

Fiscal Highlights

Agricultural Energy Efficiency Program - Angela J. Oh

The Office of Energy Development (OED) serves as the primary resource for advancing energy development in Utah. OED is a relatively new office, created by legislation in 2011 to centralize energy-related functions and budgets from other areas of state government. Its mission is to provide leadership in the balanced development of Utah's abundant energy resources through public and private partnerships for economic prosperity, energy independence and a reliable, affordable energy supply.

Through approval of the United States Department of Energy, the state is utilizing a portion of its remaining Petroleum Violation Escrow (PVE) funds to support the Agricultural Energy Efficiency Program. This program, now in its first year, will reach out to agricultural industries around the state, including farmers, ranchers, and other major agricultural users of water and electricity with a mission/directive to lower their energy or consumptive costs.

The program is intended to provide energy efficiency audits for agriculture producers at a very low cost. OED has teamed up with the Natural Resources Conservation Service, the Department of Agriculture and Food, and other entities to complete the energy audits and provide potential grants and funding for the audits' recommended upgrades.

Audits began in 2012 with dairy farmers in Northern Utah and will be expanded statewide to include outreach and training. Additionally, OED is working with a company called EnSave to create case studies that will illustrate the merits of an energy audit.

Carp-Processing Plant at Utah Lake? - Ivan D. Djambov

The carp removal at the Utah Lake is deemed very important element towards recovering the endangered June Sucker. Over the years, the Species Protection Program at the Department of Natural Resources (DNR) has partnered with the the federal Bureau of Reclamation to fund the carp removal efforts at the lake. As federal funding appeared to be drying up, the state program has been looking for new ways to find funds in order to continue to pay for the carp-removal efforts.

In FY 2012, the program explored the feasibility of building a carp-processing facility on the Utah Lake shore. The facility was to process the removed carp into fish meal, and then to market and sell the product to fisheries. The hope was that this enterprise would be generating profit, which would be used to offset the costs of carp removal. The initial search for private investors for this project did not produce any results.

The program manager asked the internal auditors of DNR to do a cost-benefit analysis and determine if it would be a good idea for the state to build and run this operation. The recommendation was that the state should not invest in the project. Among the the concerns listed by the auditors were the high risk of the investment and the unknown costs.

During the 2013 General Session, a request for \$2.95 million for building the Utah Lake's fish-meal plant was presented to the Natural Resources, Agriculture, and Environmental Quality Appropriations Subcommittee. The Legislature did not fund this proposal.

In the spring of 2013, the Utah Lake Commission and the Species Protection Program issued Request of Proposal (RFP) to provide "information regarding the financial and ecological feasibilities of two options; removal and disposal of carp at local landfill(s)/composting facility(ies) and removal and conversion of carp into marketable fish meal through the development of a fish meal processing plant at the lake."

There was only one applicant, and the contract was awarded to ENVIRON International Corporation, headquartered in Seattle, Washington. The cost for the study is estimated to be approximately \$50,000. The funding will be split between restricted funds from DNR and Bureau of Reclamation. The results of the study will be provided by the end of October 2013.

Educator Professional Development - Current Status and Cost Estimates - Ben Leishman

It costs approximately \$7.8 million to provide one professional development day for licensed educators, according to a recent estimate from the Utah State Office of Education (USOE). This estimate was presented in combination with a report on effective professional development to the Public Education Appropriations Subcommittee in August. As part of the report, the USOE surveyed Utah's local education agencies (LEAs), namely the 41 school districts and 85 charter schools, on their current professional development programs.

In FY 2010, the Legislature eliminated the Quality Teaching Block Grant to help balance the state's budget. The block grant provided approximately \$77.6 million annually to LEAs to implement long-term professional development plans in the public schools. In effect, this funding provided additional contract time for educators to receive additional training throughout the school year. The number of additional days provided through the program varied by LEA, but likely numbered around 5 to 8 days.

Without additional state supported contract time, the subcommittee raised questions on the current status of educator professional development in the LEAs. To answer this question, the USOE conducted a survey of LEAs and found the following:

- Most LEAs continue to provide additional contract days for educator professional development, with approximately 6 school districts and 29 charter schools providing 5 or more days. The majority of school districts continue to provide at least 2 to 3 additional contract days.
- LEAs funded the majority of these additional contract days through their general operating budgets. Some LEAs used federal funds (Title I and Title IIA) or funding from specific MSP categorical programs or initiatives to pay for professional development services.

While not a comprehensive survey, this information provides some insight for policy makers into the amount of time provided by LEAs for educator professional development activities. USOE highlighted that some additional work may need to be done to ensure consistent results. For example, further research is needed into the reasons why charter schools generally provide more professional development time than school districts. Is this due to greater flexibility with educators in regards to paid contract time? Or, have school districts moved to a different model of providing job-embedded professional development?

Further information on the report and presentation provided by the USOE can be found by following these links:

[Effective Professional Development](#)

[Investing in High Quality Professional Learning](#)

Gunnison Prison Visit - Gary R. Syphus

The budget recommendations for the Department of Corrections, which includes the prisons' budget, is the responsibility to the Executive Offices and Criminal Appropriations Subcommittee.

The subcommittee visited the Central Utah Correctional Facility (Gunnison) for their interim meeting on October 3, 2013. The legislators reviewed the major aspects of the prison such as: construction, medical Infrastructure, work programs, education, and treatment.

The Gunnison facility holds approximately 1,500, or 21% of the total 7,200 inmate population in Utah, and it has the ability to expand. The facility was constructed to hold several different types of offender groups, just as the Draper facility. It also holds parolees who have violated their parole agreements.

For FY 2013, the appropriated budget to operate the facility was about \$34 million. Of this amount, approximately \$28 million was for personnel (382 FTE). The appropriation also includes funding for administration, programming, security, food service, maintenance, laundry, and mail.

The estimate submitted during the 2013 General Session for a new pod (prison expansion) at Gunnison was about \$34 million one-time for 192 additional beds. Once completed, the operational costs could be approximately \$7 million ongoing.

Higher Education Appropriations Subcommittee Meets - Spencer C. Pratt

The Higher Education Appropriations Subcommittee met for its second meeting of the 2013 interim on October 11, 2013 at Dixie State University in St. George. The subcommittee met in the new Holland Centennial Commons building, followed by tours of Dixie State University and Dixie Applied Technology College.

The subcommittee heard from the Utah College of Applied Technology (UCAT) about equity issues, which reflects uneven funding when the eight campuses are compared. A request for equity funding, approved by the UCAT Board of Trustees will be forwarded to the Legislature.

A report was also presented looking at cost comparisons for career and technical education (CTE) between UCAT campuses and Utah System of Higher Education (USHE) institutions that provide CTE. Costs for CTE are generally lower at UCAT campuses than at USHE campuses, for a variety of reasons. Beyond the cost comparison, it was noted that the cooperation and collaboration between UCAT and USHE has improved significantly over the past several years, with partnerships and pathways for students to receive USHE credit for UCAT hours, when they move into the USHE system.

Commissioner Buhler gave an update on New Century and Regents' Scholarships. The number of New Century Scholarships awarded has leveled off over the past several years, following amendments to the legislation. The number of Regents' Scholarships awarded has increased significantly over the past few years.

The Commissioner also reviewed the five initiatives approved by the Board of Regents, which include (1) Full-time means 15 student credit hours, (2) Increasing pass rate in developmental math, (3) graduation maps, (4) stackable/reverse credentials, and (5) tuition plateaus.

The subcommittee received a report showing the number of graduate students at each of the five USHE institutions, by discipline. The disciplines with the highest number of students are Health Professions, Business, and Education. The data was shown for both resident and nonresident student for 2008 through 2012.

Commissioner Buhler showed summary data collected by the Utah Data Alliance, which is a cooperative between the Utah State Office of Education, the Utah System of Higher Education, the Utah College of Applied Technology, the Utah Education Network,, and the Utah Department of Workforce Services. The data shows that first-year wage data is higher for those with 1- and 2-year certificates than those with associate's or bachelor's degrees. Over the long term, the data shows that the higher the degree, the higher the overall salary.

Utah Academic Library Consortium (UALC) Chair Daphne Selbert discussed how the UALC works, its benefits to students, and how it saves the state money by purchasing items - especially databases - just once, but allowing access to that information to students throughout the state.

Snow President Scott Wyatt and Beaver School District Superintendent Ray Terry discussed the need for rural high school students to have access to general education courses through concurrent enrollment. A bill will be before the Legislature in 2014 to address this issue.

The Fiscal Note/Building Block Follow-up Report was shown to the subcommittee, with emphasis placed on the higher education items. Angela Oh briefly went over the items, explaining the stoplights.

Members of the subcommittee then went on a tour of Dixie State University followed by a tour of Dixie Applied Technology College.

Human Services Reports Outcomes for Early Intervention Mental Health Pilot Project - Stephen C. Jardine

During the September 12, 2013 meeting of the Social Services Appropriations Subcommittee, the Department of Human Services reported outcomes for the Mental Health Early Intervention Pilot Project. [This report](#) complied with legislative intent language requiring the department to provide, "detailed uses of the \$3,500,000 FY 2013 one-time funding provided during the 2012 General Session for the Mental Health Early Intervention Pilot Program and . . . measurements used to determine the effectiveness of the pilot program" (H.B. 3, Item 85 and S.B. 2, Item 89, 2012 General Session).

Performance and Outcomes

In Fiscal Year 2013, 3,983 children, youth, and their families received services through the Mental Health Early Intervention Pilot Project. Of the 3,983:

- 1,876 were served through school-based behavioral health services at a cost of \$1,725,100 and an average cost of \$919 per individual.
- 1,044 were served through the family resource facilitator component at a cost of \$856,300 and an average cost of \$820 per individual.
- 1,063 were served by mobile crisis teams at a cost of \$968,000 and an average cost of \$910 per individual.

School-Based Behavioral Health/Family Resource Facilitator Services

The children and youth participating in school-based behavioral health services are given a Youth Outcome Questionnaire (YOQ) when they begin receiving services. It is intended to be administered every 30 days. The YOQ measures symptoms of mental, emotional, and behavioral distress. There were 1,415 children and youth who completed the YOQ questionnaire. Out of those who participated in these school-based services, Human Services reported the average student's YOQ score decreased by 22.53%, indicating a lowered amount of mental, emotional, and behavioral distress in their lives.

Outcomes also reflect a decrease in disciplinary reports, suspensions, truancy, absenteeism, and tardies. Office Disciplinary Referrals (ODR) are one form of disciplinary reports that were used. Referrals were tracked per school and per child participating in school-based services. Based on the average number of total referrals per participating schools for children and youth receiving school-based services, Human Services reported a reduction in ODRs of 39.84%.

Schools also tracked the number of suspensions which occurred over the past school year. Although there was limited data provided for the number of suspensions students received, there was an overall reduction for those schools reporting data on suspensions. The reports were on students in school-based programs and saw an 81.63% drop in total suspensions from the previous year. Human Services also reported that one high school identified 51 students who were not on track for graduating with their class. These students were then referred to school-based services. After receiving services, 43 of the students either graduated early or were on track for graduating with their class.

Mobile Crisis Teams

There were 1,063 unduplicated callers for this service. Of the 1,063 calls, use of a mobile crisis team helped: 26% avoid out-of-home placements, 14% avoid legal involvement, 27% receive assistance in relation to a "danger to harm" situation, 43% avoid a call to the police (the total of these percentages is greater than 100% because there may be more than one outcome per caller).

Data and outcome collection

Data and outcomes for early intervention services were reported to Human Services through quarterly reports submitted by local mental health authorities. These reports included the number of children and youth served, and outcomes relevant to each of the early intervention services provided. Additional data specific to family resource facilitator services was collected from the Utah Family Coalition database. The Substance Abuse and Mental Health Information System (SAMHIS) was used at fiscal year-end to access statewide aggregated YOQ results for children and youth with a

diagnosable mental illness who received school-based services and/or family resource facilitator services. Many of the Mental Health Early Intervention services were provided to youth who were in crisis or who displayed mental, emotional, or behavioral health symptoms, but did not have a diagnosable mental illness and therefore were not recorded in SAMHIS.

Original Funding Request

In making its original request for funding, Human Services pointed out that:

- The onset of half of all lifetime mental illnesses takes place by age 14, and three-fourths by age 24.
- Almost 1 in 5 young people have one or more mental, emotional, or behavioral disorders that cause some level of impairment within a given year.
- Fewer than 20% of these young people receive mental health services.
- Mental, emotional, or behavioral disorders are often not diagnosed until multiple problems exist. Similarly, adverse childhood experiences and resulting mental, emotional, or behavioral disorders are often not recognized until a person has dropped out of school, been hospitalized, entered the criminal justice system, or died from suicide.
- The Institute of Medicine and the Centers for Disease Control indicate clear windows of opportunity are available to prevent mental, emotional, and behavioral disorders and related problems before they occur.
- Risk factors are well established, with first symptoms typically preceding a disorder by 2 to 4 years.
- Prevention and early intervention can effectively reduce the development of mental, emotional, and behavioral disorders.

The Social Services Appropriations Subcommittee, in response to this request, funded \$3,500,000 one-time as a pilot project to address this need. Based upon input from Human Services, the funding was allocated to support three evidence-based services:

1. School-based Behavioral Health,
2. Family Resource Facilitation Meeting Specified Standards, and
3. Mobile Crisis Teams.

It was determined that the Local Mental Health Authority (LMHA), in consultation with Human Services, would implement or expand a minimum of one of the three services in their community to serve new clients in FY 2013. This funding was designated for children and youth who may or may not have a Serious Emotional Disturbance designation, but are at risk to become so without early intervention services. Human Services developed applications and funding requirements for each of the three services. LMHAs applied for funds in each of the applicable categories according to local needs and resources. Only LMHAs with urban areas were allowed to apply for mobile crisis team funds.

All three of the funded services were developed in conjunction with community partners. School-based services were provided in partnership with local education communities. Family resource facilitators partnered with multiple child serving agencies, and access was increased by having family resource facilitators assigned to work in community settings such as: schools, child service provider

offices, family advocacy organizations, child welfare or juvenile justice offices, and one was assigned to a children's mental health court.

Program specific services

1. *School-Based Behavioral Health*: Parental consent as well as parental involvement was seen as integral for all school-based services. Services currently vary by school and may include: individual, family, and group therapy; parent education; social skills and other skills development groups; family resource facilitation; case management; consultation services; and wraparound services (individualized community-based services that focus on the strengths and needs of the child and family). The value of these behavioral health services in schools was to promote healthy children and youth, and in turn increase academic success. Mental Health Early Intervention school-based programs are now currently accessible in 138 schools: 86 elementary schools, 32 junior high schools, and 20 high schools. Human Services presented a [list of the participating schools](#) to the subcommittee.

2. *Family Resource Facilitators* provide four different services:

- Family Advocate/Advisor: develop working partnerships with provider agencies to help families navigate and access services.
- Resource Coordinator: act as a resource coordinator to provide local resource information to any family requesting assistance.
- Information and Support: link families to local support and information groups or help develop groups if and when no other resources are available.
- Family Wraparound Facilitator: work with families and youth who have complex needs to build a plan that incorporates both formal supports (e.g. - mental health/substance abuse treatment, educational assistance, juvenile court engagement, etc.) and informal supports (e.g. - family members, Boy Scouts, clergy, etc.) that will help the child and his/her family exit the mental health system to live full and productive lives.

Human Services informed the subcommittee that a 40-hour training was also conducted by the Utah Family Coalition for 24 new family resource facilitators in FY 2013. The Utah Family Coalition also provided ongoing supervision, coaching, and training for the new family resource facilitators.

Human Services pointed out that the wraparound planning process results in a set of community services and natural supports individualized for each child and family. Also, this planning process facilitates a partnership with all child service agencies involved and facilitates coordination of service plans to help prevent fractured or duplicated services. Additionally, many family resource facilitators also partner with schools and community agencies by facilitating or participating in local interagency coordinating committees.

Family resource facilitators, along with wraparound services, are available in 27 of Utah's 29 counties. Human Services provided a [map](#) showing access to family resource facilitator services in Utah.

3. *Mobile Crisis Teams*: Human Services pointed out that mobile crisis teams help a community respond to situations where a child or adolescent is involved in a mental, emotional, or behavioral crisis. In establishing mobile crisis units in local areas, a national model with national technical assistance was used before individualizing each local community's team based upon local needs. Common elements in each of Utah's youth mobile crisis teams include: 24-hour crisis line, mobile response, 2-person response, and a licensed therapist as part of the response team. Services include

therapeutic intervention and safety planning. Services may also include crisis respite and linking to community resources. When necessary, access to medication services may also be available.

Mobile crisis teams are now accessible in four of the five Utah counties that have a population over 125,000. Human Services provided a [map](#) to the Subcommittee of the mobile crisis team locations. Access to crisis services is intended to increase the likelihood that families are linked to help before a tragedy occurs. Mobile crisis teams are also intended to help children and adolescents remain in their own home, school, and community and avoid out-of-home placements. Mobile crisis teams also help reduce police and juvenile justice involvement.

Inspector General of Medicaid Services Annual Report - Gary K. Ricks

The Office of the Inspector General of Medicaid Services (OIG) is required to submit an annual report to the Executive Appropriations Committee for the most recently completed fiscal year (see UCA 63A-13-502). The OIG submitted a written report for FY 2013 on October 15, 2013, which included the following accomplishments:

- Researched, identified, and recovered approximately \$12 million of taxpayer funds. The OIG also partnered with Medicaid Fraud Control Unit (MFCU) to collect approximately \$13 million in global drug rebate settlements and fraud related recoveries. A total of approximately \$25 million was returned to the Medicaid general fund to help further Medicaid's mission;
- Demonstrated a return on investment of more than 468% (excluding all work on MFCU related cases, but including all department costs);
- Completed 1,489 investigations that examined compliance with Medicaid policies, recipient quality of care, and identification of waste, abuse, and potential fraud; and
- Published a Strategic Plan which defines Office goals and objectives, stakeholders, and strategies.

The OIG also reported on the implementation of House Bill 106, "Medicaid Inspector General Amendments," which passed during the 2013 General Session:

- Completed the transition from the Governor's Office of Planning and Budget to the Department of Administrative Services;
- Issued Rule 30. This rule defines the scope of the Utah Office of Inspector General of Medicaid Services and the provisions necessary to administer the office;
- Conducted 26 provider training sessions, canvassing nearly all Utah counties. The training encouraged provider participation in Utah's Medicaid program, while informing healthcare professionals about OIG audit policies and compliance issues; and
- Accommodated and supported the submission of secured electronic files.

The entire report can be found at: <http://le.utah.gov/interim/2013/pdf/00003603.pdf>.

What's the Tax Liability Associated with the Utah Fund of Funds? - Thomas E. Young

What is the Fund of Funds?

The Fund of Funds is a private corporation created in 2003 with the purpose to boost venture capital investment in Utah-based companies. In a nutshell, the Fund of Funds borrows money from banks to invest in venture capital funds. If things go according to plan, the Fund of Funds makes a profit and pays back the bank loans plus interest.

What happens if things don't go according to plan?

This is when the state gets involved. The state has authorized the Utah Fund of Funds to issue \$300 million in contingent tax credits. The tax credits act as collateral for the bank loans. Essentially, should the Fund of Funds be unable to pay back their loans because of poor investments or other cash-flow problems, the banks are allowed to "cash out" their tax credits in the amount of the default.

How much state tax liability is out there?

On the whole there is \$300 million in potential tax credits that could be cashed out if the Fund of Funds were to issue all \$300 million in tax credits. Of the total \$300 million, as of now the Fund of Funds has only issued \$130 million.

How much of the \$130 million currently issued is "at risk" of being cashed out?

Based upon the current cash flow projections and asset valuations, the Fund of Funds may default on ***up to \$15 million in loans beginning in FY 2017.***

Further Detail on Investments

Investments by the Utah Fund of Funds are not made directly into companies, but rather into venture and private equity funds. These funds then invest directly into companies. The Utah Fund of Funds can invest in funds focused on early stage start-up companies through later stage private equity companies. Because the Utah Fund of Funds is charged with boosting investment capital in Utah, the Fund of Funds seeks out asset managers that have a history of making investments in Utah-based companies or have indicated that they will invest in Utah-based companies.

In terms of who has lent the Fund of Funds money, the two banks are Zions Bank and Morgan Stanley. These two banks account for all of the \$130 million used for investments and operations.

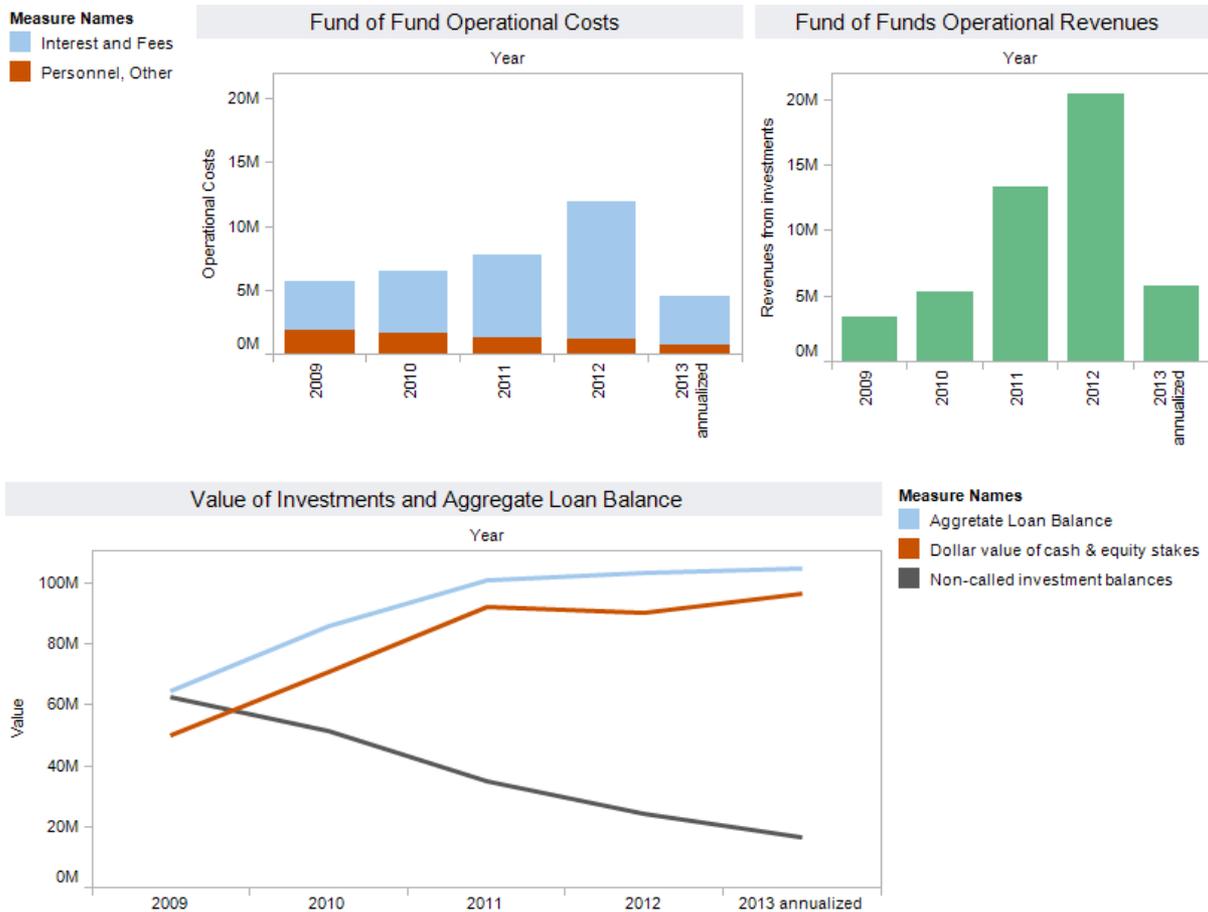
Financial Detail

The left chart below (titled "Fund to Fund Operational Costs") indicates what the operational and financing costs of the Fund of Funds have been. The Fund has two major expense categories: (1) Financing costs, which represents interest and fees related to the loans and (2) Operational Costs, which represents salaries, allocation manager, and economic development efforts. In 2012, the Fund of Funds spent \$10.7 million on interest and fees and \$1.2 million on operational costs. The \$10.7 million in interest and fees in 2012 includes a one-time expense of \$4.5 million to terminate a previous loan with Deutsche Bank. This termination saves the Fund about \$3 million in annual interest expense.

The right chart below (titled "Fund of Funds Operational Revenues") indicates how much in distributions or return of/on investment the Fund has received back each year. In calendar year 2012, the Fund made \$20.4 million in investment distributions.

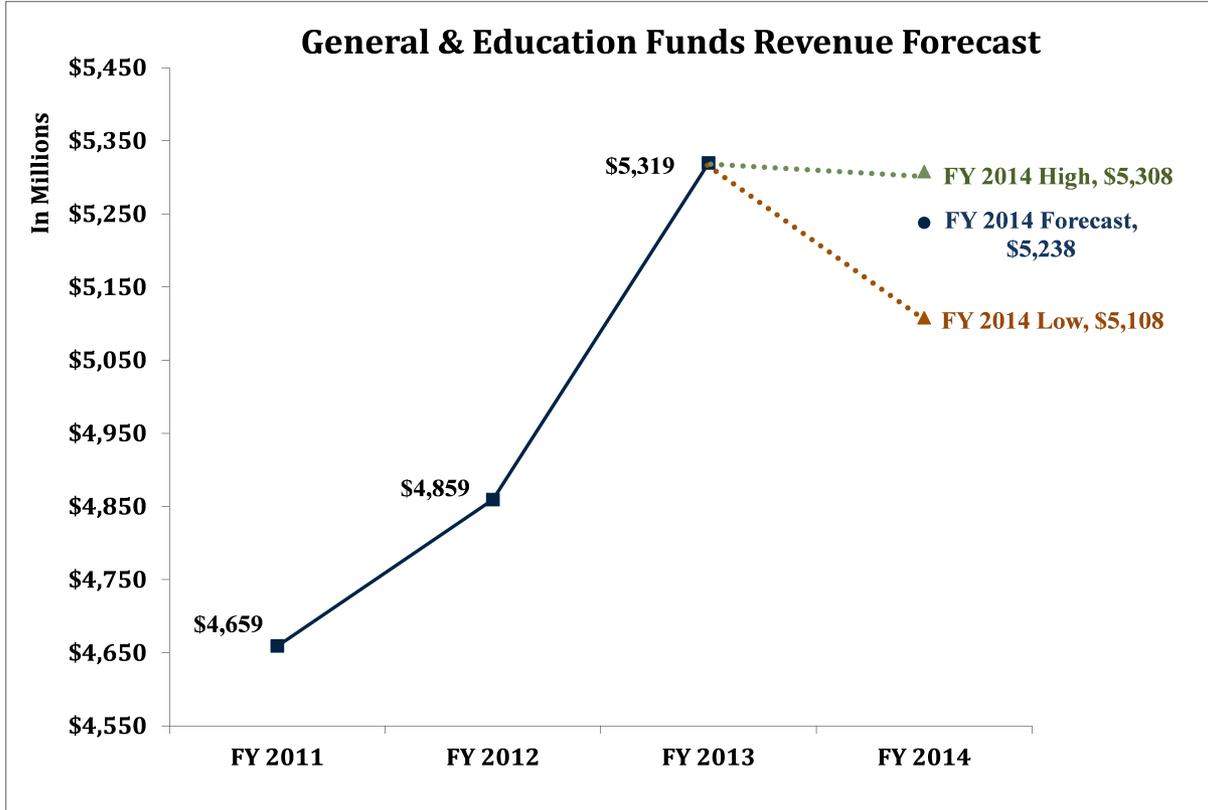
The bottom chart (titled "Value of Investments and Aggregate Loan Balance") shows the loan balance and the value of existing investments over time. The blue line represents the aggregate loan balance of the business (i.e. what the Fund of Funds owes creditors). The orange line represents a general estimate of what the existing Fund of Funds investments are worth. The black line represents how much the Fund of Funds has committed to invest, but the funds have not been "called" (being "called" means that committed investments are finally transferred to the respective fund for actual investment, as opposed to just committing the funds).

The difference between the loan balance and the value of existing investments represents the \$0 to \$15 million "tax credits at risk."

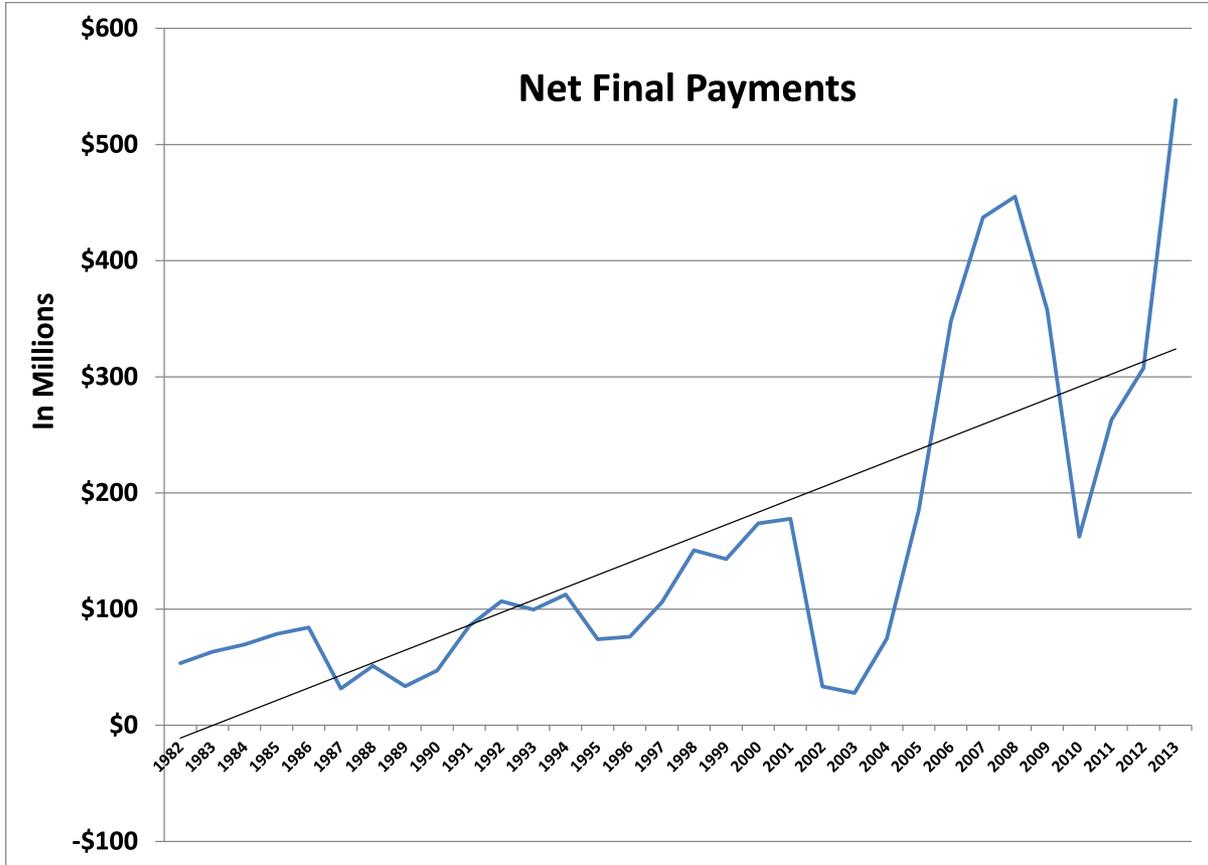


Where Will Revenues be in FY 2014 - Andrea Wilko

General Fund and Education Fund revenues for FY 2014 could range between \$130 million below to \$70 million above the May 2013 estimates (see chart below). The General Fund ended FY 2013 with a \$15 million revenue deficit. Going forward, the General Fund could be in the range of \$60 million below to \$10 million above the May estimates. In looking at both collections and revised economic indicators, we think that the Education Fund could be within a range of \$70 million below to \$60 million above the May estimates.



Currently, there is a greater likelihood that revenues will come in below forecasts than above targets. The greatest downside risk is in the General Fund, and is due to lower-than-projected FY 2013 collections and flagging consumer confidence. Growth in the Education Fund collections is not expected to be as strong in FY 2014 as it was in FY 2013 because total wage estimates have been adjusted down from May targets, and final payments in FY 2013 were at all-time highs. These final payments are expected to come closer to trends in FY 2014 (see chart below).



Economic indicators have been revised down from the May estimates. This is the result of a variety of factors, including federal policy uncertainty and rising interest rates. As a result, we expect the growth rates of state revenues in FY 2014 to be below the FY 2013 levels.