

State Budget Committee  
Meeting Minutes  
April 12<sup>th</sup>, 2017

**Members:**

Representative Tim Brown, Chairman  
Senator Luke Kenley  
Senator Karen Tallian  
Representative Terry Goodin  
Jason D. Dudich, State Budget Director

**Alternate Members:**

Representative Bob Cherry  
Representative Greg Porter  
Senator Ryan Mishler  
Senator Greg Taylor

Chairman Brown called the meeting to order at 9:00 AM in the Ways and Means Committee Room within the Indiana State House. Following introductory remarks, Representative Brown introduced the January Budget Committee minutes. Senator Kenley made a motion to adopt the January minutes, Representative Cherry seconded the motion. The minutes were adopted by consent of the committee.

The April Agenda was presented and the pertinent comments for the review item are noted as follows:

Budget Director, Jason Dudich asked Kevin Orme who would be responsible for maintaining the boilers for the Indiana Law Enforcement Academy (ILEA). Mr. Orme stated that the ILEA maintenance staff report directly to him and are being trained constantly on how to properly maintain the boiler systems. All training and maintenance agreements will be handled in house, and there is no need for contractual maintenance agreements for the boilers.

Tom Morrison with Indiana University explained that auxiliary revenue bonds are tied to the business functions of the university as opposed to the academic functions. Examples of auxiliary revenue bonds are things like parking, student centers, dining, and housing. Senator Taylor asked about participation goals for minority, women, and veteran owned businesses with respect to the IU projects. Mr. Morrison stated that IU's progress in this area has been very strong, and that recent efforts on the Bloomington campus track participation in the area of 25%.

Ron Mangus, Executive Director of the Indiana Bond Bank presented the Common School Loan Fund (CSLF) review item, to replenish the fund. Senator Kenley asked if there are still advantages of having a low issuance cost utilizing the CSLF compared with traditional bonds. Angie Steeno from Crowe Horwarth stated that the real advantage of the CSLF is in generating pooled and

shared costs and economies of scale, and that the majority of schools have a rate of 4%. The advantage is that schools go through a simpler loan approval process through the Department of Education than they would have if seeking a loan on the market. Senator Tallian asked if the rates in the CSLF program are too high, and does the CSLF prevent schools from refinancing. Senator Tallian also questioned whether the program is still viable given low market bond rates. Ms. Steeno responded that there is still a purpose for the program, and reiterated the simple loan approval process involved in going through the CSLF, and low issuance cost associated with the program.

Joe Moser, FSSA Medicaid Director presented five State Plan Amendments (SPAs). Chairman Brown asked for more details on the rate reductions that have been in place since 2010. Mr. Moser stated that reimbursement rates can increase based on cost reports, but then the 3% rate reduction would be applied against increased costs. Chairman Brown asked at what point the state will eliminate the 3% rate reduction. Mr. Moser stated that FSSA works with the State Budget Agency on this rate provision, and FSSA also looks at access to care to determine whether or not the rate reduction is impacting access to care. Senator Tallian stated that the 3% rate reduction was a measure that was put in place during the recession, and it should not continue indefinitely. Senator Tallian asked how FSSA determines projections on access to care. Mr. Moser responded that FSSA tracks a number of methods to track access to care, including mapping healthcare providers with member populations, having time and distance standards in managed care contracts, and monitoring fee for service access for traditional Medicaid in compliance with Federal guidelines. Mr. Moser stated that FSSA has seen an increase in provider participation in traditional Medicaid and the HIP 2.0 program.

Budget Director Dudich asked Mr. Moser what impact removing the 3% rate reduction would have on the General Fund budget in FY 2018 and FY 2019. Mr. Moser responded that the GF savings would be approximately \$20 M in 2018 and another \$20 M in 2019, and agreed that any changes to the policy would require the identification of additional General Fund dollars to support removing the rate reduction.

Representative Porter asked if the 3% rate reduction was contributing to high provider turnover. Mr. Moser stated that FSSA does participate in targeted rate increases for certain types of providers, such as those serving disabled members. Mr. Moser also mentioned that wages and cost of living information is included in the cost reports, which are updated annually.

Mr. Moser presented the updated Medicaid forecast. Changes from the December 2016 forecast include: an increase in the HIP decapitation rates paid to health plans; HIP 2015 Medical Loss Ratio (MLR) refund/rebate projected to be collected in SFY 2018 instead of SFY 2017; HIP retroactive eligibility changes have a state share cost of roughly \$15.8M in SFY 2017; nursing home and institutional reimbursement increases of about \$9M in state share costs over the biennium. Favorable fee for service experience, favorable enrollment, part D claw-backs, and increased federal matching grants have resulted in state share savings over the course of the biennium.

Tom Jackson with IHS Markit provided an update (from the December 2016) economic forecast for the state of Indiana. IHS Markit projects higher manufacturing employment and higher overall production nationally and for the state. Stable auto sector, improvement in durable goods, inventory overhang, increasing corporate profits are all contributing to a better economic outlook. Wage growth and housing starts will improve Indiana's outlook over the next few years, while the state's population growth will be less than the national average.

Ben Tooley and Bill Weinmann presented the updated revenue forecast for FY2017, FY 2018, and FY 2019. The April General Fund forecast increased FY 2017 revenue by \$123.9M over the December 2016 forecast. Additionally, FY 2018 April revenue increased by \$107.4M over the December forecast and FY 2019 revenue increased by \$93.8M over the December forecast.

After the Review Item was discussed, Senator Kenley moved to adopt the April agenda, Jason Dudich seconded the motion. The motion to adopt the proposed agenda was taken by consent of the committee.

The April Budget Committee Agenda is as follows:

I. **Minutes**

1. January 10<sup>th</sup>, 2017

II. **Agency Projects**

1. **Department of Correction (680)**

\$1,261,000

Replace Roof on Food Services Building at Westville Correctional Facility

The Department of Correction is requesting to replace the 35,145 square foot roof of the food services building at Westville Correctional Facility. The current structure is a 30-40 year old coal tar pitch roof, with 14 separate levels, that is leaking. Due to the age and design, the roof is not able to be restored or renovated. The project will require the removal of the coal tar pitch and have it replaced with a two-ply bitumen system that cost \$28.00 per square foot. The building will remain serving 9,000 offender meals each day during the project.

Funding:           2015 Postwar Construction  
                          (Public Safety R&R 70505-2017)

2. Indiana Law Enforcement Academy (103)  
\$380,000  
Replace Boilers and Associated Hardware

Indiana Law Enforcement Academy is requesting to replace four boilers and the associated hardware. The current boilers were installed in 1999 and are at risk of terminal failure. The cost to repair has surpassed its cost effective life cycle and is in need of immediate replacement. Currently only one boiler is in operation and is not enough to keep the 140,000 square foot structure fully heated. The Department of Correction and the Indiana Department of Administration have worked together and propose to replace the four boilers with a new high efficiency unit that is being used in the Department of Correction facilities. Repair parts will be on hand for utilization by the Indiana Law Enforcement Academy as needed.

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| Funding: | 2015 Law Enforcement Building Fund   | \$282,820 |
|          | 2015 'Change of Use' Law Enforcement Building Fund<br>(Public Safety R&R 70413-2017, 70421-2017) | \$97,180  |

3. Department of Natural Resources (300)  
\$336,719  
Code Compliance and Repairs of Pools

The Division of State Parks requests funding to continue to ensure pools meet current Indiana code requirements. Properties affected include Brown County, Clifty Falls, Harmonie, Lieber (Cagles Mill), McCormick's Creek, Mounds, O'Bannon, Ouabache, Pokagon, Prophetstown, Shakamak, Spring Mill, Turkey Run, and Versailles.

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| Funding: | 2015 General Fund<br>(Conservation & Environment 19610-2016) |
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4. Department of Natural Resources (300)  
\$172,000  
Potawatomi Fire Suppression

The Division of State Parks requests funding for a recent project to replace the decommissioned fire suppression system at the Potawatomi Inn. The system was turned off in January 2017 due to multiple issues and failures. Components replaced include all light wall pipe installed in 1995, 377 brass upright sprinkler heads, and a compressed Nitrogen system.

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| Funding: | 2015 General Fund<br>(Conservation & Environment 19610-2016) |
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5. Adjutant General's Office (110)

\$2,094,314

Miscellaneous Repairs

The Adjutant General's Office is requesting funds to provide general maintenance and repairs to their more than 200 structures throughout the state. These funds would enable the Adjutant General's office to repair and replace roofs, boilers, HVAC units, armory overhead doors, electrical systems, windows, etc. The Adjutant General's Office is responsible for 62 armories as well as other facilities such as Muscatatuck Urban Training Center, Camp Atterbury Joint Maneuver Training Center, and the Hoosier Youth Challenge Academy. Due to a cooperative agreement between Indiana and the Federal Government, the maintenance of these facilities is evenly shared between both parties. Therefore, the request for \$2,094,314 in state funds would leverage the same amount in federal dollars. This would bring the project total to \$4,188,628.

Funding: 2015 General Fund  
(Public Safety R&R 19608-2017)

6. Indiana Office of Technology (67)

\$800,000

Video Surveillance Refresh and Expansion

The Indiana Office of Technology, on behalf of the Indiana Department of Administration and the Department of Homeland Security, requests funding to update and expand video surveillance equipment and to upgrade video surveillance software. This project would include an update of all of the security cameras on the Government Center campus, the addition of new cameras in the legislative parking lot, Government Center and White River parking lots, Indiana War Memorials, the White River Zoo Trail and in other areas of campus with blind spots, and an upgrade to the security camera software used by the Department of Homeland Security. The software upgrade will help bridge a gap between the software that the Department of Administration uses and the software that Homeland Security uses in order to create one central system. This system will be expandable so that more cameras can be added as they are needed.

Funding: 2015 General Fund  
(General Government 19616-2017)

### III. University Projects

#### 1. Indiana University – Bloomington

\$35,000,000

Parking Garage/Office Building

Project No. A-1-17-1-10

The Trustees of Indiana University request authorization to proceed with construction of a new 675 space parking garage with an attached 57,000 GSF academic/administrative office building located on the Bloomington campus. The facility will be located north of 11th Street between Forrest Avenue and Walnut Grove Street near the new Luddy Hall School of Informatics and Computing. In addition to creating additional parking in this growing campus neighborhood and providing additional academic and administrative office space, the project will demolish the existing Arts Annex and Graduate Printmaking buildings on site and relocate their operations to other facilities, construct a 40,000 GSF addition to the Fine Arts Studio Building, and relocate the temporary office occupants in Eigenmann Hall to convert that space back to student housing.

The cost of the project is estimated to be \$35,000,000 and is to be funded by debt financing in the form of auxiliary revenue bonds under IC 21-35-3, which will be repaid from Campus Funds and revenues generated from parking operations on the Bloomington campus.

Funding: Auxiliary Revenue Bonds

CHE Review: March 9, 2017

#### 2. Indiana University – Southeast

\$6,700,000

Housing Lodge

Project No. A-9-17-1-09

The Trustees of Indiana University request authorization to proceed with the construction of a housing lodge on the Southeast campus. The two story, 34,741 GSF/24,321 ASF student residence lodge will be located to the south of Grove Lodge, becoming the sixth lodge in the existing student housing complex. The proposed building will consist of 87 beds located in 24 apartment-style units as well as the same amenities found in existing lodges including a collaborative great room, computer lab, study lounge, laundry facilities, and building support spaces. To support the additional residents, the existing under-utilized 40 vehicle asphalt surface parking lot at the nearby tennis court will be expanded to provide surface parking for approximately 76 additional vehicles.

This project was originally approved by the IU Board of Trustees on August 19, 2011, recommended by the Commission for Higher Education on October 14, 2011, and reviewed by the State Budget Committee on December 14, 2011 as the Residence Hall Expansion (Project No. A-9-12-1-08). Due to economic conditions at the time, Indiana

University did not proceed with the project, but now requests to move forward with the project as economic conditions are more favorable and additional housing is still needed.

The cost of the project is estimated to be \$6,700,000 and is to be funded by \$4,700,000 of debt financing in the form of auxiliary revenue bonds under IC 21-35-3, which will be repaid from Residence Life and Housing operating revenues, \$1,000,000 of Residence Life and Housing Reserves, and \$1,000,000 of gifts through the Indiana University Foundation. As of March 28, 2017, the balance of the Housing Reserves was \$2.1 million.

Funding: Auxiliary Revenue Bonds/Gifts  
CHE Review: March 9, 2017

3. Vincennes University

\$5,850,000

Vigo Residence Hall HVAC Mechanical Renovation

Project No. E-1-17-2-03

The Trustees of Vincennes University request to proceed with the renovation of Francis Vigo Residence Hall, which contains 101,667 GSF and was constructed in 1981. The renovation of the building will include a complete upgrade of the HVAC system to improve air quality, control, and comfort. The project will also include new energy efficient LED lighting and related work to improve the finishes as needed for the upgrades. The project is estimated to cost \$5,850,000 and will be funded with Housing Operating Reserves. As of March 28, 2017, the balance of the Housing Reserves was \$23 million.

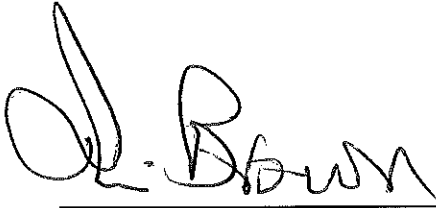
Funding: Housing Reserves  
CHE Review: March 9, 2017

IV. Review Items

1. Common School Loan Fund – Indiana Bond Bank
2. Medicaid State Plan Amendments – FSSA
3. Medicaid Forecast
4. Revenue Forecast

V. Reports Received (Sent)

1. 21 Fund Quarterly and Semi-Annual Report – 2/1/17
2. DOC Population Report – 3/9/17
3. IEDC and IEDF Annual Report – 1/6/17

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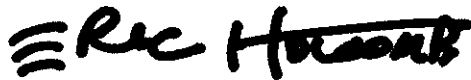
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Representative Tim Brown, Chairman

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Jason D. Dudich, State Budget Director

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Eric Holcomb, Governor, State of Indiana