitation Hospital - $45.0 million; and
Weber State University Social Science Building Renovation - $15,940,000.

Issue of Interest

When presenting requests for capital development projects to the State Building Board and the Legislature, the universities and technical college described the planned uses of the buildings and the programs that they would house. The institutions also described the inadequacies of existing space and the uniqueness of program-related space. The institutions did not present information regarding the extent to which those uses and programs might be met through improved utilization of existing space.

Potential Action

We recommend that during the building request and approval process state agencies, institutions of higher education, and technical colleges analyze and report to the State Building Board and the Legislature the extent to which planned uses and housing of programs for a proposed building might be met through improved utilization of existing space or expansion of existing structures.

We recommend that the Division of Facilities Construction and Management report to the Infrastructure and General Government Appropriations Subcommittee by October 31, 2018 whether the overall project schedule, scope, and/or budget has been impacted due to any unforeseen circumstances for any of the university or technical college capital development projects that were approved in the 2017 General Session.

Administrative Services Response

2017 G.S. Higher Education and Technical College Buildings

Analyst: Brian Wikle Committee: IGG

Supports The Division of Facilities and Construction Management - "We agree that it would be the prudent and responsible path to determine how existing space could be repurposed, added too or modified to meet the needs of the agency or institution in lieu of building new space. We also feel that it would be in the in the best interest of the State to have a completed programmatic document and cost estimate for each proposed project prior to funding.

We are currently undertaking a Space Utilization Study for State Agencies which includes evaluating the use of alternate space offerings such as; desk sharing, hoteling, and telecommuting/online participation. It is our opinion that the evaluation of alternate space offerings should be included in any proposed request for additional space."

Administrative Services Response

Supports State Building Board - "We agree with the process moving forward for reporting alternative measures of using and or repurposing existing space, and/or expansion of existing structures. We also believe this to be an effective approach to more efficiently use the current space the State has in its building portfolio, and the potential to reduce funds needed for large capital projects."

GOMB Economists Response

Supports "Just as in program operations, capital facilities should seek to maximize existing capacity before seeking new funding."

State Board of Regents Response

Supports "USHE is supportive of providing policy-makers with additional information that they might need to make capital decisions."

Utah System of Technical Colleges Response

Supports "We really like this concept."

2017 G.S. Olympic Venue Critical Repairs & Improvements

Analyst: Brian Wikle Committee: IGG

Explanation

The Legislature appropriated $500,000 ongoing General Fund beginning in FY 2018 to pass to the Utah Olympic Legacy Foundation for repairs and improvements at Olympic Park, Soldier Hollow, and Olympic Oval (S.B. 3, 2017 G.S., Item 125). Note: The Legislature appropriated $6.0 million one-time General Fund in FY 2019 and $2.5 million ongoing General Fund beginning in FY 2019 for this purpose (S.B. 6, 2018 G.S., Item 31 and H.B. 2, 2018 G.S., Item 28).

Issue of Interest

In the 2018 General Session the Legislature passed H.B. 484, "Winter Sports Venues", which created the "Winter Sports Venues Grant Fund". However, the Legislature did not appropriate money into the fund but instead left the funding for Olympic venue repairs and improvements in the Capital Budget - Pass-through line item.

Potential Action

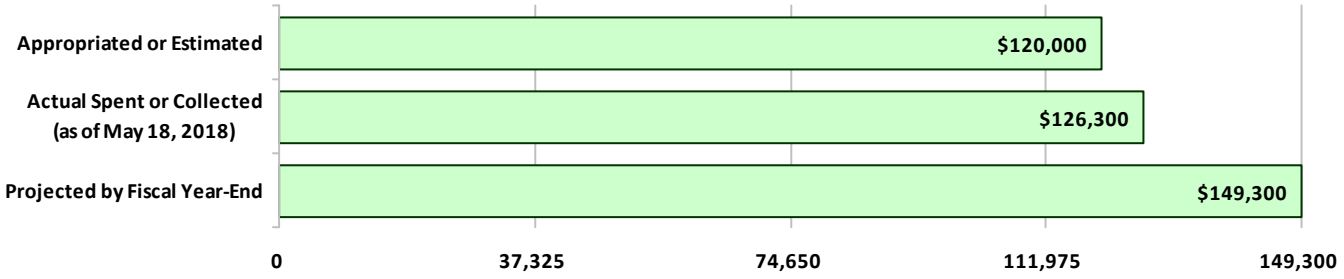
We recommend that the Legislature consider either 1) repealing H.B. 484, "Winter Sports Venues," and leaving the $3.0 million ongoing appropriation for Olympic venue repairs and improvements in the Capital Budget - Pass-through line item; or 2) beginning in FY 2020 moving the $3.0 million ongoing appropriation out of the Capital Budget - Pass-through line item and into the "Winter Sports Venues Grant Fund".

Administrative Services Response

Supports

2017 G.S. Performance Auditors

Analyst: Brian Wikle Committee: IGG



Explanation

The Legislative Auditor General recommended that the Department of Transportation assign two auditors to work on audits prioritized by the Utah Transportation Commission (see "A Performance Audit of the Utah Department of Transportation" available at https://le.utah.gov/audit/16_06rpt.pdf). The department shifted one compliance officer to this assignment and requested $120,000 to fund one new auditor position. The Legislature reallocated $120,000 from the Transportation Fund ongoing beginning in FY 2018 from the Construction Management line item to the Support Services line item for one performance auditor (S.B. 2, 2017 G.S., Item 25).

Issue of Interest

The Department of Transportation anticipates that it will expend $149,300 in FY 2018 and beyond for salary and benefits for the internal auditor, which exceeds the $120,000 that the Legislature appropriated for the position.

Potential Action

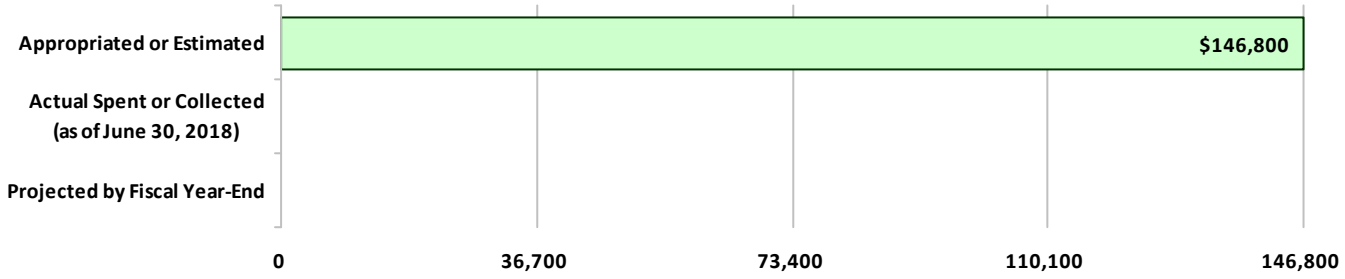
We recommend that the Department of Transportation report to the Infrastructure and General Government Appropriations Subcommittee by October 31, 2018 how the department funded in FY 2018 - and plans to fund ongoing - the $29,300 that exceeds the $120,000 appropriation for the internal auditor.

Transportation Response

Supports "The department requested an estimated amount of $120,000 based on the mid-point salary range for an Internal Auditor. The department hired an experienced auditor from the Department of Workforce Services. However, his salary was already above mid-point. The additional amount of $29,300 will be funded within our current budget. These funds were made available by the difference in pay from a recent retiree and his replacement."

2017 G.S. S.B. 65 - Postal Facilities and Government Services

Sponsor: Sen. Karen Mayne Analyst: Ryan Mortenson Committee: IGG



Explanation

The Legislature appropriated $74,700 ongoing and $72,100 one-time from the General Fund to the Department of Technology Services to allow state services to be provided by the United State Postal Services (USPS). These services include high speed internet and technology equipment to ten impacted post offices. Implementation of this bill is dependent upon the passage of a federal bill that would allow the USPS to offer state services. The bill currently being considered in the US Congress is S. 2629, Sec. 203.

Issue of Interest

The project has not been implemented and is waiting for approval of S. 2629 currently in Congress before provisions of the bill can be implemented.

Potential Action

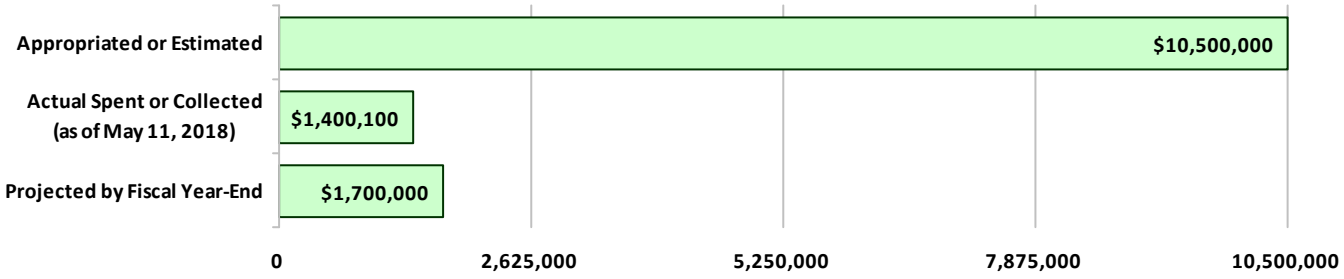
We recommend the Legislature reallocate, one-time, the $74,700 appropriation that will not be used in FY 2018. As this was an ongoing appropriation, DTS will receive the same amount again in FY 2019. We recommend that the Legislature continue to watch for the passage of S. 2629 in the US Congress and continue to reallocate unused funds until S. 2629 becomes law.

Technology Services Response

Supports The Department of Technology Services agrees with and supports the recommendations.

2017 G.S. Utah Schools for the Deaf and the Blind Springville

Analyst: Brian Wikle Committee: IGG



Explanation

The Legislature appropriated $10.5 million one-time Education Fund in FY 2018 to build a school in Springville for the Utah Schools for the Deaf and the Blind. The building will include approximately 29,000 square feet for classrooms, a playground, administrative offices, a cafeteria, meeting rooms, and an assembly room (S.B. 2, 2017 G.S., Item 52). Note that the Legislature appropriated another $713,000 one-time Education Fund in FY 2019 to add two classrooms to this project (H.B. 2, 2018 G.S., Item 25).

Issue of Interest

The Division of Facilities Construction and Management (DFCM) reported that the schedule contingency has been exhausted due to issues with offsite utilities and soil remediation, but that the overall schedule for the project has not been impacted.

Potential Action

We recommend that DFCM report to the Infrastructure and General Government Appropriations Subcommittee by October 31, 2018 whether the overall project schedule, scope, and/or budget has been impacted due to any unforeseen circumstances that are in addition to the issues with offsite utilities and soil remediation.

Administrative Services Response

Supports

Appendix A - Budget Item Review Guidelines

How did we choose 84 items to include in the report out of the 232 items we reviewed? How did we develop the potential action recommendations?

We first considered the following key criteria:

1. Implementation
   a. In what month and year was the project/program/bill fully implemented?
   b. Did the project/program encounter any factors that caused a delay and implementation? Please explain.
   c. Did the project/program encounter any factors that caused a change in scope? Please explain.
2. Accuracy
   a. How much of the appropriation was spent as of the last reporting period?
   b. What is the date of the last reporting period?
   c. How much of the appropriation is expected to be spent by fiscal year-end?
3. Performance
   a. How is the success of the project/program measured?
   b. How successful has the project/program been according to those metrics?

We then considered the following questions:

1. Given agency reports of implementation, accuracy, and performance, are there areas of concern?
2. Is the agency's implementation progress appropriate for the type and scale of the program? Is implementation notably ahead or behind the anticipated timeline?
3. Is the agency's pattern of spending consistent with the type or scale of the program? Is the spending pattern aligned with the implementation progress?
4. Is actual spending similar to the original estimate? What improvements could be made by the agency or LFA in future estimates?
5. Is actual revenue collection similar to the original estimate? What improvements could be made by the agency or LFA in future estimates?
6. Is it likely that there will be excess funds remaining at year-end? Should these be reallocated to other purposes, or used for other needs related to the original item?
7. Is the agency measuring performance appropriately and well?
8. What are the actual performance results? Do the results suggest advisable changes to the program, including expansion, reduction, or closure?
9. Is the item something that was of particular legislative or public interest at the time it was funded?
10. Does the item illuminate a potential improvement for the agency or LFA that was not captured by the other questions?
11. Is there anything else about the item that could make it particularly interesting to legislators?

Appendix B - Additional Reviewed Budget Items

Ctte	Session	Bill or Budget Item Description	Analyst
IGG	2016 G.S.	Avalanche Control	Brian Wikle
IGG	2017 G.S.	Class 8 Snow Plow Truck Replacement	Brian Wikle
IGG	2017 G.S.	CNG/Alternative Fuel Depot District	Brian Wikle
IGG	2017 G.S.	DAS Dedicated Credit Increase	Ryan Mortenson
IGG	2017 G.S.	DFCM SBEEP Energy Program On-going Funding	Ryan Mortenson
IGG	2017 G.S.	Dixie State University Human Performance Center	Brian Wikle
IGG	2017 G.S.	H.B. 319 - Data Security Management	Ryan Mortenson
IGG	2017 G.S.	Inspector General of Medicaid Adjustment	Ryan Mortenson
IGG	2017 G.S.	ISF - Dept of Technology Services	Ryan Mortenson
IGG	2017 G.S.	ISF - DFCM Operations & Maintenance	Ryan Mortenson
IGG	2017 G.S.	ISF - Fleet - Fuel Network	Ryan Mortenson
IGG	2017 G.S.	ISF - Risk Management - Liability Insurance	Ryan Mortenson
IGG	2017 G.S.	ISF - State Mail	Ryan Mortenson
IGG	2017 G.S.	Learning and Development	Brian Wikle
IGG	2017 G.S.	Reallocation from Construction to Maintenance	Brian Wikle
IGG	2017 G.S.	Revitalization of Downtown Helper	Brian Wikle
IGG	2017 G.S.	Right of Way Property Inventory	Brian Wikle
IGG	2017 G.S.	Right of Way Surplus Land Descriptions	Brian Wikle
IGG	2017 G.S.	S.B. 126 - Collection Process Amendments	Ryan Mortenson
IGG	2017 G.S.	S.B. 41 - State Highway System Amendments	Brian Wikle
IGG	2017 G.S.	S.B. 71 - Criminal Accounts Receivable Amendments	Ryan Mortenson
IGG	2017 G.S.	Snow College Land Banking	Brian Wikle
IGG	2017 G.S.	Surveyor's Monument Replacement	Ryan Mortenson
IGG	2017 G.S.	UDOT Snow Removal Winter 2016-17	Brian Wikle
IGG	2017 G.S.	Uintah Basin ATC Welding Technology Building	Brian Wikle
IGG	2017 G.S.	University of Utah Medical Education & Discovery / Rehabilitation Hospital	Brian Wikle
IGG	2017 G.S.	Weber State University Social Science Building Renovation	Brian Wikle
NRAEQ	2017 G.S.	Air Quality Monitoring Equipment	Alexander Wilson
NRAEQ	2017 G.S.	Carbon Canal Diversion Reconstruction	Ivan Djambov
NRAEQ	2017 G.S.	Carbon Canal Liner	Ivan Djambov
NRAEQ	2017 G.S.	Certificate of Veterinary Inspection Books (CVIs)	Ivan Djambov
NRAEQ	2017 G.S.	Conservation Commission Employees	Ivan Djambov
NRAEQ	2017 G.S.	Domestic Elk Hunting Permit	Ivan Djambov
NRAEQ	2017 G.S.	Energy Education Campaign	Alexander Wilson
NRAEQ	2017 G.S.	Federal Lands Exchange	Ivan Djambov
NRAEQ	2017 G.S.	Fire Policy Compliance	Ivan Djambov
NRAEQ	2017 G.S.	Foundation for Integrated Resource Management (FIRM)	Alexander Wilson
NRAEQ	2017 G.S.	Greater Sage-Grouse Litigation	Alexander Wilson
NRAEQ	2017 G.S.	Interagency Fire Dispatch Center	Ivan Djambov
NRAEQ	2017 G.S.	Lower Elevation Reservoir Study / Phase IV	Ivan Djambov
NRAEQ	2017 G.S.	Natural Resources Pass Through Account for Continuation of Contract	Ivan Djambov
NRAEQ	2017 G.S.	Office of Energy Development (OED) Lease Expenses	Alexander Wilson
NRAEQ	2017 G.S.	Price River Dredging	Ivan Djambov
NRAEQ	2017 G.S.	Public Hunting Access	Ivan Djambov
NRAEQ	2017 G.S.	RS 2477 Analyst	Ivan Djambov