

State Budget Committee
Meeting Minutes
August 14, 2014

Members:

Senator Luke Kenley, Chairman
Representative Tim Brown
Representative Terry Goodin
Senator Karen Tallian
Brian Bailey, State Budget Director

Alternate Members:

Senator Ryan Mishler
Senator Tim Skinner
Representative Sheila Klinker

Senator Kenley called the meeting to order at 9:30 AM in the International Ballroom located on the campus of Indiana-Purdue University, Fort Wayne. Following introductory remarks, Senator Kenley introduced the June Budget Committee minutes. After brief committee discussion Representative Brown made a motion to adopt the proposed minutes, Senator Tallian seconded the motion. The motion to adopt the June Budget Committee minutes was taken by consent.

The August Agenda was presented and the pertinent comments for the agenda, review, and discussions items are noted as follows:

Department of Administration – Renewal & Replacement (R&R) Payments to the Indiana Finance Authority (IFA)

Senator Tallian asked why some of the projects are presented by a state agency (like the Department of Correction) and other project's R&R payments are made through the IFA. Brian Bailey stated that the DOC projects that are included in the IFA's R&R schedule are bonded facilities, whereas the other facilities presented by DOC are not bonded facilities, and therefore not on IFA's R&R payment schedule.

Department of Correction - Women's Prison Emergency Generator

Representative Brown asked if the power supplier has dual supply lines to the generators, and if there has been discussion to have alternative feeds into the generator. Bob Gibson from DOC mentioned that there was only one supply line for the generator. Mr. Gibson agreed to explore this option for other prison facilities.

Ivy Tech – Lease of Purdue Academic Learning Center

Senator Tallian asked if Ivy Tech would be moving its entire nursing program from Gary to Crown Pointe. Jeff Terp stated that due to space constraints and quality restrictions at the Gary location, the plan is to move the nursing program to Crown Pointe. The

pre-requisite classes would remain in Gary, but the labs will be moved to the new location in Crown Pointe. Senator Tallian also asked if Ivy Tech was planning on taking over the building from Purdue. Mr. Terp, responded that this is correct, and clarified that it is the building in which Purdue used as classroom space, which has been sitting vacant for over one year. This move was also vetted and approved by the Northwest Indiana Forum.

CHE – Primary Care Shortage Area Scholarships

Senator Kenly inquired as to whether the scholarship program was working, and if it was producing the results initially intended. Bryan Moody, Director of Enrollment Management at Marian University, stated that 57% of the 2017 class (class size of 88) signed up for the scholarship program, and 44 scholars have continued the program for the 2nd year. Senator Kenley asked about the commitment required from those students. Bryan responded that those students must sign a pledge that states for every year the scholarship is received, they must work a corresponding year in an “underserved or rural” county of Indiana.

Department of Homeland Security (DHS) – Secure School Safety Grants

Senator Kenley wanted to know if this program was working, and if there has been a network of communication established between DHS and the schools as part of an ongoing protocol for addressing school safety measures. Joe Romero stated that this program is working quite well, and that over 77% of Indiana public school children have experienced improved school security because of this program. Mr. Romero also stated that DHS has taken this program and have begun to communicate directly with the Indiana State Police, the Department of Education and FSSA to provide information and resources for schools. Representative Brown asked what the administrative spending goes towards. Joe Romero noted that spending is for equipment and software packages to support the access controls and other security systems.

IPFW Governance

Representative Klinker wanted to ensure the topic of governance was discussed with the Purdue Board and with President Mitch Daniels. Bill Sheldrake ensured her that they did have conversations with Purdue and Indiana University, and that all were open to further discussion on the topic. Representative Klinker asked if the recommendation was to have IPFW follow IU’s governance structure. John Stafford confirmed that yes, one recommendation from the study is that the management agreement for IPFW should align with IU’s structure instead of Purdue’s.

Representative Goodin asked about the performance funding model, and who is responsible for creating the model. Senator Kenley stated that the model has evolved overtime, and became a more concrete exercise under Chairman Espich, several years ago. Currently the Commission for Higher Education is involved in analyzing the model and making recommendations for change, with input from the universities. Representative Goodin voiced concern about funding for regional campuses.

SBA – Review of FY14 and FY15 Reserve and Allotment Schedules

Senator Kenley asked if there was any reserve on the K-12 funding. Budget Director Bailey stated there was none. Senator Kenley asked if other statewide office holders were subject to the reserve and how salary increases impacts budgets for the other branches of government. Brian Bailey stated that SBA offers those agencies the opportunity to participate in cost savings measures, however it is up to them to decide if they will; also, the salary increases are determined by the Governor based on pay-for-performance, and the other statewide office holders can follow the Executive guidelines, or create their own salary increase schedule.

Senator Kenley asked about the FY15 reserve for the Universities and how the Universities must balance this expectation with holding tuition levels steady. Brian Bailey noted that the Universities had a total reserve of 2%, or \$27.5million. The Universities received an increase of 3.3% in their budgets over FY13 for operating and line item projects, plus \$199 million in cash for capital projects.

Representative Goodin asked about the performance awards for employees at state agencies, and if these awards are included in the total amount spent, and if they are not subject to a reversion. He also asked if the performance awards were going to state employees or just the executive level agency staff. Director Bailey noted that he had not been made aware of any disparities in relation to individual performance awards. Representative Goodin also mentioned that he is not sure how the state can continue to give raises while eliminating services. Senator Tallian asked whether the state would be able to release some of the University reversion if revenue met forecast. Brian Bailey stated that if FY15 revenue meets forecast, there would be reserve relief for the universities. Director Bailey confirmed that the 2% held back from universities in FY14 reverted at the end of the fiscal year.

Senator Tallian asked how it was determined that a 2% holdback on the universities' budgets was the 'correct' amount, and how will the universities balance this decrease in state funding with trying to keep tuition rates steady. Brian Bailey stated the \$27.5 million from universities was based on the amount of revenue collected five months into the fiscal year compared to the forecasted revenue amount for the same time period, which was down over \$100 million year over year, through November 2013. The decision to hold the \$27.5 million back was made in order to maintain a structural surplus.

Representative Brown noted that the economy is sending mixed signals in regards to a recovery. He also mentioned that we are protecting K-12 at the expense of other places in the budget. Representative Brown asked how much emphasis the ratings agencies place on states having a structural surplus. Brian Bailey stated that having a structural surplus is significant, and shows that we are managing resources and maintaining

commitments to bondholders, state agencies and public universities that receive an appropriation through the budget bill.

Senator Skinner acknowledged the 3.3% overall increase in higher education funding, but asked if changes in the performance funding formula resulted in any school losing dollars from the previous year. Director Bailey stated that there was one school that had less funding over the prior year.

After the agenda and review items were presented and discussed, Senator Kenley asked for a motion to adopt the proposed agenda. Representative Brown motioned to adopt the agenda and Director Bailey seconded the motion. The proposed agenda was taken on consent.

I. Agency Projects

1. Department of Natural Resources (300) \$1,048,040
Campground Electric Repair

The Division of State Parks and Reservoirs requests funding for campground electrical repairs at Turkey Run, Summit Lake, Chain of Lakes and Potato Creek State Parks. Currently these campgrounds are experiencing electrical failures. The failures are due to age, obsolete wiring, heavy visitation, and additional usage with today's large campers. This project will replace wires and pedestals at 280 campsite locations.

Funding: 2013 General Fund – Cabins and Campground R&R

2. Department of Natural Resources (300) \$616,558
Forestry Certification

The Division of Forestry requests funding of \$616,558 to complete the \$1,011,558 forestry certification project. This project provides research on the classified forests to manage and maintain the desired populations of native plant and animal species. The project also provides certification required by the Forest Stewardship Council and the Sustainable Forestry Initiative. These organizations certify the processes in which Indiana protects its forests as well as the Chain of Custody of the timber. These processes ensure that the timber sold by Indiana is sustainable wood and of good quality which increases the economic impact of timber related industries. This project will also allow for the Division of Forestry to upgrade the online system with which all of the data is collected.

Funding: 2011 General Fund – General Administration General R&R \$466,558
2013 General Fund – Forestry General R&R \$150,000

3. Department of Natural Resources (300) \$515,000
Forestry Building Repairs

The Division of Forestry requests funding to replace storage buildings on Morgan Monroe, Deam Lake and Jackson Washington Forestry Properties. The Division also requests funding to rehabilitate office space at Clark and Jackson Washington State Forests. The current storage buildings are in poor condition, in violation of code and are open to the elements. This leads to loss or damage of materials and equipment for the properties. It also is posing a health hazard to employees. In order to prevent the loss, the Division would like to demolish the 7 current storage buildings and replace them with 3 new 7 bay storage buildings. This will allow for the materials and equipment to be stored properly and prevent any further damage.

The Division of Forestry would also like to rehabilitate two offices. Currently these offices are located in the same building as the shop facilities. They are open to staff and visitors. Fuel, chemicals and solvent fumes and noise often permeate into the office and public areas in the building posing health and safety hazards. The rehabilitation will address any deficiencies and make the buildings more energy efficient.

Funding: 2013 General Fund – Forestry General R&R

4. Department of Natural Resources (300) \$160,000
Invasive Species Eradication at Conrad Savanna Nature Preserve

The Division of Nature Preserves requests funding to eradicate native species of plants at the Conrad Savanna Nature Preserve that are aggressively taking over other native species and causing issues for native animals. These aggressive species are Black Cherry, Sassafras and Black Oak. In order to maintain the natural example of this area, the Division will need to do prescribed burns and mechanical mowing to remove these invasive plants.

Funding: 2005 "Previously Approved" General R&R \$40,000
2015 USFWS Wildlife Restoration Grant \$120,000

5. Indiana State Museum and State Historic Sites Corporation (303) \$1,099,000
Corydon Capitol Square Improvements

The Indiana State Museum and State Historic Sites Corporation request funding to rehabilitate the First State Capitol Building and the square surrounding it. The Corydon Capitol State Historic Site includes the Capitol Square, the first State Capitol building, the O'Bannon Memorial, Bandstand, the ticket kiosk, the first State Office Building, the Constitution Elm Monument, the Governor Hendricks House, Carriage House, and the Porter Law Office. This site is located in the center of the town of Corydon. The last time the infrastructure in the square, where the first Capitol Building is located, was last addressed in the 1940's. There are currently significant failures in the infrastructure. Water is pooling around the base of the Capitol building due to the grading of the land around the site, resulting in water damage to the inside and outside of the building. There is little electricity for the building which prevents ISM from setting up fans and vacuums to absorb the water events inside. There are also ADA issues that need to be addressed. ISM/SHS plans to grade out the land around the Capitol building to lessen the pooling water, replace certain sidewalks and walkways to meet ADA requirements, landscaping to help absorb rain, add a new drainage system around the Capitol building, upgrade electrical systems and supply, replace water supply lines for drinking fountains and hoses, add a small

addition to the ticket kiosk to house electrical components and make slight changes to the bandstand roofline to improve drainage.

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| Funding: | 2015 ISM/SHS Private Funds | \$170,080 |
| | 2014 ISM/SHS PM Funds | \$7,500 |
| | 2013 General Fund – ISM/SHS Water R&R | \$621,420 |
| | Harrison County Community Foundation | \$300,000 |

6. Department of Administration (061) \$10,575,756
Reserve & Replacement (R&R) Payments to IFA

IDOA is requesting the annual appropriation for the Reserve & Replacement (R&R) payments on several facilities that are managed by the IFA. Now that the bonds have been defeased for these facilities under the IFA umbrella they still need funding for R&R, which was previously included within the bond payment as one lump sum. IDOA is requesting the annual amount so that they may disburse those funds on a monthly basis to the IFA.

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| Funding: | 2013 General Fund: |
| | State Museum General R&R - \$1,395,180 |
| | IGCS General R&R - \$2,596,080 |
| | IGCN General R&R - \$2,476,080 |
| | Parking Garages General R&R - \$813,540 |
| | Forensic Lab General R&R - \$848,364 |
| | 2013 Postwar Construction Fund: |
| | Rockville Correctional General R&R - \$1,368,024 |
| | Pendleton Juvenile Correctional General R&R - \$1,078,488 |

7. Department of Correction (640) \$216,000
Women's Prison Emergency Generator

The Department of Correction is requesting approval to fund installation of an emergency generator at the Indiana Women's Prison. The security control center is housed in the Administration building and it supports the non-lethal perimeter, video camera systems, and electrical door controls. When the facility loses power, it loses the ability to operate and manage these security systems. The emergency generator will be installed to provide power specifically for the Administration building and to maintain operations for the security control center in the instance power is lost to the facility.

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| Funding: | 2013 Postwar Construction Fund |
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8. Department of Correction (640) \$220,000
Women's Prison Perimeter Lighting

The Department of Correction is requesting approval to upgrade the perimeter lighting at the Indiana Women's Prison. This lighting system was installed in 1970's for low security juveniles and does not meet the needs for maximum security adult females. The lighting is a mixture of antiquated metal halide and halogen and is inefficient. The new lighting will consist of high

output remote phosphor LED fixtures, which will improve the lighting levels while reducing the energy signature of the lighting system.

Funding: 2013 Postwar Construction Fund

9. Department of Correction (640) \$174,635
Women's Prison Security Controls

The Department of Correction is requesting approval to fund the replacement of the security controls at the Indiana Women's Prison. The maximum security cell doors and interior lighting, range entry doors, emergency exit doors and structure exit doors are all operated by a central security system which has had multiple software and hardware failures. Annually, it costs the facility \$30,000 to keep the system operational and functioning, while still experiencing system failures. This is the only facility that has a security system with this designer and manufacturer. DOC plans to remove this security system entirely and replace it with the standardized open protocol system used at all other facilities.

Funding: 2013 Postwar Construction Fund

10. Indiana Department of Transportation (800) \$2,200,000
Construction of Crane Unit Building

The Department of Transportation is requesting approval to begin the construction of the Crane unit building. This new building will replace the existing Bloomfield building which was built in 1966. The new building will allow compliance with the American Disabilities Act (ADA) and will provide a truck wash bay thus eliminating wash water runoff. The new location and building will also increase efficiency and eliminate several safety and environmental defects the old site had. This new building will also help lower operating costs and will make INDOT compliant with OSHA clearances and IDEM/EPA storm water discharge regulations. Upon completion of the Crane unit building, the existing Bloomfield Unit site will be sold.

Funding: 2013 State Highway Fund: Buildings and Grounds

11. Indiana Department of Transportation (800) \$3,200,000
Loogootee Unit Building Construction

The Department of Transportation is requesting approval to begin the construction of the Loogootee unit building. This new building will replace two existing unit buildings built in 1964 and 1967 respectively. This new unit building will be replacing these two existing unit buildings which will help increase efficiency and allow compliance with the American Disabilities Act (ADA), OSHA regulations as well as address safety and environmental concerns. Upon completion of this unit building, the existing sites will be sold.

Funding: 2013 State Highway Fund: Buildings and Grounds

12. Department of Transportation (800) \$1,150,000
Loogootee Unit Salt Building Construction

The Department of Transportation is requesting approval to begin the construction of a new salt building on a new site. The new salt building will be in the same location with the new

Loogootee unit building requested above. The new salt building will allow for loading and unloading conditions under roof (something the existing building does not allow), and as well reduce storm water runoff into the salt buildings thus improving environmental and safety conditions.

Funding: 2013 State Highway Fund: Buildings and Grounds

13. Indiana Department of Transportation (800) \$1,625,000
Various Repair Projects

The Department of Transportation is requesting approval to begin various renovation, maintenance, repair and rehabilitation projects across their 400 facilities all around the State. This request is expected to fund projects such as HVAC's, roof, lighting and other repairs and replacements under the \$250,000 threshold the SBA set for INDOT's capital projects.

Funding: 2013 State Highway Fund: Buildings and Grounds

14. School for the Blind and Visually Impaired (550) \$264,216
HVAC Replacement for A, B, C and D Dormitories

The Indiana School for the Blind and Visually Impaired (ISBVI) respectfully requests to proceed with the replacement of the HVAC unit for dorms A, B, C and D. This project will replace the old HVAC unit with a new Split Air Cooled unit, and a 10 foot fence with sound blankets for compressors and sound baffles for the condenser fan will be installed. Neighbor complaints have identified ISBVI's HVAC system as a source of excessive noise. As a result, a study was done in the fall of 2013 by Applied Engineering, which found the School exceeded standard decibel levels along the neighbor's property line. Both IDOA and DPW reviewed the recommendations and conclusions and concur with the study's recommendation. The School has previously attempted to reduce the sound from the unit by installing compressor blankets and a 6 foot fence without success. Construction is expected to take approximately 120-160 days.

Funding: 2011 Post War Construction Fund

15. School for the Blind and Visually Impaired (550) \$133,475
Exterior Door Replacement for School, Administration and Quad Buildings

The Indiana School for the Blind and Visually Impaired respectfully requests \$133,475 to complete a capital project to replace the exterior doors for the school, administration and quad buildings. The existing doors are over 50 years old. After looking into door and lock replacement strategies, it was determined to replace the entire door system, as the aged replacement parts are expensive and difficult to find. Additionally, the existing frames and transoms will be preserved to keep the costs down. Construction is expected to take approximately 150-180 days.

Funding: 2013 Post War Construction Fund

II. University Projects

1. Ivy Tech Community College \$602,356/year
Lease of Purdue Academic Learning Center
Project No. F-0-14-5-04

The Trustees of Ivy Tech Community College of Indiana request approval to proceed with a lease of the Purdue Academic Learning Center in Crown Point, IN. This 48,720 GSF/ 31,350 ASF lease would be an expansion of the Gary Campus allowing the Health Care Division - which encompasses nursing, medical assisting, respiratory care, and health care support - to move into a larger space. Additional space would also be available for general education, the Corporate College, and the Society of Innovators.

The lease will cost \$602,356 per year and be funded from Regional Reserves and Operating Funds. The reported balance of the Northwest Regional Reserves Fund is \$600,412. The reported balance of the Northwest Regional Operating Fund is \$35,019,477. The lease agreement is with the Purdue Research Foundation and includes an option to purchase the building in the future.

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| Funding: | Northwest Regional Reserves Fund | \$600,412 |
| | Northwest Regional Operating Fund | \$1,944 |
| CHE Review: | June 19, 2014 | |

2. Ivy Tech Community College \$6,000,000
Lawrenceburg Advanced Manufacturing Facility
Project No. F-0-14-1-03

The Trustees of Ivy Tech Community College of Indiana request approval to proceed with the Lawrenceburg Advanced Manufacturing Training Center. This 52,600 GSF/35,477 ASF project will add six labs dedicated to welding, CNC, industrial maintenance, advanced manufacturing, machining, and economic development usage. Students using these facilities will then gain access to technical maintenance and skilled entry level manufacturing positions.

The estimated cost of the project is \$6,000,000. The City of Lawrenceburg has been requested to contribute \$3,000,000, and the College will contribute \$3,000,000 of accumulated Gaming Tax Revenue Sharing Funds. The reported balance of the Gaming Tax Revenue Sharing Fund is \$3,766,718.

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| Funding: | Gaming Tax Revenue Sharing Funds | \$3,000,000 |
| | City of Lawrenceburg | \$3,000,000 |
| CHE Review: | June 19, 2014 | |

Cost Summary August 14th 2014

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| 2005 "Previously Approved" General R&R | \$40,000 |
| 2011 General Fund | \$466,558 |
| 2013 General Fund | \$10,463,704 |

Budget Committee
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| 2011 Post War Construction Fund | \$264,216 |
| 2013 Post War Construction Fund | \$3,190,622 |
| 2013 State Highway Fund: Buildings and Grounds | \$8,175,000 |
| 2014 ISM/SHS PM Funds | \$7,500 |
| 2015 ISM/SHS Private Funds | \$170,080 |
| 2015 USFWS Wildlife Restoration Grant | \$120,000 |
| City of Lawrenceburg | \$3,000,000 |
| Harrison County Community Foundation | \$300,000 |
| University Funds | \$3,602,356 |
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| Total | \$29,800,036 |

III. Review Items

1. CHE – Primary Care Shortage Area Scholarship
2. IEDC – 21 Fund Investments
3. DHS – Secure School Safety Grants
4. FSSA – Medicaid SPAs/Waivers
5. INDOT – South Central Regional Airport Disbursement

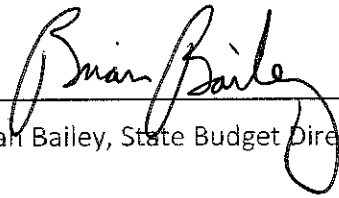
IV. Discussion Items

1. IPFW Governance Structure Discussion
2. SBA's review of FY14 allotment reserve results and FY15 allotment reserve plan
3. Indiana Biosciences Research Institute Update
4. IEDC presentation on the recently released U.S. Treasury Department audit on Elevate ventures

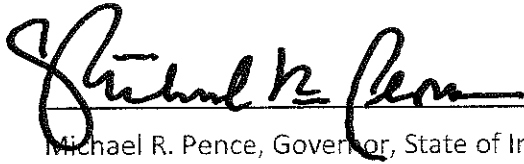
Pursuant to the provisions of IC 4-12-1, the State Budget Committee has reviewed the above items.

A handwritten signature in cursive script, reading "Luke Kenley", written over a horizontal line.

Senator Luke Kenley, Chairman

A handwritten signature in cursive script, reading "Brian Bailey", written over a horizontal line.

Brian Bailey, State Budget Director

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Michael R. Pence, Governor, State of Indiana