

MINUTES OF THE JOINT EXECUTIVE APPROPRIATIONS COMMITTEE
November 19, 2002 at 1:00 P. M.
Room 303, State Capitol Building

Members Present: Sen. Leonard Blackham, Committee Co-Chair
 Rep. Jeff Alexander, Committee Co-Chair
 Sen. Ron Allen
 Sen. Gene Davis
 Sen. Mike Dmitrich
 Sen. Karen Hale
 Sen. Peter Knudson
 Pres. Al Mansell
 Sen. John Valentine
 Rep. Patrice Arent
 Rep. Ralph Becker
 Rep. Jackie Biskupski
 Rep. Greg Curtis
 Rep. Brad King
 Speaker Martin Stephens
 Rep. David Ure

 Sen. Bill Hickman, Vice-Chair
 Rep. Ron Bigelow, Vice Chair

Members Absent: Sen. Steve Poulton
 Rep. Tom Hatch

Staff Present: John Massey, Legislative Fiscal Analyst
 Michael Kjar, Deputy Director
 Linda Hansen, Secretary

Others Present:

List of Others Present on File:

Committee Co-Chair Blackham called the meeting to order at 1:25 p.m.

1. Approval of Minutes

Rep. Curtis made a motion to approve the minutes of October 22, 2002. The motion passed unanimously with Pres. Mansell and Rep. Ure absent at the time voting.

2. Executive and Judicial Compensation Commission

John T. Nielsen, Chairman of the Executive & Judicial Compensation Commission, appeared before the Committee and reported the recommendations of the Commission.

Mr. Nielsen said that the Legislature has responded very well to the Judicial Compensation recommendations in the past. He said the Commission has tried to set the level to attract the very best people to serve as Judges. He said the Commission has recommended a 4 percent increase for Judges which would cost a total of \$510,423.

Mr. Nielsen reported that the Commission recommends a 4 percent increase for the Governor and given the downturn in the nation's and the State's economy the Commission feels that increases of 4 percent for the Governor and the judiciary are justified.

Mr. Nielsen reported that the Commission recommends compensation for the other elected officials be set at a percentage of the Governor's salary.

The Commission recommends the Lieutenant Governor's salary be 77 percent of the Governor's recommended salary, or \$80,500, an increase of 2.9 percent.

The Commission recommends that the Attorney General's salary be increased to \$94,100, an increase of 11.2 percent which reflects a salary level equivalent to 90 percent of the Commission's recommendation for the Governor's salary.

The Commission recommends an annual salary for the State Auditor of \$83,700 based on a factor of 80 percent of the Governor's proposed salary.

The recommendation of the Commission for the State Treasurer's salary be set at \$80,500, an increase of 2.9 percent, and equivalent to 77 percent of the Governor's proposed salary.

The Commission recommends that the current list of employee benefits approved by the Legislature for elected officials be continued in FY 2004.

Mr. Nielsen said the increase cost of the recommendations for elected officials, including benefits, is estimated at \$24,500 for FY 2004.

The Commission recommends that the minimum and maximum rates of the E-2 through E-5 of the Executive Compensation Plan be increased by the same percentage recommended by the Department of Human Resource Management for FY 2004.

The Commission is aware of the State's economy but feels it needs to recommend increases.

Spencer Pratt, Fiscal Analyst, responded to a question by Rep. Arent concerning the difference of the State Auditor and State Treasurer salaries. Mr. Pratt indicated that the State Auditor's salary is higher because of the nature of the responsibilities.

3. UDOT - Performance Management Report

Mark Bleazard, Fiscal Analyst, introduced the matter and said UDOT is required to report annually and just prior to the upcoming legislative session.

John Nord, Executive Director UDOT, reported that there are challenges with a 30 percent growth in population and a 54 percent in increased mileage during the past ten years. Mr. Nord said the revenues have not kept pace.

Mr. Nord said they are facing the challenge by taking care of what highway facilities we have. He said that if the roads are repaired while they are in good shape it costs less. He said they try to make things work better and increase capacity by working with the transit authority.

Mr. Nord referred to national recognition in 2002 which they received. They received the OPAL Award which is to highway buildings like an Oscar to movie makers and is the most outstanding award.

Mr. Nord reviewed lessons they learned with reconstruction of I-15 and plan to implement there in future projects.

Mr. Nord said they are planning for the future with long range planning which is increasingly more difficult by using context sensitive solutions and coping with budget reductions.

Mr. Nord said the best way to manage assets is making it work better through information technology to be effective and efficient. He said 36 FTE positions were eliminated for FY 2003.

Mr. Nord said they do efficiency audits and maintenance management to make things work better.

Mr. Nord said when they have a significant project they use an engineering team that makes recommendations to reduce costs. He said they do everything possible to make safety improvements and they learn from other states.

Mr. Nord concluded by saying they face significant challenges. He congratulated the Executive Appropriations Committee on I 15 and the transit system. He said these things improve the economic backbone of the state.

Rep. Becker asked Mr. Nord to comment on the litigation setbacks, transit system, and local roads. Mr. Nord said the litigation concerning 114th South will require them to go back to square one which will take time. He said the Legacy Highway issues that they were not successful with will need to be addressed and will take time and money. Mr. Nord said they work cooperatively with the transit

system.

Pres. Mansell asked about \$10,000,000 appropriated for to UTA and Mr. Nord said it was used to purchase rights-of-way.

Pres. Mansell also inquired about the west side highway to avoid the downtown area and Mr. Nord responded they trying to move forward.

4. Correctional Beds - Available for Out-of-State Inmates

Bill Greer, Fiscal Analyst, said the report is in response to a request of the Law Enforcement and Criminal Justice Standing Committee to determine the feasibility and profitability of contracting prison beds to other states.

Scott Carver, Department of Corrections, reviewed potential earnings of contracting prison beds to other states to generate revenue. Mr. Carver said they surveyed states west of the Mississippi. He said their survey found only two states, Arizona and Washington, who are interested in contracting inmates for a limited time. He said Arizona has a cap on the price it will pay per inmate per day of \$43.60, which will decrease the possible revenue calculated and they have not received similar information from Washington yet.

Mr. Carver said the survey did not reflect substantial revenue and so they do not recommend contracting prison beds to other states.

5. FACT Report - Review as Requested by the Executive Appropriations Committee

The report was prepared by Jonathan Ball, Lead Analyst, Thor Nilsen, Spencer Pratt, Bill Greer, Stan Eckersley, and Ben Leishman, Fiscal Analysts.

Mr. Ball said they evaluated the program and it has been a difficult assignment due to the nature of the program and the population it serves.

Mr. Ball said numerous interviews have been made and six questions were reviewed in the report.

The Legislative staff recommends that the Legislature consider revising enabling legislation for the State Office of Education and Departments of Health, Human Services, Workforce Services, as well as their associated operating entities, to include the philosophy of collaboration and coordination.

The staff further recommends that the Judicial Branch consider revising its mission statements to include

such concepts if they do not already exist.

The staff recommends collaboration and coordination be included in various job descriptions and performance measures for state social service employees.

The staff recommends enforcing statutory requirements on the FACT council to identify base resources that can be directed toward collaborative and coordinated services

The staff recommends that, for the next year, the Legislature retain the *Families, Agencies, and Communities Together for Children and Youth at Risk Act* as it is currently drafted.

The staff recommends that, in the coming year, the FACT council and steering committee continue to meet to formulate recommendations for comprehensive collaboration and coordination using existing state resources and reflected in attainable outcome measures.

Further the staff finally recommends that the Legislature reconsider FACT, its enabling legislation, and any recommendations from the FACT Council in the 2004 Legislative General Session.

Mr. Ball referred to Appendix A, Page 1 concerning a question on Flex Fund of Sen. Hickman at a previous meeting.

Mr. Ball thanked all who were involved in this study.

Mr. Ball responded to questions of the Committee.

Rep. Ure expressed concerned about a lack of means testing for FACT flex funds

Sen. Hickman inquired about the five departments involved in FACT and how much funding goes to FACT. Mr. Ball said there are no funds earmarked for FACT.

Co-Chair Blackham feels this is commendable that they are trying to deliver services.

Nano Podolsky, Salt Lake School District, spoke in favor of inserting collaboration in job descriptions of state employees that work with FACT in FY 2003.

Motion: Rep. Ure made a motion to adopt the recommendations of the Analyst that the Legislature insert cross-agency collaboration and coordination into the statutory missions of the State Office of Education, Department of Human Services, Department of Health, and Department of Workforce Service. That the Judicial Branch be encouraged to include a

similar philosophy in its mission statements for programs related to child welfare. That the outcome-based performance measures be used to provide accountability for FACT in state agencies. Further that these agencies direct base resources toward improving coordination and collaboration in a FACT-like manner. That the Legislature review FACT and its enabling legislation again prior to the 2004 General Session.

The motion passed unanimously with Sens. Davis, Dmitrich, Valentine, and Rep. Becker absent at the time of voting.

6. Federal Funds Update

John Massey, Fiscal Analyst, said that in the past information on federal grants that have been applied for by state agencies have been reported to this Committee. It has been requested that the report be enhanced to track any grants actually received by received showing numbers that are going to change from the Appropriation Act. He said that it appears that it is going to take more time to develop a reporting mechanism with the Governor's Office of Planning and Budget. The Analyst will work with the individual committee chairs on specific issues of Federal Funds where there are major changes going into the next session. He said they would like to come back at the first interim committee meeting in 2003 and give a specific reporting.

7. Report from the Division of Finance - Termination Pool Funding

Lynne Ward, Governor's Office of Planning and Budget, gave the Committee a handout on *History of GASB Accrual Accounting*.

Lynn Vellinga, Department of Administrative Services Financial Reporting, reported on the history of GASB Accrual Accounting. He said GASB 34 was implemented for FY 2002. He said accrued taxes are used to offset liabilities for Medicaid and restricted fund balance for internal service fund borrowing in the general fund. Mr. Vellinga said accrued taxes are also used to offset the liability for post employment benefits and compensated absences in the entity-wide statements. GASB is still studying additional reporting requirements for post employment benefits and will be issuing additional guidance in the next couple of years.

Speaker Stephens asked Mr. Vellinga if the State of Utah is doing the accrual method while other states are funding it as it comes due. Mr. Vellinga indicated yes to the best of his knowledge. Mr. Vellinga said the liability is funded.

Mr. Vellinga referred to Page 2 of the handout showing the Accrued Tax Revenues to be \$351,363,381 as of June 30, 2002.

Rep. Curtis asked if other states are complying and Mr. Vallinga responded that they are.

Lynne Ward said it is funded on the balance sheet but not with cash. She said the money is received 45 days after the FY ends. She said other states have spent the money they do not have. Ms. Ward said the State of Utah has taken the most conservative position.

A handout was given to the Committee *Why the State Should Not Spend Accrued Taxes from Accounting Change* prepared by the Division of Finance.

Co-Chair Blackham said the issue is that the liability is financed 100 percent which is unusual.

Motion: Sen. Knudson made a motion to adjourn. The motion passed unanimously with Sens Davis, Dmitrich, Valentine, and Rep. Becker absent at the time of voting.

The meeting was adjourned at 3:25 p.m.

Minutes reported by Linda G. Hansen, Secretary.

Sen. Leonard Blackham, Co-Chair

Rep. Jeff Alexander, Co-Chair

Handouts:

History of GASB Accrual Accounting

Why the State Should Not Spend Accrued Taxes from Accounting Change