

**MINUTES OF THE  
JOINT INFRASTRUCTURE AND GENERAL GOVERNMENT  
APPROPRIATIONS SUBCOMMITTEE MEETING  
TUESDAY, JANUARY 19, 2011, 2:00 P.M.  
Room 445, State Capitol**

Members Present: Sen. Stuart Adams, Co-Chair  
Rep. Gage Froerer, Co-Chair  
Sen. Lyle Hillyard  
Sen. David Hinkins  
Sen. Mark Madsen  
Sen. Karen Mayne  
Sen. Kevin Van Tassell  
Rep. Derek Brown  
Rep. David Butterfield  
Rep. Fred Cox  
Rep. Brad Dee  
Rep. Janice Fisher  
Rep. Wayne Harper  
Rep. Lynn Hemingway  
Rep. Neal Hendrickson  
Rep. Patrick Painter  
Rep. Evan Vickers

Members Absent: Rep. Carl Wimmer, House Vice-Chair

Staff Present: Mark Bleazard, Legislative Fiscal Analyst  
Gary Ricks, Legislative Fiscal Analyst  
Richard Amon, Legislative Fiscal Analyst  
Karen C. Allred, Secretary

Public Speakers Present: Gregg Buxton, Director, Division of Facilities Construction and Management (DFCM)  
John Harrington, Energy Director, DFCM  
Carlos Braceras, Deputy Director, Utah Department of Transportation  
John Njord, Executive Director, Utah Department of Transportation  
Kim Hood, Executive Director, Division of Administrative Services  
John Reidhead, Chief Financial Officer, Division of Administrative Services (DAS)  
Kent Beers, Purchasing Director, DAS  
Patricia Smith Mansfield, Archives, DAS  
Steve Fletcher, Executive Director, Department of Technology Services (DTS)

A list of visitors and a copy of handouts are filed with the Subcommittee minutes.

1. Call to Order and Approval of Minutes

Co-Chair Froerer called the meeting to order at 2:46 P.M.

There were no minutes to approve.

2. Agency Budget Adjustments

Gary Ricks, Analyst, explained the Menu of Options for budget reductions to correct the structural deficit for FY2012. This list is options, not recommendations, a starting point for the Legislature and Agencies to come to a solution of how to meet the deficit.

Co-Chair Froerer reiterated that this list is options, not recommendations.

A. Debt Services

Rich Amon, Analyst, explained Debt Service, which is made up of interest and principal due on the state's indebtedness. He explained the two limits set on debt, the constitutional debt limit (1.5% of the value of the state's taxable property) and statutory debt limits (45% of the allowable appropriations limit). Utah is one of eight states that owns a "triple A" bond rating from all three national rating agencies.

Rep. Cox asked if bonds were being paid off for buildings that make any funds available. He expressed concern that the budget is not only funding new buildings, but not funding maintenance on existing buildings. Mr. Amon replied that there are some bonds coming due, but the answer is no, funds will not be available?

Rep. Hemingway asked if there is a way to restructure some of this debt to be used other places. Mr. Amon replied that bonds can be paid off early, but all interest is due. Bonds can be refunded (or refinanced), and the state has done so, with lower interest costs. This doesn't cost less money, but takes it off the books. Rep. Hemingway asked if refinancing can help spread out the interest payments. Co-Chair Adams said that when a building is bonded, it commits it to debt service and if it is bonded for a shorter period of time, the debt service is less. Less bonding is one of the reasons Utah has a "triple A" rating.

B. Capital Budget

Mr. Ammon explained an overview of a list of potential adjustments option, which was distributed to the subcommittee, for eliminating structural deficit. The option discussed for the Capital Budget is to reduce all alteration and repair funding for state buildings. This will increase the backlog of facility improvements on state and higher education campuses and may increase future costs due to deteriorated infrastructure.

Sen. Van Tassel asked if this option is to consider taking 100% of Capital Improvements and if this is a recommendation. Mr. Amon responded yes, and that this is just an option.

Gregg Buxton, Director, Division of Facilities Construction and Management (DFCM), responded to the option. He suggested the subcommittee be cautious deciding on this option for two reasons. One is the risk management, having no funds to cover liability from an injury. The second is that the "triple A" bond rating is affected by how the facilities are maintained. The State Energy Program will bring to fruition a savings or cost avoidance in the next year.

John Harrington, Energy Manager, DFCM explained that this departments not only brings energy savings, but revenue has been brought in from utility companies. Millions of dollars are saved through energy saving programs. It makes sense to build buildings that are energy efficient.

Co-Chair Adams asked if for the million dollars budgeted, \$15 millions can be returned. Mr. Harrington responded that there is approximately \$13 million real cost avoidance to the State.

Rep. Hemingway, asked what the \$340,000 budgeted amount is in savings. Mr. Harrington responded that the \$343,000 is administrative costs, but the savings comes through energy savings. AARA funding along with borrowed money, fund the energy savings programs, and DFCM has been actively seeking money from private industry. Very few dollars are state appropriated, but bring real dollar benefits to the State.

Mr. Amon commented that there is some one-time money available in a project reserve fund, which are when a project closes out with more money than was needed. There is also money from the Ogden Nursing home that have no legislative strings attached. If no Capital Development is not budgeted, statute will have to be changed.

Co-Chair Adams commented that if the immediate repair and maintenance needs are funded with one time money, it would be add to the structural deficit and asked if Capital Facilities funds are removed is a moratorium required by statute on new construction. Mr. Amon said there are three options within statute which are: to fund the 1.1%, amend the statute to allow for one year to not follow statute, and to not do capital developments. Co-Chair Adams asked if the requirement is retroactive if the buildings have not started construction. Mr. Amon responded that it would only affect new construction. Co-Chair Froerer asked about the buildings already underway. Mr. Buxton responded that some projects are just in design and stopping the construction would be another option, if money is needed. Co-Chair Adams asked what buildings that are non-state funded would be affected. Mr. Amon put those projects on the screen for the subcommittee.

Rep. Fisher asked about clarification on contingency funds and if those funds can be rolled to another project. Mr. Buxton replied last year there was a bill that allowed them to keep Capital Improvement overruns and use these funds for other projects. Another fund that can be used for other projects is a project reserve fund, if a project is finished under budget. Contingency funds are held for problems that may come up, reserve funds are funds left over from a project.

Sen. Mayne asked if the community college that is in design could be in jeopardy and is there a window of design? Mr. Buxton responded that there are three phases for building construction, a programming phase, design phase, and bid phase. The job can be broken between any phase and until construction is started. Salt Lake Community college is design phase.

Sen. Hillyard asked for some clarification on the list of buildings from last year and how these buildings are being funded, the source of the money. Mr. Buxton replied on specific buildings and where the funding is coming from.

Co-Chair Adams expressed concern for the logic of why building construction is taking place if those buildings can't be maintained.

Sen. Hillyard commented that the programs held in a building and whether there is room in old buildings, are also issues.

Rep. Cox asked if there is the ability to have one or two of the phases done, and then let the buildings sit. If 10% could be saved on a project to go forward, would there be other funds available. Mr. Buxton responded that there has been about a 20-25% savings on projects in the past two years that have been put back into the General Funds. Now that the recession is starting to recover, the prices are still flat, but the margins are getting smaller, and there won't be the big savings as in the past. Bids are coming in tighter. Rep. Cox, asked for suggestions on how to fund. Mr. Buxton responded that it is a hard decisions because even though funds have been set aside automatically for the funding of Capital Improvements there is a \$480 million immediate need, identified by outside consultants. For every dollar deferred, \$15 will be paid later to make it up.

Co-Chair Adams asked that according to statute, if this funding is taken below .9% statute would have to be changed to build any new buildings. Mr. Buxton responded that he was correct.

Mr. Buxton commented that the State's bonding rating will be changed if this option takes the budget to zero.

Co-Chair Forer urge members of the committee to look at additional options and get creative for funding options.

### C. Department of Transportation

Mark Bleazard reported the options available for eliminating the structural deficit is a 10% reduction in new state road construction, 100% reduction in Choke Points (critical items that come up where there is some sort of a failure not planned), this .025% of state sales tax could be redirected to the General Fund, and the privatization of the fixed wing program of airplanes in the Aeronautics Division, by selling the state's fixed wing aircraft and eliminate dedicated service to state employees.

Rep. Fisher asked how much money would be needed in the budget to privatize aeronautics and if the costs were significantly lower than maintaining the two airplanes. She asked if it makes more sense to maintain the aircraft or fly in commercial planes. Mr. Bleazard replied that there is a service in Salt Lake City that is currently about 2 1/2 times the rate charged to state agencies by aeronautics to fly to some places than the State Plane, and in some instances doesn't fly to all places needed. The state plane flies the agencies at cost. He told the subcommittee some comparative prices and said that the decision was a policy decision.

Co-Chair Adams asked what the capacity of the state plane, if full is, and made the assumption that the state plane is more economical, if it is full. Mr. Bleazard replied that the one state plane holds 6 and the other holds 8 people.

Rep. Hemingway asked how many flights are being made a year and if the planes are used often. Mr. Bleazard doesn't have that information on how many flights are made a year available, but are in use often.

Sen. Van Tassel made a comment that the planes are used for trips in remote places, and save money in hotel rooms. Mr. Bleazard responded that the service is used mostly by the health department by physicians that donate their time, if they can get to a rural area and back in one day. The planes help them do that. Sen. Van Tassel asked for a break down for next meeting to help in decision.

Sen. Hillyard commented that it may be cheaper to fly there and back, than to drive and stay in a hotel. Also there are changes, so that meetings can be held through telecommunication, such as SKYPE. This may be a good way to save travel money.

Co-Chair Froerer agreed with Sen. Hillyard and said that any time there is an option for a meeting can be held through telecommunication, that is what he prefers, and it does save much in travel costs.

John Njord, Executive Director and Carlos Braceras, Deputy Director, Utah Department of Transportation responded to the suggested options. Mr. Njord said that if the sales tax reduction option was used, UDOT would have delay some projects. He distributed a sheet that listed the projects being funded with Choke Point money and the stage of construction these projects are in. There are a number of projects funded with this funding that would have to be canceled. The Aeronautic Division option represents the salaries paid to employees and if cut there would be no one to maintain the aircraft. The number one user is the health department for physicians to minimize their time commitment. There is an audit available to the subcommittee if they are interested. The aircraft are in good condition, and used often.

Co-Chair Froerer asked how many employees there are. Mr. Njord responded that there are 11 FTE's.

Co-Chair Adams asked if there is interaction between the State and the FAA. Mr. Njord responded that there are employees that have interaction with the FAA.

Sen. Hillyard commented on highway construction and that there have been outstanding bids on projects, but if projects are delayed, it will cost more. Mr. Njord replied that his is an accurate assumption.

Co-Chair Adams commented that Choke Points Projects have the most return on the dollar. Mr. Njord responded that he is correct, a very small amount of money is spent on choke point projects, and tremendous benefits are seen.

Rep. Cox commented, on the Aeronautics Division, that the private sector is sometimes less than chartering a plane, and that it will be helpful to have the additional numbers so people will realize that there is more to it than a savings per person. Mr. Njord responded that one person would never be put on a state aircraft, but if the plane is full it is cheaper than the private sector and the private sector only flies to St. George. Rep. Cox commented that if the state was not competing, the private sector may fly to some of the other areas. There is an incentive for an agency to use the private sector when it is cheaper. Mr. Njord replied that the charge is nearly cost, it is subsidized a little.

Mr. Njord said the reduction challenge is huge, and referred the committee to the Governor's budget which he feels achieves most of the goals.

#### D. Department of Administrative Services

Gary Ricks, Analyst, discussed the options for the Department of Administrative Services which are eliminating the Parental Defense General Fund (money for private contractors to conduct training seminars for parental defense lawyers), eliminate the Energy Program (DFCM would no longer perform the State Building Energy Efficiency Program), reducing the Purchasing and General Servicing Program, a 5% reduction of State Archives, a 3% reduction of the Finance Division, and a 5% reduction in DFCM Administration. There is a cross cutting issue with the Capital Preservation Board which has pass through funding and will be affected in this reduction.

Kim Hood, Executive Director, Department of Administrative Services (DAS) pled with the subcommittee to give her the flexibility to cut where her department feels would be best. These reductions along with past reductions means that this department will have been cut a fourth of a department (25%). She asked the subcommittee to let them look for ways to lower costs and reduce energy.

John Reidhead, Chief Financial Officer, Department of Administrative Services discussed that the Parental Defense Program may take legislation. Purchasing has some transitions and believes a cut could be handled through administrative fees, if cooperative contracts remain in place. Archives and Finance Administrative would be cut double with this

option, because there are web sites mandated that have never been funded. The DFCM reduction would eliminate two project managers.

Co-Chair Froerer asked Ms. Wood if she would prefer a lump sum cut, and how long would it take. She replied yes she would like flexibility of where to cut, but may need authority for single line items. Mr. Amon said line items may need to be consolidated.

Sen. Hillyard commented that the reductions are tough, and every program is good and valuable, but paradigms need to be changed. The issue is that the money is not available. The action today is just options and all of the suggestions in changing the paradigm are appreciated.

Co-Chair Adams said he would be uncomfortable giving total flexibility and would like to see some suggestions before next Wednesday.

Kent Beers, State Purchasing, distributed a handout and explained cooperative contracts and agencies that use the contracts. Fees would be charged for use of contracts. The program has been put in place for fee based contracts and he feels that Purchasing will be able to handle cuts with the fee based contracts.

Patricia Smith Mansfield, Archives, DAS, explained that every service provided has been cut, and the most at risk would be the State Records and the Public Notice Website.

Mr. Buxton, spoke of how DFCM has dealt with previous cuts. Eliminating two project managers, would mean spreading 50 projects across the remaining managers. Each manager is currently carrying a heavy load, an average of 25 projects, without losing more employees.

Ms. Hood expressed appreciation for the daunting task ahead for the subcommittee, and also appreciated the analysts.

#### E. Department of Technology Services

Mr. Ricks said the option for eliminating the structural deficit for the Department of Technology is a cut in the Automated Geographic Reference Center (AGRC) program. This reduction may involve a statutory change and would be larger than a 10% cut.

Steve Fletcher, Executive Director, Department of Technology Services introduced Spencer Jenkins, Director, of the AGRC program. Mr. Fletcher said that if these cuts were put into place, there would be a reduction of services, products or capabilities within this agency. Mr. Jenkins spoke of the services that would be cut if this option were eliminated. It is more than 10% and would require several statutory changes and would impact more than just this division, including private entities. ARGC has other funding sources, but are for specific activities that cannot be co-mingled with this appropriated source of funding.

Sen. Hillyard asked if there are private providers that provide this information. Mr. Jenkins responded there are, but these providers often pull data from the ARGC data base. This division is a unique service and provide data for private firms as well as government. Mr. Fletcher remarked that this information is made available free of charge. Sen. Hillyard asked what is charged to private industry. Mr. Jenkins said that statute requires this information be free to anyone who wants to use it. Mr. Fletcher said that ARGC is a real state asset, highly rated for its thoroughness and agencies use the data for various reasons.

John Njord commented that if the cut in Transportation is made, it will cut into debt because it is ongoing. Mr. Bleazard said that this line item is on the construction side and would not be part of debt service. Mr. Njord said the highway construction program has no projects for 2012, and the \$9.5 million has been counted on to service the debt through 2019. Co-Chair Froerer asked Mr. Njord to talk with Mr. Bleazard and work on this line item. Mr. Braceras said that the \$9.5 million has been used to float the program because of previous cuts.

3. Other Business/Adjourn

Co-Chair said that the reductions have to be made because of the structural deficits and urge members of the agencies to come up with available options before action is taken next week. He asked the subcommittee to be ready to take action next week.

Sen. Hillyard asked that the subcommittee make every effort to be here to start the meetings on time and Sen. Adams reminded the subcommittee that the next meeting is only a two hour meeting.

**MOTION:** Sen. Hinkins moved to adjourn.

The motion passed unanimously with Sens. Mayne and Van Tassell, and Reps. Brown, Dee, Fisher, Harper, and Hemingway absent for the vote.

Co-Chair Froerer adjourned the meeting at 4:56 P.M.

Minutes were reported by Karen C. Allred, Senate Secretary

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Sen. Stuart Adams, Co-Chair

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Rep. Gage Froerer, Co-Chair