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Fiscal Highlights

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Executive Appropriations Committee

Meeting Summary - June 16, 2009
Senator Lyle Hillyard & Representative Ron Bigelow, Co-chairs

Report: *Adoption of Final Revenue Estimates and Revenue Updates*

Andrea Wilko, Jonathan Ball and Thomas Young presented the final revenue estimates for 2009 Fiscal Year. They also presented the Revenue Update which includes updates for tax collections for the General Fund, Education Fund, Transportation Fund. The report also provides economic trends in wages, employment, business investment, federal tax changes, and construction trends. This report is available online.

Staff Contacts: Andrea Wilko and Thomas Young

Report: *Federal Funds Report, ARRA, Non-Federal Grants Report*

Tenielle Young from Governors Office of Planning and Budget and Danny Schoenfeld from the Legislative Fiscal Analyst Office presented the Federal Funds report. There were four reapplications and two new applications that required legislative action.

Staff Contact: Danny Schoenfeld

Report: *Severance Tax Holding Account & Est. Permanent State Trust Fund Deposits*

On June 30, 2009, the Division of Finance will transfer $7.2 million from the Severance Tax Holding Account to the permanent state trust fund. In addition to the $7.2 million, we anticipate severance taxes will generate approximately $20 million for the permanent state trust fund in FY 2009. From July 1, 2009 forward, the Division of Finance will credit severance tax collections directly to the permanent state trust fund. As such, we recommend elimination of the Severance Tax Holding Account in the 2010 General Session.

Staff Contact: Ivan Djambov

Report: *Public Education Mechanics*

The Fiscal Analyst discussed the necessity for revision in the public education appropriations process. The focus of changes is mainly on technical aspects that will help create a more clear understanding of public education appropriations in the Minimum School Program, School Building Program and within education agencies.

Recent complications in the appropriations for public education were corrected during the 2009 Special Session. These aberrations were in large part due to the numerous points of manual entry for the 45 programs currently part of the Minimum School Program. The Analyst explained that adjusting the process for public education appropriations to only one point of manual entry would alleviate most errors previously encountered. Fiscal Analyst and Legislative Research staff are currently working on proposals to streamline the appropriations process in public education. Any final recommendations will be presented to the EAC later in the Interim.

Staff Contacts: Ben Leishman and Patrick Lee

Report: Interim Study Approvals

The Executive Appropriations Committee directed that the Legislative Fiscal Analyst Office and the Governor's Office of

(Continued on page 2)

Upcoming Meetings

Executive Appropriations
August 18, 2009
C445 State Capitol

Retirement and Independent Entities Appropriations Subcommittee
September 9, 2009
W30 State Capitol

Executive Appropriations

~ Continued from Front

Planning and Budget conduct two studies. The Legislative Fiscal Analyst Office will conduct an in-depth budget review of the Department of Workforce Service. The Governor's Office of Planning and Budget will conduct a report detailing state agency plans for implementing the FY 2011 base budget allocations defined by ongoing appropriations contained in FY 2010 appropriations act.

Staff Contact: Steve Allred

Fiscal Analyst Staff Changes

Staff Contact: Steve Allred

In order to improve our services to the Legislature and provide professional development for our staff, we have made the following assignment changes:

Gary Ricks will join the Capital Facilities and Government Operations Appropriations Subcommittee. He will examine the "Government Operations" side of the subcommittee, namely the budgets of the Department of Administrative Services, Department of Human Resource Management, Capitol Preservation Board, Career Service Review Board, and Department of Technology Services.

Rich Amon will stay with the Capital Facilities and Government Operations Appropriations Subcommittee. His primary assignment will be the Capital Facilities and Debt Service budgets. He will also assist with the Department of Technology Services and information technology projects.

Gary Syphus will expand his role with the Executive Offices and Criminal Justice Appropriations Subcommittee. He will be our primary analyst for criminal justice, including the Courts, Department of Public Safety, Department of Corrections, and the Board of Pardons and Parole.

Stephen Jardine will evaluate the budget of the Division of Juvenile Justice Services for the Executive Offices and Criminal Justice Appropriations Subcommittee.

Steven Allred will analyze the budgets of the executive offices, including the Governor's Office, State Auditor, State Treasurer, and Attorney General.

Executive Offices and Criminal Justice

Staff Contact: Gary Syphus

State Judicial Salaries

There are 111 judges in the Utah State Court system. State court judges include 5 Utah Supreme Court justices, 7 Appellate Court judges, 28 Juvenile Court judges, and 71 District Court judges (these do not include local Justice Court judges). The exact number of judges is specified in statute and to increase or decrease this figure, statute must be changed. The State Constitution also provides that judicial salaries cannot be lowered.

The latest annual survey on judicial salaries among western states indicates that on average Utah is similar to these other states. When only comparing bordering states, Utah is slightly above the average. The salary for Utah state district court judges and juvenile court judges is $132,150. The salary for Supreme Court justices and Associate Supreme Court Justices is $145,350. Compared with western states, judicial salaries for Utah juvenile court judges are 5.6% higher . District court judge, appellate court judges, supreme court judges are all within (+/-) 1.5% of the western state average. When comparing bordering states, Utah shows slightly higher judicial salaries. For the four types of state judges, salaries are 3.7 -5.1% higher than their bordering counterparts.

Health Insurance

Staff Contact: Danny Schoenfeld

Public Employee's Health Program Update

Beginning July 1, 2009 the rate structure for the employer and employee for medical insurance premium share will change from the current 98% employer and 2% employee to the new premium share of 95% employer and 5% employee. This change is required in order to be in compliance with House Joint Resolution 29 that passed during the 2009 General Session. It directs Public Employees' Benefit and Insurance Program and the Department of Human Resources Management to change the employer premium share for the HMO medical plans to 95% employer/5% employee and adjust the high deductible plans proportionately.

Health and Human Services

Staff Contacts: Russell Frandsen and Steve Jardine

The Utah Commission on Aging Update

In 2005, the Legislature statutorily created "within the Governor's Office" the Utah Commission on Aging with an annual budget of $180,000. The 21 commission members are appointed by the Governor along with the Speaker of the House and the President of the Senate. Six members represent state departments and the Legislature and the remaining 15 members represent the private sector and county and local government. The focus of the commission has been to maximize the benefits of Utah's expanding aging population while looking for opportunities to minimize the burdens on state government.

One of the commission's primary initiatives was its two-year effort, *Utah 2030: State Government Prepares for an Aging Utah.* The report was published in 2008 and identifies action steps and results state agencies plan to achieve. Other commission efforts include a re-design of the state's advance health care planning system; a survey of law enforcement officers about elder abuse; collaboration with the Legislature on probate matters, elder abuse, and improving the supply of geriatric care providers; a survey of nursing homes to determine the number of residents who need decision makers; collaboration with 2-1-1 Information and Referral to produce a guide for older adults needing mental health care; and education and research on the financial security of baby boomers.

The Legislature approved a three year extension of the commission during its 2009 General Session, but without continued state funding. As a result, the commission will operate at a half-time level through FY 2009 using unexpended funds from FY 2009 and additional support from the University of Utah Center on Aging. The commission will seek funds from private foundations, corporations, and federal grants to continue its efforts beyond June of 2010.

HINI (Swine) Flu – What's Happening in Utah?

As of Thursday, June 11, 2009 Utah had 688 confirmed cases of H1N1 (swine) flu with 90 or 13% of affected individuals requiring hospitalization. The Utah fatality rate has been 0.3% with 2 deaths. Regular flu related hospitalizations have ranged from 252 to 511 during the past 4 Utah flu seasons. The H1N1 flu is happening after the end of the traditional flu season (October to May).

The H1N1 flu likely first appeared in Mexico on March 18, 2009. The first confirmed H1N1 case in the United States took place on April 15, 2009. The first case in Utah was confirmed on May 3, 2009. Cases have been confirmed in all 50 states. As of June 11, Utah has the 7th highest number of total cases among the 50 states.

The World Health Organization reports that as of June 15, 76 countries have 35,928 confirmed H1N1 cases with a fatality rate of 0.5% with 163 deaths. The final financial impact to the State will be determined by the severity and spread of the illness.

May Medicaid Caseload Update

- 193,400 May 2009 Medicaid caseloads
- 2,300 member increase over April 2009
- 18.1% increase over May 2008

Higher Education

Staff Contact: Spencer Pratt

The Future of the College of Eastern Utah

In the 2008 General Session, the Legislature approved intent language to look at " . . . ways to improve the collaboration and cooperation between the College of Eastern Utah and Utah State University, including consideration of partnerships, alliances, or a merger . . ." (H.B. 3, Item 116, 2008 General Session). Consultants, engaged by the State Board of Regents, determined that an unbiased, objective conclusion could not be reached and ended the study.

Following the 2009 General Session and the corresponding budget reductions, the Commissioner of Higher Education appointed Dr. Michael Peterson, Executive Director of the Utah Education Network and former president of the College of Eastern Utah (CEU), to develop a plan for the future viability of the College of Eastern Utah.

Dr. Peterson's recommendation to the Board of Regents is that the College of Eastern Utah become a quasi-autonomous institution within the Utah System of Higher Education affiliated with Utah State University (USU). This recommendation will allow CEU to remain a comprehensive community college, providing both lower division courses and career/technical education. New capabilities which are consistent with USU's regional university mission could be added. CEU trustees, executives, and administrative personnel would maintain discretion and flexibility to manage CEU, while USU trustees, executives, and administrative personnel would have the required level of controls.

The State Board of Regents approved a motion to assign five regents to a task force to consider the recommendations, hold public hearings, and report back the full Board at its July 16, 2009 meeting.

Executive Offices & Criminal Justice

Staff Contact: Gary Ricks

Jail Reimbursement Program Transfer

The Jail Reimbursement Program is the payment by the state for the incarceration of state prisoners in county facilities. When an offender has been convicted of a felony, the court may sentence that person to jail, as a condition of probation. When this happens, the state reimburses or pays the county a percentage of the final state daily incarceration rate.

Unlike the Jail Contracting Program wherein a county decides whether to contract with the state, each county is required to accept all inmates assigned as a condition of probation to its jail. If a county is unable to accept a person due to lack of resources, the county is statutorily required to negotiate with another county to accept and house the person.

Prior to the 2009 General Session, the Department of Corrections was statutorily designated as the administrator of the Jail Reimbursement Program and responsible for calculating the average actual state daily incarceration rate for the three most recent years for which data was available. Before October 1st of each year, Corrections and other state officials would meet with county officials, as stipulated in statute, to review and discuss the average actual state daily incarceration rate. Final review and approval of the rate was statutorily reserved for the Legislature to be set in the annual appropriations act.

In the 2009 General Session, the Legislature transferred the Jail Reimbursement Program from the Department of Corrections to the Commission on Criminal and Juvenile Justice (CCJJ) and the Division of Finance through passage of H.B. 220, "State Payment and Reimbursement to County Correctional Facilities." This legislation empowers the Commission on Criminal and Juvenile Justice to assume (and also expand upon) the administrative functions previously performed by Corrections. These responsibilities include:

- Rulemaking authority regarding establishing procedures for the calculation of the reimbursement payment;
- Payments adjustments on a pro rata basis when necessary to coincide with Legislative appropriations for the program;
- Collection of monthly information from counties concerning state probationary and state parole inmates and the preparation and distribution of a compilation of the data to counties by September 1st for the preceding year;
- Transmission to the Division of Finance and the counties by September 30th each year of the exact amount of payment for each county.

The legislation also directs the Division of Finance to pay the counties by December 15th each year. Notwithstanding the statutory directives in calculating the annual payment to the counties, the Legislature retains final review and approval through the appropriations process.

Natural Resources

Staff Contact: Ivan Djambov

Carp Removal at Utah Lake

Recently, the Utah Department of Natural Resources (DNR) received $1 million in federal funds to initiate carp removal on Utah Lake to benefit the recovery of June sucker, federally listed as an endangered species. In 2002, a partnership among resource agencies, water users and environmental interests formally established the June Sucker Recovery Implementation Program with the goals of recovering June sucker, while allowing water development and management to continue in the Utah Lake Drainage.

Effective control of the existing carp population is a prerequisite for the reestablishment of ecological conditions necessary to support the recovery of June sucker. Currently, common carp represent 75% of the total number of fish and 91% of the fish biomass in Utah Lake. Although total elimination of carp from such a large lake system is not feasible, research indicates that controlling the carp population and maintaining it at the target reduction of 75% of its current level can be achieved by using commercial harvest methods.

In FY 2009 DNR used $500,000 of its restricted funds as a match to obtain $1 million from the U.S. Fish and Wildlife Service and begin the carp removal. The target is set for 5 million pounds per year, at which, research indicates the goal of a 75% reduction can be achieved through six consecutive years of sustained effort. The total cost of the project, which includes harvesting the carp and monitoring the effectiveness of the project, is anticipated to be $10.5 million.

Fiscal note coordinator's corner

Staff Contacts: Stan Eckersley

Behind the Scenes

The software that runs the fiscal note system was written 14 years ago. It's been tweaked and tinkered with since then so maybe it's version 1.14. It's very likely the best system in the country but it could be better. Time to move on to version 2.0. We brainstormed about what an ideal system would look like, wrote out the specifications and developed mock-ups of the different screen views. The Director liked the idea but there isn't a budget to hire out the work. So we are going to "bootstrap" the project. That means that we may not be able to do everything we want to in the first year. Our current goals are:

- Get live bill status
- Provide live fiscal note status
- Move to a paperless system
- Have a page for legislators so that they can check the fiscal note status of their bills
- Have a page for Rules Committee to check the fiscal note status of bills they want to assign
- Add a "Net State Funds" line to the fiscal note so that legislators can easily tell when they will run in to the "$10,000" rule
- Add a "Long Term Impact" section to the fiscal note
- Offer a must pass list
- Offer a may pass list
- Have the software assign analysts to fiscal notes according to the Utah Code sections
- According to those same code sections, have the program request information from state agencies
- Have agencies respond over the Internet
- Convert our assignment database to Sequel
- Allow the assignment of more than three analysts per bill
- Use the same fund list as Meribah and Finet
- Fix the notification function
- Finish the compare function
- Add a spell check feature
- Fix the amendment notification function so that it is electronic and not duplicated
- Discuss direct costs caused by the bill that will not be funded in the fiscal note.

Several analysts volunteered to learn the necessary computer skills. We are finding ways to incorporate parts of the old software into the new. We found and are using software that writes software. Software generally takes longer and costs more than projected. We expect this to be a multi-year project. We are up and running and time will tell how far we can get in an interim.

Government Operations

Staff Contact: Rich Amon

Utah Transparency Website

The new State of Utah public finance website required by Senate Bill 38 (2008 G.S.), "Transparency in Government," is now operational. It can be accessed at http://www.utah.gov/transparency/index.html or by typing "transparent.utah.gov" into the internet browser address bar. This site allows the public to view the financial transactions made by state agencies each fiscal year beginning with fiscal year 2009 (July 1, 2008 to June 30, 2009). The website allows the user to click down to the transaction level of detail including vendor name, date, category, and amount for all state agency expenditures. The user can also search for specific contracts or transactions using advanced search fields and can find information regarding revenue.

Currently the website contains information on all executive branch agencies, the legislative branch, and the judicial branch. By May 15, 2010 institutions of higher education, school districts, charter schools, and public transit districts are required by law to provide their financial information for inclusion on the website. Counties, municipalities, and special districts have until May 15, 2011 to provide their information to the website.

Economic Development & Revenue

Staff Contacts: Thomas Young & Andrea Wilko

Tax System Replacement Project Update

With the support of the Legislature, in 2006 the Tax Commission initiated replacing the state's core tax systems. The "Arches – Revenue Gateway" project involves the Utah State Tax Commission, the Department of Technology Services, and Fast Enterprises. System development for the income tax was completed in January 2007; imaging of documents in March 2007; sales and use taxes in March 2008; withholding, corporate tax, international fuel tax, international registration program, and special fuel users in May 2009.

The project currently involves programming and testing in order to provide technology for a Taxpayer Access Portal. Once this is finished and tested, taxpayers will be able to log in online and see information on income tax and sales tax assessed and paid. The project is coming in under *expected-appropriations* by using non-lapsing carry forward balances and redirection of savings from other technology expense categories.

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Return Service Requested

Margin of Error

Staff Contact: Jonathan Ball

I was in our Chief Economist's office the other day and noticed that her Ouija board was out - which can mean only one thing - time to update revenue estimates. Like any good extra-worldly messaging device, Dr. Wilko's Ouija board - really an H.P. 12c Financial Calculator - requires that one accept certain predilections prior to communication. In this case, the biggest stipulation is that results are only good within a certain "margin of error".

The "margin of error" thing has always been an issue for me. For instance, this year our final revenue collections will be right on target - plus or minus $40 million. Arguably neither plus nor minus any number ending in "million" is "right on target." But, given that we're talking about a $5 billion target and that $40 million is less than one percent of it, I'm willing to acquiesce. I really have no problem with the "plus" part anyway.

After accepting the "plus or minus" condition and all the other caveats, with less than a month to go, the seemingly magical cogitations of the dismal science relayed the following conclusion for FY 2009: "It's too close to call."

At first, this was disappointing to me. Then I remembered the same report from last year. That report was not too close to call. And there was no "plus". As figure 1 shows, last year it was "minus or larger minus". In that context, I'm pleased with "too close to call". At least this year our February estimate falls WITHIN the latest margin of error (figure 2).

Right now revenue collections are a little bit ahead of projections. But, we have yet to see what will happen with quarterly corporate tax payments in June - which may be down. So, we'll have to wait for the Division of Finance's Mediums to tell our collective fortune in August before we'll know for sure.

Oh, wait, I forgot about the fall's year-end financial audit. In August we'll know for sure...give-or-take.

FIGURE 1: Combined General & Education Fund Revenue
(From the August 2008 Revenue Update)

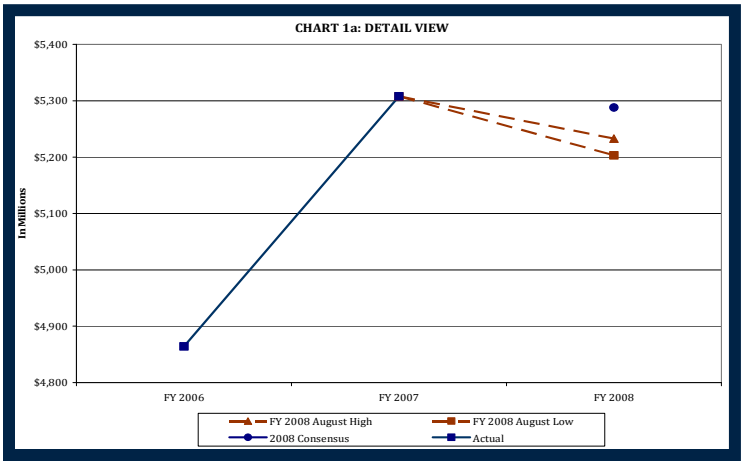
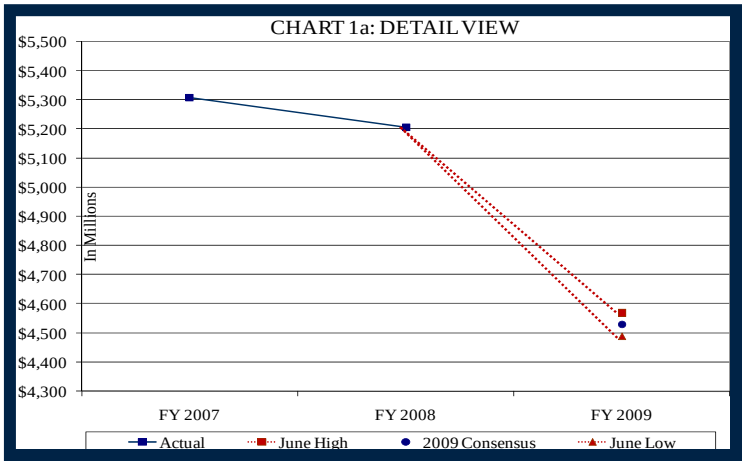
FIGURE 2: Combined General & Education Fund Revenue
(From the June 2009 Revenue Update)