

TESTIMONY OF

**Joe Morrisette, Director of the Office of Management and Budget**

Chairman Delzer and members of the House Appropriations Committee, I am Joe Morrisette, Director of the Office of Management and Budget (OMB). I am here to testify in support of House Bill 1380.

The allocation of Legacy fund earnings proposed in HB 1380 differs significantly from the allocation proposed as part of the 2021-23 executive budget. However, we are supportive of legislative action to provide an allocation framework that guides future decisionmakers to ensure Legacy fund earnings:

- Are used for projects and priorities that provide long-lasting value for the state.
- Are not relied on to fund general government operations.

The executive budget proposed the creation of five new state funds where Legacy fund earnings would be deposited and from which the legislature would appropriate. Those five proposed funds are:

- Economic diversification and strategic initiatives – 20%
- Research and innovation – 10%
- Government transformation – 10%
- Legacy projects – 20%
- Legacy bond sinking fund – 40%

HB 1380 proposes fourteen specific allocations. Many of the specific allocations proposed in HB 1380 fall under the broad strategies outlined in the executive budget. For example, the proposed allocation of 3% for information technology cybersecurity initiatives fits well within the Government Transformation category proposed in the executive budget. The allocations proposed to the LIFT fund, the Clean Sustainable Energy Fund, and the Economic Diversification Research Fund, all fit well within the Research and Innovation category proposed in the executive budget. Consequently, we find many common elements between this bill and the executive budget proposal and many reasons to support this legislation.

The executive budget proposed increasing employer and employee contribution rates to the Public Employees Retirement System (PERS) by 1% each starting January 1, 2022, as a method to address the state unfunded pension liability. This bill proposes an ongoing 5% allocation of Legacy fund earnings to the PERS fund. We support legislative efforts to address the unfunded pension liability, ensure the pension fund remains solvent, and meet the state's commitment to current retirees and active state team members. No matter what strategy is pursued in the

future to provide retirement benefits for state team members, the state must first ensure the existing PERS fund is on a path towards full funding.

HB 1380 proposes an ongoing 4% allocation to a state building maintenance and project fund. The executive budget recognized the need to address the backlog of deferred maintenance projects at state facilities and proposed the use of \$130.5 million of bonding proceeds to complete these projects. Whatever method the legislature chooses to use to address this need, it is important to ensure state buildings are maintained and preserved to protect the state investment. The cost to the state of failing to address these needs far outweighs the cost required to address them today.

HB 1380 also proposes an ongoing 10% allocation to a legacy infrastructure project fund. I encourage the committee to consider expanding the language contained on page 6, lines 16-17 to include more stringent criteria relating to the definition of a legacy infrastructure project. I ask you to consider the five criteria proposed by the governor in the executive budget as possible statutory criteria to guide future legislative decisions:

Five proposed criteria for Legacy infrastructure projects:

1. Lasting impact beyond current generation.
2. Regional, state, national, or international impact.
3. High return on investment through the leverage of other financial resources.
4. One-time spending that does not grow government.
5. Support for communities or diversification of the economy.

Mr. Chairman and committee members, this concludes my testimony. I ask for your support for House Bill 1380 and ask you to consider the changes I have addressed in my testimony. I would be happy to answer any questions.