



INTERIM HIGHLIGHTS

Office of Legislative Research
and General Counsel

Office of the Legislative
Fiscal Analyst

Office of the Legislative
Auditor General

FIRST SPECIAL SESSION

In calling the first special session in May 2003, the Governor included the following item: "to consider authorizing the transfer of money between funding sources at the end of the fiscal year to address any end-of-year imbalances." The Legislature did not address that item in May, choosing instead to obtain more information about the State's financial situation in June. After reviewing those new June revenue figures, the Legislature determined that legislation addressing the item in the Governor's call was unnecessary. Consequently, on June 18, both the Senate and House adjourned the First Special Session and will not convene again before the 2004 General Session, unless the Governor calls another special session.

**The House and Senate
adjourned the First Special
Session sine die.**

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INTERIM COMMITTEE ACTIONS

Business and Labor

STUDIES:

- Began a study of the use of loss histories by insurers to evaluate the risk of potential insureds for homeowners and motor vehicle insurance.
- Discussed the use of credit information, including credit reports and insurance scores, for purposes of insurance rating and underwriting.

REPORT: Received a report from the Department of Insurance on recent efforts to provide information to consumers through the Department's website.

*Chairs: Sen. Parley Hellewell/Rep. Katherine M. Bryson
Staff: Mary Catherine Perry (analyst)/Patricia Owen (attorney)/Sandra Wissa (secretary)*

Education

STUDIES:

- Reviewed a Legislative Fiscal Analyst report on an appropriations shortfall in a state charter school funding program created to raise charter school funding close to the level of funding available to other public schools. Charter schools do not have the power to impose local property taxes, so the State provides an appropriation to replace those monies.
- Received an analysis prepared by the Office of the Legislative Fiscal Analyst comparing costs incurred by the State for the education of students in school district schools and charter schools versus the projected cost of providing a tuition tax credit to a student enrolled in a private school.

REPORT: Received a report on the qualifications of teachers employed by Utah public schools and a report on state surplus information technology equipment transferred to public schools.

ACTION: Directed staff to draft legislation to modify the Computers for School Program, a Utah Correctional Industries program that provides refurbished computers to public schools.

*Chairs: Sen. Howard A. Stephenson/Rep. Margaret Dayton
Staff: Constance Steffen (analyst)/Dee Larsen (attorney)/Glenda Whitney (secretary)*

Government Operations

STUDY: Discussed early voting and no-excuse absentee voting.

ACTIONS:

- Recommended draft legislation “Technical Amendment Polling Place Supplies.”
- Recommended draft legislation “Publication of Resolution and Notice.”
- Discussed state boards and commissions and directed staff to prepare and conduct a survey evaluating certain boards and commissions for possible repeal.

Chairs: Sen. John W. Hickman/Rep. James A. Ferrin

Staff: John Cannon (analyst)/John Fellows (attorney)/Cassandra Bauman (secretary)

Health and Human Services

STUDY: Discussed the strength of several parts of the human services “safety net” and received recommendations for its improvement: employment and cash assistance, child care, community services, community health centers, and public mental health and substance abuse services.

Chairs: Sen. David H. Steele/Rep. Mike Thompson

Staff: Mark Andrews (analyst)/Catherine Dupont, Stacey Snyder (attorneys)/Joy Miller (secretary)

Judiciary

STUDIES:

- Discussed amendments to the Uniform Arbitration Act, including whether or not arbitrators should be permitted to assess punitive damage awards.
- Continued a discussion of the Interstate Compact for Juveniles to address weakness in the existing compact, including jurisdictional issues, lack of compliance with rules, and timely response of states to compact issues.

Chairs: Sen. David L. Gladwell/Rep. Ben C. Ferry

Staff: Jerry Howe (analyst)/Esther Chelsea-McCarty (attorney)/Cassandra Bauman (secretary)

Law Enforcement and Criminal Justice

STUDY: Received information from representatives from four states regarding their successes and failures with drug treatment policy reforms. The Committee will receive more information at future meetings about Utah’s current drug treatment policies and recommendations for changes that will reduce recidivism and provide cost savings to the State.

Chairs: Sen. D. Chris Buttars/Rep. DeMar “Bud” Bowman

Staff: Chyleen Arbon (analyst)/Susan Creager Allred (attorney)/Tracey Fredman (secretary)

Natural Resources, Agriculture, and Environment

STUDY: Discussed wildfire management issues and policies, including the state Wildland Fire Suppression Fund, state and federal interagency cooperation, and cost control.

REPORTS:

- Received a report from the U.S. Department of Agriculture and the Utah Department of Agriculture and Food on cricket and grasshopper infestation management.
- Received a report from the Utah Department of Agriculture and Food on the effect of the drought on weed control.
- Received a report from the Division of Water Resources on drought conditions in Utah.

Chairs: Sen. Beverly Evans/Rep. Craig W. Buttars

Staff: Brian Allred (analyst)/Jeanenne Larson (attorney)/Joy Miller (secretary)

Political Subdivisions

STUDY: Received comments regarding land use planning, specifically about conflicts between governmental entities over land use and conflicts between local government and the developer over land use.

Chairs: Sen. Carlene M. Walker/Rep. Kory M. Holdaway

Staff: Joseph Wade (analyst)/Robert Rees (attorney)/Wendy Bangerter (secretary)

Public Utilities and Technology

REPORTS:

- Received a report on rates and access for telecommunication providers to interstate and local rights of way. The report included comparative data for other states and private rights of way. Discussion followed the report and the Committee decided to reconsider the existing statutory policy at the July Interim meeting.
- Received a report on the proposed 25% increase in natural gas rates and how the Public Service Commission is involved in the rate pass-through process.
- Received a report from the Public Service Commission regarding the most important issues to be considered this year, which include the multi-state process, natural gas rates, electricity rates, telecommunications (cost of a loop), and the Federal Communication Commission’s report on the federal 1996 telecommunication law revisions.

Chairs: Sen. Leonard M. Blackham/Rep. Stephen H. Urquhart

Staff: Richard North (analyst)/Thad LeVar (attorney)/Jennifer Markham (secretary)

Revenue and Taxation

REPORTS:

- Received a state revenue update from the Utah State Tax Commission. The combined General Fund and Uniform School Fund revenues are \$30.23 million below consensus estimates, and general Utah economic conditions are mixed. While residential construction is strong, sales tax and withholding taxes are flat to weak. Utah consumer sentiment and new car and truck sales have declined from previous levels.
- Received a report from the Property Tax Division of the Utah State Tax Commission on the sales assessment ratio study process. The Committee also received comment on the study process from the Utah Association of County Assessors. Under Section 59-2-704.5, the Committee is required, every five years, to review the standards under which these studies are conducted and determine whether the standards should be modified.

*Chairs: Sen. Curtis S. Bramble/Rep. Wayne A. Harper
Staff: Bryant Howe (analyst)/Rebecca Rockwell (attorney)/Sandra Wissa (secretary)*

Transportation

STUDIES:

- Received an update on the commuter and light rail. Ridership on the two existing light rail lines is approximately twice original estimates. The draft Environmental Impact Statement for the Weber County to Salt Lake City commuter rail system is expected to be completed in October of this year, and service on that line is expected to begin in 2007.
- Received a presentation on Motor Vehicle Safety Inspection Program and a presentation on an audit report from the Legislative Auditor General that was completed in 2001. A presentation was also given from the Utah Highway Patrol, and testimony was received from the public.

*Chairs: Sen. Dan R. Eastman/Rep. Joseph G. Murray
Staff: Benjamin Christensen (analyst)/Shannon Halverson (attorney)/Jennifer Markham (secretary)*

Workforce Services & Community and Economic Development

STUDIES:

- Discussed draft legislation addressing technical changes to the Family Employment Program.
- Received a presentation on other states' self-employment assistance programs in lieu of regular unemployment compensation.

ACTION: Recommended reauthorization of the Utah Commission on Volunteers for 10 years.

*Chairs: Sen. Scott K. Jenkins/Rep. David N. Cox
Staff: Jami Momberger (analyst)/Jim Wilson (attorney)/Glenda Whitney (secretary)*

ORLGC Policy Analyst Receives National Award

Bryant Howe Recognized by NCSL

Bryant Howe has been chosen to receive the Research and Committee Staff Section's (RACSS) Legislative Staff Achievement Award for 2003. Bryant's selection was based not only on his long record of public service to ORLGC but also in recognition of his distinguished work on behalf of NCSL as a member of the faculty team for the research and policy track at NCSL's Skills Development Seminar.

Over the past five years, Bryant and his teaching partner have revitalized the research and policy track, transforming it into a practical, hands-on training session for new legislative staff. Their sessions consistently receive the highest ratings. Bryant's service to NCSL and RACSS has been notable and most valuable. This award will be given at the NCSL Annual Meeting in San Francisco.



UTAH PREPARES TO HOST NCSL IN 2004

NCSL Planning Committee Created

The Legislature created a 16-member NCSL Planning Committee to prepare for Utah's promotional activities at the 2003 Annual Meeting & Exhibition in San Francisco and host the 2004 Annual Meeting & Exhibition in Salt Lake City. The committee members are:

Senator Peter C. Knudson, Co-Chair
 Rep. Greg J. Curtis, Co-Chair
 Sen. Gene Davis
 Sen. Dan R. Eastman
 Sen. Paula F. Julander
 Sen. Michael G. Waddoups
 Sen. Carlene W. Walker
 Rep. Marda Dillree
 Rep. Brent H. Goodfellow

Rep. Wayne A. Harper
 Rep. David L. Hogue
 Rep. Patricia W. Jones
 Rep. Ty McCartney
 Rep. Karen W. Morgan
 Rep. Carol Spackman Moss
 Rep. Merlynn T. Newbold
 Rep. LaWanna Shurtliff

STAFF
 Stewart E. Smith
 Beverlee LeCheminant

Preparations for NCSL 2003 in San Francisco July 21-25, 2003

- Received a report from each of the subcommittees relating to Utah's responsibilities for the 2003 NCSL meetings in San Francisco.
- Received a report on the San Francisco social event that Utah is required to host. Rep. Dillree reported on the budget and plans for a buffet breakfast on Friday, July 25, 2003. Seating for 1,000 people will be provided, and 2,000 attendees are expected. Two large screens will be used in the area to show a continuous loop video.
- Discussed plans for the 50-foot Utah booth in the exhibit hall, which will include two video arcade games of all-terrain vehicle and snow mobile simulations. Literature and other assistance will be provided by the Utah Travel Council and the Salt Convention and Visitors Bureau. Legislators and staff attending the conference will be asked to participate in the booth.
- Provided information on gifts for San Francisco which will include: Utah pins; a drawing for two free round-trip tickets on Delta and a two-night stay in Park City for two, which will be given away at the Friday breakfast; and two gift baskets featuring Utah products, valued at approximately \$100 each, which will be given away each day.

Plans for Hosting NCSL 2004 in Salt Lake City July 19-24, 2004

- Discussed plans for fund-raising. Rep. Hogue offered his assistance in response to Sen. Davis's request for help on the Fund-raising Subcommittee, which will be searching to add private sector members.
- Discussed a Utah logo and time table.
- Discussed potential venues for the 2004 NCSL social events in Salt Lake City.
- Received a report on sales tax exemptions for NCSL conference purchases and charitable tax deductions for donations made for the NCSL meetings.
- Approved a letter to be used in the fund-raising effort.



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FISCAL HIGHLIGHTS

JOHN E. MASSEY, DIRECTOR

EXECUTIVE APPROPRIATIONS

CO-CHAIRS:

SENATOR LEONARD BLACKHAM - REPRESENTATIVE RON BIGELOW

Revenue Update &

Federal Funds - Tax Reconciliation Legislation

Current revenue collections for FY 2003 are expected to be approximately \$26 to \$30 million under the forecast amounts. Any deficit that may occur should be offset by using lapsing balances, FY 2003 carry forward used in the FY 2004 budget and additional federal funds appropriated to the state. The additional federal funds appropriated to the state are detailed below.

It is still too early to determine how the FY 2004 revenue situation will develop given the many conflicting economic signals currently in play. New economic data should be available in July to help determine potential revenue changes. One thing we do anticipate however is that federal tax changes will result in a revenue loss of \$15.2 million in FY 2004 and a loss of \$8.6 million in FY 2005.

Staff reviewed the effects of the recently signed Jobs and Growth Tax Relief Reconciliation Act of 2003. This bill provides fiscal relief from the federal government to the states. Of the total \$20 billion package, Utah is projected to receive a total of \$117.3 million. This total includes the following:

1. An increase in the Federal Medical Assistance Percentage (FMAP) - the percentage of the total Medicaid costs paid by the federal government.
2. A flexible grant for financing essential government services or covering the state cost of complying with unfunded federal mandates.

The temporary FMAP increase will be for five quarters (April 2003 through June 2004) and will boost the federal percentage from 71.24 to 74.19 percent. The total amount expected from this piece of the fiscal relief is \$41.3 million.

The flexible grant covers the same time period. The total amount expected is \$78 million. In fact, on June 6, 2003, the State received the first payment of \$38 million, which was deposited into the General Fund. A second \$38 million payment is expected on October 1, 2003.

Staff Contacts: Andrea Wilko (Revenue) & Spencer Pratt (Federal Funds)

REPORTS

Report: Legislative Review of Purchase, Sale, and Transfer of Real Property by State Agencies

Summary: Utah law gives all state agencies authority to acquire and dispose of real property. For most agencies, this authority must be handled through the Division of Facilities and Construction Management (DFCM). Most property purchases fall under the definition of "capital development" and must be submitted to the State Building Board which in turn submits its prioritized capital development recommendations to the Legislature. The Legislature has provided an exception for some agencies, they include:

- The Department of Transportation
- The Department of Natural Resources
- The Utah National Guard (State Armory Board)
- Any institution administered by the State Board of Education
- Any Higher Education institution (Board of Regents)
- The School and Institutional Trust Lands Administration

In House Bill 292, enacted in the 2000 General Session, the Legislature stated that no prior legislative approval is needed for DFCM projects that involve no state funds in purchase, maintenance, or future improvements. The Legislature also exempted acquisitions costing less than \$250,000.

Analyst Recommendations:

1. The Legislature should tighten the definition of "non-state funds" in statutes exempting certain capital developments from prior legislative approval. While the Legislature intended this to mean donated funds, sometimes in budgeting terms restricted funds are considered non-state funds;
2. The Legislature should amend UCA 63A-5-215 so that funds received by DFCM from the sale of real property are not considered to be automatically appropriated to the state building program but rather are subject to legislative appropriation;
3. The Legislature should consider statutory revisions to establish some minimum standards for real property dispositions by agencies that dispose of real property through DFCM.

Staff Contacts: Steve Allred, Mark Bleazard and Kevin Walthers

REPORTS - CONTINUED

Report: Statewide Lease Report

Summary: Leasing can provide the state a means to serve citizens in a cost effective and flexible manner. Furthermore, leases tie directly to agency budgets under the supervision of legislative appropriation subcommittees. Three entities have leasing authority in Utah: DFCM, the Courts and the Utah System of Higher Education.

DFCM bears the responsibility for coordinating and reporting lease activity: Overall, Utah state agencies lease more than six million square feet. However, one-third of that amount is at the State Fair Park and significant amounts are tied up in land leases and federal grants. By removing UDOT, the State Fair and the National Guard, the state's average cost per square foot totals \$8.55. The Utah System of Higher Education leases an additional 1.5 million square feet. A significant portion of space leased by the University of Utah is part of the Research Park.

Analyst Recommendation:

The Analyst is concerned that there exists a loophole in the leasing statute that allows agencies to commit to leases in the interim even though they lack funding for the new space. The Analyst recommends that the Legislature adopt as budget policy a prohibition of providing new funding for any lease that is signed during the interim without prior legislative approval.

Staff Contact: Kevin Walthers

Report: Value Based Procurement for Facility Contracts

Summary: In response to vendor and legislative concerns, DFCM revised procurement procedures in October of 2000, creating a new process called "Value Based Procurement" or "Value Based System" (VBS). The goal of the process is to hire a qualified contractor at a fair price – but the new system significantly reduces the extensive preparation required to bid on projects. Since October of 2000, DFCM used VBS to issue 83 construction contracts and 15 design-build contracts.

Although VBS is not a perfect system, the State seems to be receiving better projects at a fair price. A project-by-project analysis was beyond the scope of this study, but the Analyst noted that VBS has played a significant role in bringing projects in on time and under budget. This allowed the legislature to redirect savings accruing in the Contingency Reserve Fund and the Project Reserve Fund to the DFCM operating budget, freeing up approximately \$3 million in General Fund in both FY 2003 and FY 2004.

Staff Contact: Kevin Walthers

Report: Jail Reimbursement Program

Summary: Department of Corrections Executive Director Mike Chabries provided testimony that there is a projected shortfall of \$953,200 for the Jail Reimbursement Payments Program to the counties for FY 2003. The Legislature funded \$8,515,900 for FY 2003 for Jail Reimbursement. Statute stipulates that the State fund 70 percent of the cost of housing State inmates sentenced to county jails as a condition of probation. The total projected payment necessary to reach the threshold of 70 percent is \$9,469,100. Department of Corrections Official Chris Mitchell

stated that three of the principal reasons for the sharp increase in billed days are:

1. Some counties have greatly improved the entire process (accounting, billing, etc.) necessary to bill the State for more Jail Reimbursement funding.
2. More individuals are being convicted of crimes that warrant incarceration.
3. Those who are convicted and sentenced to county jails as a condition of probation are being sentenced for longer periods of time.

Legislative Action: A motion passed directing the Legislature to consider the additional funding required for the Jail Reimbursement Program in a future Special Session.

Staff Contact: Gary Ricks

Report: Zero-based Budgeting

Summary: The Master Study Resolution required a study of the use of Zero-based budgeting and potential implementation in the budgets of Utah State governmental agencies. The report evaluated Zero-based budgeting advantages and disadvantages as they relate to other methods of budgeting and how to apply Zero-based budgeting to Utah State government. Usually, states use four common methods of budgeting, they include: Incremental, Program-based, Performance-based, and Zero-based budgeting.

Utah's budgeting methods represent a hybrid of the four commonly used methods. Generally, appropriation recommendations made by the Legislature and the executive branch follow an incremental method. Legislative and executive branch analysts commonly use a performance-based and/or a program-based approach when analyzing state agency budget requests. Finally, in-depth budget reviews and building block requests commonly follow a zero-based approach.

Analyst Recommendations:

After examining the advantages and disadvantages of a true Zero-based budgeting program, the Analyst does not recommend implementation at this time. Enacting a true Zero-based budget approach has the potential to add more costs to the state than could be expected to be saved at this time.

The Analyst does recommend that the budget process should take on a more program/performance-based approach with the continued in-depth reviews current done by the Legislature.

The Analyst further recommends that the Executive Appropriations Committee require each appropriations subcommittee identify a minimum of one program annually and develop a performance based budget for that program. Reporting of subcommittee findings could be heard by the Executive Appropriations Committee prior to the next General Session. The recommendation also includes several suggestions regarding what subcommittee reviews should entail. These suggestions may be found in the report.

Staff Contact: Mark Bleazard