

Appropriations Report

Pocket Edition

Utah Legislature
2010 General Session

Sen. Lyle W. Hillyard, Co-Chair
Rep. Ron Bigelow, Co-Chair
Executive Appropriations Committee
June 2010



Legislative Fiscal Analyst
Jon Ball, Director

The Skinny on Appropriations

The Pocket Edition is designed as a concise, portable, and easy to use reference for busy legislators. Refer to the full report for more detailed information. **Bolding** added to help readers find topics.

STATEWIDE SUMMARY

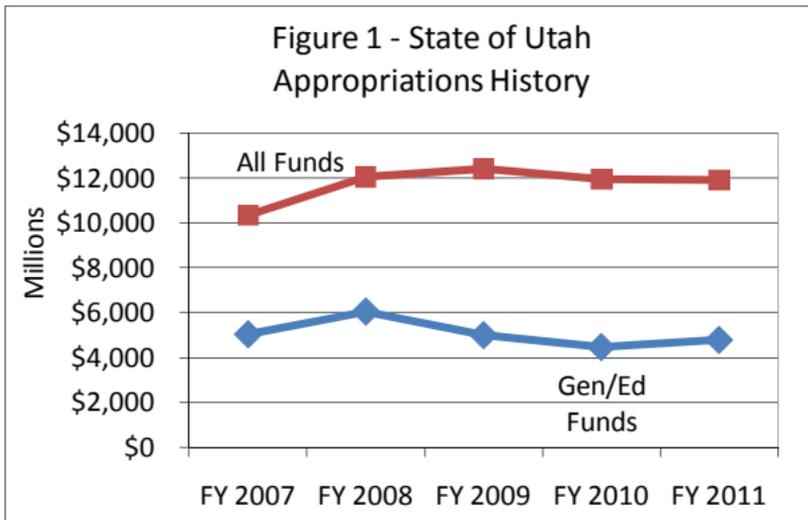
\$850 MILLION BUDGET GAP

The Legislature balanced an \$850 million budget gap with:

- Budget reductions
- One-time reserves
- Modest revenue increases

The Legislature did not raise sales, income, or motor fuel taxes. It did not significantly reduce public education appropriations compared with last year and public education is half the budget.

Legislators kept half of the state's rainy day funds (\$210 million) and an option to accelerate income tax payments (\$109 million). These reserves are more than enough to cover the \$313 million in ongoing appropriations funded by one-time revenue in the FY 2011 budget.



LEGISLATIVE SPENDING PRIORITIES

- Public Education
- Higher Education
- Law Enforcement
- Health and Human Services

Each of these areas faced built-in reductions from FY 2010 to FY 2011 of as much as 15 percent (General and Education Funds plus flexible grants from the American Recovery and Reinvestment Act – ARRA). Instead, higher education was reduced by only 4 percent, health and human services by 2 percent, public education by less than 1 percent, and law enforcement spending increased by 2 percent.

REVENUES

The State's main revenue sources are

- General Fund (from sales tax)
- Education Fund (from income tax)
- Federal Funds
- Transportation Fund (gas tax driven)
- Dedicated Credits (fee for service revenue)
- Property Taxes
- Bond Proceeds

CONSENSUS REVENUE ESTIMATE

For FY 2011, the Legislature adopted a consensus-based ongoing General and Education Fund revenue estimate of \$4,361,075,000. This represents a 3.3 percent increase from the State's

revised FY 2010 consensus revenue target of \$4,220,102,000. One time revenue sources and legislation approved during the 2010 General Session modify the consensus forecast. Total revenue including one-time funds and legislative changes is expected to be \$4,589,635,000 for FY 2010. For FY 2011 it will be \$4,530,919,100 – a projected decrease of 1.3 percent year-over-year due to the non-recurrence of one-time transfers.

APPROPRIATIONS

The Legislature approved \$11.9 billion in appropriations from all sources for FY 2011 – almost even with revised estimates for FY 2010. Of the total amount, legislators appropriated \$4.8 billion from the General Fund and Education Fund, an increase of 7.2 percent over the revised FY 2010 budget. General and Education fund appropriations increased to make-up for the loss of federal stabilization funds.

For the current fiscal year – FY 2010 – the legislature appropriated \$57.4 million in General and Education Fund reductions, a 1.3 percent decrease from original FY 2010 appropriations. Total budgets from all revenue sources increased by \$150.7 million (1.3 percent) in FY 2010 – almost solely due to updated federal funds estimates.

CLOSING THE GAP

Prior to the General Session, legislators anticipated a shortfall of as much as \$850 million. That projected shortfall was linked to three things:

- \$400 million loss of flexible one-time American Recovery and Reinvestment Act (ARRA) federal funds
- \$150 million additional ongoing revenue shortfall
- \$300 million new funding demands

Legislative deliberations – influenced by the Governor’s budget– established the actual gap at \$690 million over two years.

FY 2010, \$208 MILLION BUDGET GAP

- \$194 from revenue shortfalls
- \$14 million from new costs.

Legislators closed the FY 2010 gap as follows:

Shortfall.....	(\$208)
Rainy Day Funds.....	\$86
Budget Cuts and Funding Shifts.....	\$70
Medicaid Lawsuit Settlement.....	\$20
Unappropriated Balances.....	\$20
Restricted Funds	<u>\$12</u>
Ending Balance	\$0

FY 2011 \$482 MILLION BUDGET GAP

- \$332 million from lost ARRA federal funds
- \$38 million from revenue shortfalls
- \$112 million in new costs

Shortfall.....	(\$482)
Rainy Day Funds.....	\$123
Growth in Student Population Account.....	\$103
Budget Cuts and Funding Shifts.....	\$75
New ARRA FMAP Funds.....	\$73
Tobacco Tax	\$43
Unused Economic Development Incentives.....	\$23
Tobacco Settlement	\$11
Other Restricted Funds/Balances.....	<u>\$31</u>
Ending Balance	\$0

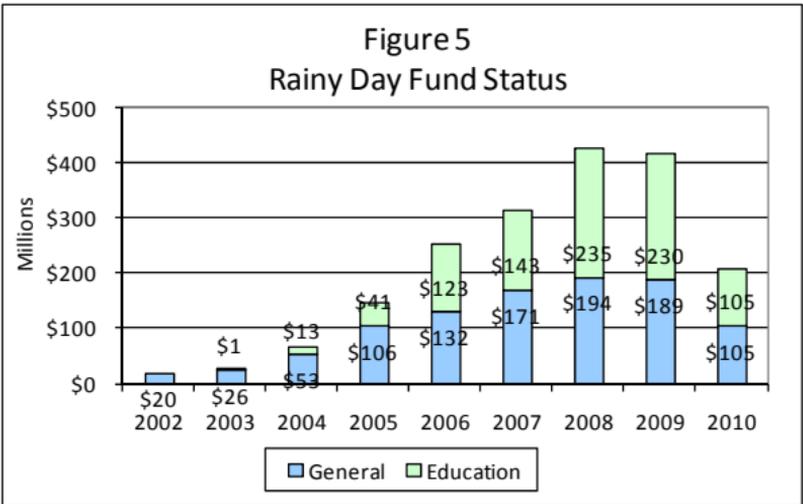
STRUCTURAL IMBALANCE

The Legislature avoided large reductions to public and higher education in FY 2011 by using one-time funds to pay for ongoing expenses. As a result, Utah faces a \$313 million structural imbalance for FY 2012.

Growth in ongoing revenue will go first to cover this structural deficit. However, the Legislature has other options to balance next year's budget.

The Legislature:

- Kept \$210 million in the state's rainy day funds;
- Preserved a \$109 million option to accelerate income tax payments;
- Can reduce budgets more;
- Can increase revenues.



EMPLOYEE COMPENSATION

HEALTH INSURANCE: Before General Session the State’s health insurer, Public Employees Health Program (PEHP), projected a 10 percent increase in premiums. Legislators directed PEHP to adjust benefits so that the cost increase is limited to 5 percent. The Legislature appropriated \$11.5 million (\$6.3 million GF/EF) to cover the cost increase to state agencies.

RETIREMENT: The Legislature took unprecedented steps to limit future retirement liability by passing two key pieces of retirement legislation.

- S.B. 43, “POST-RETIREMENT EMPLOYMENT AMENDMENTS”** repeals a requirement that a covered employer who hires or rehires a retiree contribute to a qualified defined contribution plan (e.g. 401k) for that employee the same percentage of salary that the employer would otherwise pay to the defined benefits retirement system.

- **S.B. 63, “NEW PUBLIC EMPLOYEES’ TIER II CONTRIBUTORY RETIREMENT ACT”** creates for employees hired after July 1, 2011 a lower-cost hybrid retirement system in which defined contributions play a larger role. The State will use savings from the new system to maintain the current retirement system for existing employees.

As the State will not implement its new retirement approach until next year, legislators appropriated \$18.9 million (\$11 million GF/EF) to cover the projected 15 percent increase in annual required contributions for state employees in FY 2011.

OTHER POST EMPLOYMENT BENEFITS: For FY 2011, actuaries reduced Utah’s annual required contribution for these benefits. In addition, the State expects leave payouts upon separation from employment to cost less in FY 2011. Combined, the two will save \$19.9 million (\$10.2 million GF/EF) per year beginning in FY 2011. The Legislature used these savings – and an estimated \$10.8 million (\$6 million GF/EF) in FY 2010 – to offset cost increases in other areas.

UNEMPLOYMENT COMPENSATION INSURANCE: The Legislature provided \$900,000 (\$488,200 GF/EF) for these costs in FY 2011.

These payroll changes are shown in **H.B. 6, “State Agency Compensation Appropriations”**.

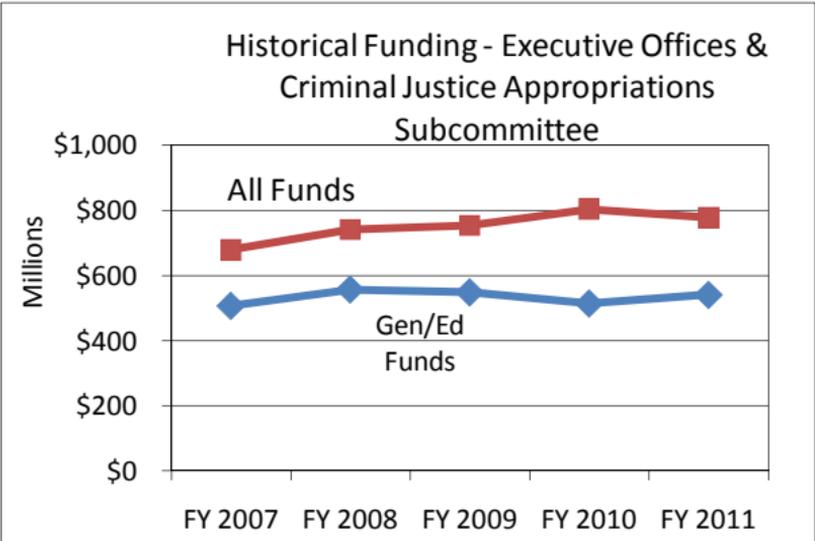
TAX CHANGES/BILLS AFFECTING REVENUE

- **H.B. 196, “TOBACCO TAX REVISIONS”**
increases the tax on cigarettes from \$0.695 per pack to \$1.70 per pack, the tax on moist snuff by 144%, and the tax on other tobacco products by 146%, resulting in an ongoing revenue increase to the General Fund of \$44,062,000.
- **S.B. 165 – “ALLOCATION AND APPORTIONMENT OF INCOME AND DEDUCTION OF A NET LOSS”** phases in mandatory single sales factor apportionment for all industries except mining, manufacturing, finance, insurance, transportation, warehousing, and non-exempt information. The bill increases revenue to the Education Fund by \$4,000 in FY 2011.

EXECUTIVE OFFICES & CRIMINAL JUSTICE

The Legislature reduced total General/Education Funds by 6.3 percent from FY 2009 to FY 2010 Revised, and increased funding by 5.2 percent from FY 2010 Revised to FY 2011 Appropriated.

Primarily due to one-time appropriations in the General Fund and federal American Recovery and Reinvestment Act (ARRA) funds in FY 2010 and FY 2011, total appropriations for this subcommittee increased from FY 2009 to FY 2010 Revised by 6.6 percent, and decreased by 3.1 percent from FY 2010 Revised to FY 2011 Appropriated.



ELECTED OFFICIALS

Each of the elected offices received ongoing FY 2011 funds to **replace** approximately half of their FY 2010 one-time **backfill funds**.

PUBLIC SAFETY/JUDICIAL RETIREMENT –

The Legislature appropriated \$1,000,000 in ongoing General Funds to remedy an unfunded FY 2010 **public safety and judicial retirement cost increase.**

GOVERNOR’S OFFICE

- **H.B. 329, “Campaign Finance Amendments”**, \$140,000 General Fund one-time
- **S.B. 267, “Lobbyist Disclosure and Regulation”**, \$45,000 Dedicated Credits
- **H.J.R. 15, “Legislative Ethics Commission”**, \$14,700 General Fund one-time
- **H.B. 324, “Public Lands Litigation”**, appropriates \$1 million from the Land Exchange Distribution Account to the Constitutional Defense Restricted Account for three years to fund litigation costs against the federal government.
- **S.B. 217, “Increase in Surcharge on Criminal Fines”** provides \$619,000 per year to the new General Fund Restricted – Law Enforcement Services Account for increased law enforcement around halfway houses.

STATE AUDITOR

The Legislature appropriated \$268,000 from Dedicated Credits for increased **costs of auditing federal stimulus (ARRA) grants.**

STATE AUDITOR INTENT

*The Legislature intends that the Utah State Auditor report to the Legislative Fiscal Analyst by December 31, 2010 on how the Departments of **Health and Workforce Services** have addressed problems found by the Utah State Auditor in their FY 2008 and FY 2009 audits. (H.B. 2, Item 116)*

STATE TREASURER

No significant program or funding changes.

ATTORNEY GENERAL

- Approved \$1 million in FY 2011 for the **Pelt Lawsuit**, with the \$29 million balance to be funded over the following three years
- Transferred \$125,000 ongoing General Funds from CCJJ to the AG to fight **Internet crimes against children**
- Appropriated \$221,300 in ARRA funds for **Internet crimes against children**, and \$216,200 for **mortgage fraud investigations**
- Restored all FY 2010 reductions – totaling \$431,900 – to **Children’s Justice Centers** and made no further FY 2011 reductions

PUBLIC SAFETY

- Replaced \$320,000 in ongoing General Fund to the **Driver License Division** with \$620,000 from the Public Safety Restricted Account
- Made one-time General Fund **reductions** of \$1,507,600 in FY 2010

- **H.B. 139, “Emergency and Disaster Management Amendments”** created a new line item: “Division of Homeland Security - Emergency and Disaster Management” and appropriated \$3,000,000 to the new account.

PUBLIC SAFETY INTENT:

*It is the intent of the Legislature that Public Safety Driver License Division use a portion of the funding provided in this item and Item #28 of S.B.1, 2010 General Session to provide the same level of service in **Driver’s License offices in rural Utah** as was provided prior to Jan 1, 2010 and that the following offices will be reopened: Kanab, Panguitch, Beaver, Loa, and Fillmore.
(H.B. 2, Item 27)*

COURTS

- **Reduced** \$2,386,500 from FY 2011 budgets
- Funded a **Washington County District Juvenile Court judgeship** with \$320,000 in ongoing General Fund for FY 2011
- Extended the **Drug Offender Reform Act (DORA)** for another year with a \$51,500 one-time General Fund in FY 2011 (in addition to appropriations to Human Services and Corrections)
- Appropriated \$804,200 for the deficit in the **Juror, Witness, and Interpreter program** in FY 2010

STATE COURTS INTENT:

The Legislature intends to set the District Court Judge Salary at \$132,150 for FY 2011.

(H.B. 2, Item 127)

CORRECTIONS

- **Reduced budgets** by \$8,035,900 in one-time General Fund in FY 2010.
- Reduced funding by \$7,600,000 in ongoing General Fund for the yet to be constructed **Parole Violator Center**, and added back \$1,700,000 one-time in General Funds in FY 2011.
- Continued funding the **Drug Offender Reform Act (DORA)** program with \$888,100 in one-time General Funds for community offender supervision in FY 2011 (this amount is in addition to funds appropriated to Human Services and the Courts).
- Moved \$374,700 of ongoing General Fund and \$49,000 of Education Funds from the Board of Regents (within the Higher Education Subcommittee) to the Department of Corrections to fund the **Prisoner Education program**. This transfer is in relation to H.B. 100, “**Department of Corrections - Tracking and Reimbursement of Individual Prisoner Costs**” (2009 General Session)

- Transferred the remaining one-time General Fund balance of \$234,100 from Jail Reimbursement within Corrections to **Finance-Mandated Jail Reimbursement** within the Department of Administrative Services.
- Transferred \$4,429,000 in ongoing General Fund and \$16,000 in Dedicated Credits from Programs and Operations to **Medical Services**.
- Transferred \$2,500,000 in one-time General Fund from Programs and Operations to **Medical Services** for FY 2010.

CORRECTIONS INTENT:

*The Legislature intends that the final state **daily incarceration rate** shall be \$64.29 for FY 2011.
(H.B. 3, Item 39)*

*The Legislature intends that, if the Department of Corrections is able to reallocate resources internally to fund additional **Adult Probation and Parole agents**, for every two agents hired, the Legislature grants authority to purchase one vehicle with Department funds. (H.B. 2, Item 122)*

*The Legislature intends that the Department of Corrections may spend up to \$3,600,000 of nonlapsing fund balances to retrofit a building to be used as the **Parole Violator Center**.
(H.B. 3, Item 3)*

BOARD OF PARDONS AND PAROLE

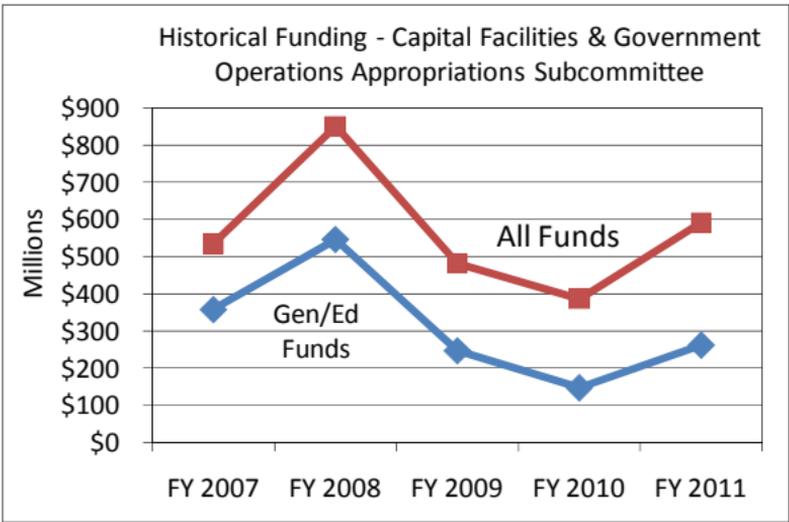
There were no major funding initiatives for the Board.

JUVENILE JUSTICE SERVICES

- **Decreased FY 2010 funding** by \$1,616,000 (\$1,339,700 General Fund). The decreases will be covered by a governor-directed hiring freeze, delays or reductions in operating expenses, one-time use of non-lapsing balances, and a reduction in community and rural residential placements.
- Decreased funding for **provider rates** by \$279,100 in ongoing General Fund in FY 2011 to take place July 1, 2010.
- Increased one-time General Fund in FY 2011 by \$8,000,000 to help minimize the impact of an anticipated \$9,760,000 loss of federal **Medicaid funding** beginning July 1, 2010.
- Increased ongoing General Fund by \$3,300,000 to restore funds for **Receiving Centers**.

CAPITAL FACILITIES & GOVERNMENT OPERATIONS

Total Subcommittee appropriations declined 20 percent from FY 2009 to FY 2010 Revised, but rebounded by 53 percent from FY 2010 Revised to FY 2011 Appropriated – largely due to the **transfer of \$113 million from road construction to building construction.**



CAPITOL PRESERVATION BOARD

- **Reduced the FY 2010** budget by \$103,900 one-time General Fund **and FY 2011 budget** by \$194,600 ongoing General Fund. The budgets were balanced through vacated executive director position savings, Eurest Dining services contract elimination, current expense cutbacks, and other post employment benefits rates changes.

- **Appropriated \$650,000 one-time General Fund** for FY 2011 to fund agency operations for one year.
- **S.B. 33 “State Capitol Preservation Board Fee Amendments”** reduced dedicated credit revenue by \$30,300 for FY 2010

CAREER SERVICE REVIEW BOARD

- **Reduced the FY 2010 budget** by \$1,300 one-time General Fund.
- **Increased the FY 2011 budget** by \$1,300 ongoing General Fund.
- **H.B. 140 “Human Resource Management Amendments”** renames the current agency, “Career Service Review Office” (CSRO) and delineates its operations and responsibilities beginning FY 2011 forward.

DEPARTMENT OF ADMINISTRATIVE SERVICES

- **Reduced the Administrative Services FY 2010 budget** by \$523,700 one-time General Fund.
- **S.B. 89 “Legal Notice Amendments”** appropriates \$18,700 one-time and \$18,000 ongoing General Fund for FYs 2010 and 2011 respectively.
- **Reduced the FY 2010 Finance Mandated budget (Development Zone Partial Rebates)** by \$11,322,400 from the General Fund Restricted – Economic Incentive Restricted Account.
- **Moved \$4,383,900** from the General Fund Restricted – Economic Incentive Restricted Account to the General Fund in FY 2010.

- Reduced the FY 2011 Finance Mandated budget (**Development Zone Partial Rebates**) by \$9,500,000 from the General Fund Restricted – Economic Incentive Restricted Account.
- Appropriated \$38,400 one-time General Fund for FY 2011 Finance **Transparency Website Maintenance**.
- Reduced the **Administrative Services** FY 2011 Agency budget by \$596,900 ongoing General Fund.
- **Collapsed DAS’ six separate line items into one for FYs 2010 and 2011 only**, allowing DAS management the flexibility to reorganize operations and budget with an eye toward efficiency.
- **H.B. 402, “Department of Administrative Services Modifications”** allows DAS to operate additional divisions within the Agency as internal service funds.
- Appropriated \$234,100 from nonlapsing balances for FY 2010 and \$3,000,000 ongoing and \$3,000,000 one-time General Funds for FY 2011 to the **Jail Reimbursement** Program (within the Finance Mandated line item).

DAS INTERNAL SERVICE FUNDS

No major changes.

DEPARTMENT OF HUMAN RESOURCE MANAGEMENT

- **Reduced the FY 2010 budget** by \$134,300 one-time General Fund with administrative cutbacks and other post employment benefits rates changes.
- **Reduced the FY 2011 budget** by \$210,100 ongoing General Fund with administrative cutbacks and other post employment benefits rates changes.
- **Transferred \$100,000 ongoing General Fund** from the Attorney General beginning FY 2011;
- Appropriated \$450,000 one-time General Fund for FY 2011 **DHRM related research** work.

DHRM INTERNAL SERVICE FUND

The Legislature approved a **6% rate decrease** in FY 2011 for these services. These rate reductions amount to a decrease of \$659,600 to state agencies.

DEPARTMENT OF TECHNOLOGY SERVICES

CHIEF INFORMATION OFFICER: Reduced the FY 2010 budget by \$25,200 one-time General Fund for training and office supplies cutbacks and other post employment benefits rates changes.

- **Reduced the FY 2011 budget** by \$3,200 ongoing General Fund for rate and employment benefits adjustments.

INTEGRATED TECHNOLOGY DIVISION:

- **Reduced the FY 2010 budget** by \$62,100 one-time General Fund for current expense and short term Omnilink system cutbacks and other post employment benefits rates changes.
- **Increased the FY 2011 budget** by \$88,800 (net ongoing increase of General Fund to primarily restore reductions to the Omnilink system).

TECHNOLOGY ACQUISITION PROJECTS DIVISION:

No new projects were funded in FY 2011.

DTS INTERNAL SERVICE FUND (ISF)

The Legislature approved **rate reductions** amounting to \$4,253,700 for state agencies.

CAPITAL AND DEBT SERVICE BUDGET

- Funded **Capital Development projects** equaling \$202,111,000 and pre-funded \$2,898,000 for Operations and Maintenance of those facilities (see table below).
- Reduced the Capital Improvements budget which funds larger **alterations and repairs** on existing buildings by \$4,977,100 ongoing, leaving a total appropriation of \$50,685,400.
- Increased **debt service** appropriations by \$55,743,800 ongoing from transportation funds to pay for new highway bonds.

State Funded Capital Development Projects

UVU Health Science Building	\$45,000,000
DSC Centennial Commons Bldg.	35,000,000
SLCC Instructional and Admin. Complex	29,000,000
UNG Upgrades and Repairs to Armories	4,000,000
USU Agricultural Building G.O. Bond	43,111,000
USTAR Buildings G.O. Bond	46,000,000
Total G.O. Bonds for Buildings:	<u><u>\$202,111,000</u></u>

Non-State Funded Capital Development Projects

UU Ambulatory Care Complex Rev. Bond	\$119,541,000
UU Orthopaedic Center Rev. Bond	25,000,000
WSU Phase I Student Housing Rev. Bond	15,000,000
UU Ambassador Building Rev. Bond	12,000,000
UU University Guest House Rev. Bond	10,000,000
UU Henry Eyring Building	17,878,000
SUU Museum of Art	10,000,000
Ogden Driver License Building	3,294,000
USU Botanical Center Classroom Bldg.	3,000,000
Residential Facility for the Blind	1,497,000
Total Non-State Funded	<u><u>\$217,210,000</u></u>

**DIVISION OF FACILITIES, CONSTRUCTION
AND MANAGEMENT INTENT:**

*The Legislature intends the Division of Facilities and Construction Management review office **space management for the Department of Human Services** in conjunction with the office space availability and needs of all state agencies and report back to the Office of the Legislative Fiscal Analyst on or before January 1, 2011 concerning optimal facility utilization. (H.B. 2, Item 212)*

*The Legislature intends that the Division of Facilities Construction and Management and the Department of Public Safety cooperate with Salt Lake City to advance preliminary discussions for the programming, design, and costing of a **Joint Emergency Operations Center**, and provide the*

results of that planning to the Legislative Fiscal Analyst and the Governor's Office of Planning and Budget, with the intent of reporting their recommendations and analysis regarding the cost effectiveness and potential operational efficiencies of such a facility to an appropriate legislative committee by June 30, 2010. (H.B. 3, Item 72)

The Legislature included the following intent language for the **Capital Budget**:

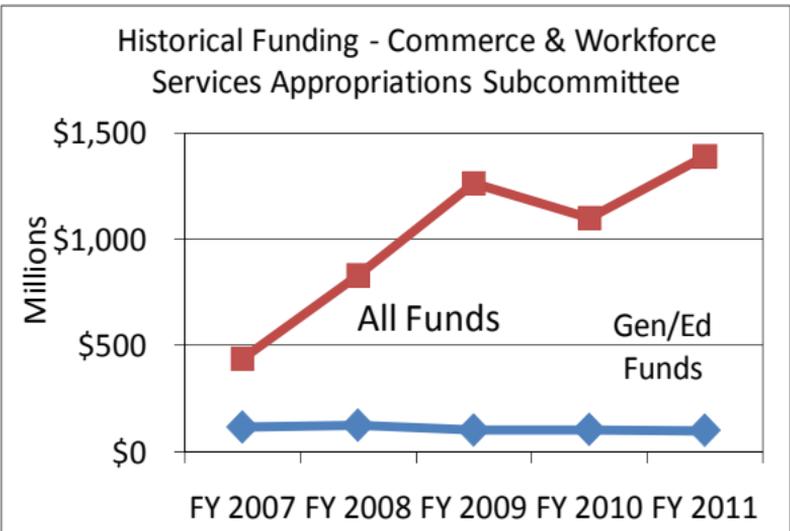
*The Legislature intends that the State Building Board reallocate \$3,550,000 of prior year capital improvement funds previously authorized for the University of Utah and combine them with capital improvement funds allocated to the **University of Utah** for FY 2011 for the purpose of upgrades and replacements in the **High Temperature Water Distribution System**. This reallocation of capital improvement funds shall be reported to the Office of the Legislative Fiscal Analyst. (H.B. 3, Item 78)*

*The Legislature intends that the 2011 Legislature and the State Building Board consider, subject to budget constraints, funding the design and construction of the Department of Human Services **State Hospital Building** as the highest capital development priority for fiscal year 2011-12. (Senate Journal, 2010 General Session, Day 45)*

COMMERCE & WORKFORCE SERVICES

Total funding for this subcommittee increased between FY 2007 and FY 2011 as a result of:

- Increased federal funds for **assistance programs**
- Accounting for the **Unemployment Compensation Trust Fund**, which was formerly “off budget”
- Increased **Premium Tax Collections**



ALCOHOLIC BEVERAGE CONTROL

The Legislature appropriated \$1,986,000 for **bond payments and operations and maintenance**. The Legislature reduced operating budgets by \$653,200 and put the Parents Empowered Program budget in a new line item.

COMMERCE

During the 2010 General Session the Legislature appropriated \$400,000 ongoing for **E-Commerce Fees**. The Legislature also reduced the **Department of Commerce-Public Utilities Professional & Technical Services** one-time of \$450,000 in Non-Lapsing funds and **Department of Commerce-Committee of Consumer Services** Professional & Technical Services one-time \$1,000,000 in Non-Lapsing funds in FY 2010.

FINANCIAL INSTITUTIONS

No major changes.

INSURANCE

The Department of Insurance created four **new restricted accounts**:

- Technology Development Restricted Account
- Criminal Background Check Restricted Account
- Captive Insurance Restricted Account
- Title Licensee Enforcement Restricted Account

The Legislature reduced Utah's **High Risk Insurance pool** budget by \$425,000 ongoing.

The Legislature passed **H.B. 294, Health Insurance Reform Amendments**, which the Department will use to develop Utah's Health Insurance Exchange software and for the Defined Risk Adjuster Board. The Legislature appropriated an ongoing \$150,000 in General Funds for the implementation of this bill. This bill generated ongoing General Fund revenue of \$150,000 by reducing a cap on a restricted account non-lapsing balance.

LABOR COMMISSION

The Legislature appropriated \$1,900,000 from the newly created General Fund Restricted-**Industrial Accident Restricted Account**. This new account replaces funding from Uninsured Employers Fund. This will expedite liability payments.

PUBLIC SERVICE COMMISSION

The Legislature appropriated \$25,000 ongoing for the Commission's **on-line document management system**.

WORKFORCE SERVICES

The Legislature **reduced budgets** by \$3,300,000 ongoing for administrative, technical and program System Efficiencies. The Legislature appropriated \$2,000,000 one-time from the DWS Special Administrative Expense Fund for a **Reed Act reemployment initiative**. The Legislature passed intent language requiring that any funds transferred between programs be presented to the Legislature.

During the 2010 General Session, the Department's single line item was broken into three **separate line items**:

- Workforce Services
- Unemployment Insurance Administration
- Unemployment Compensation Fund

The budget is further divided in FY 2012 by separating the Workforce Services line into three line items making a total of five:

- Administration
- Policy and Operation
- General Assistance
- Unemployment Insurance Administration
- Unemployment Compensation Fund

These newly created line items will help the Legislature understand how funds are spent.

H.B. 18, “Unemployment Insurance Amendments” made changes to Utah’s Unemployment Compensation Fund that will allow individuals to receive additional benefits.

UTAH STATE OFFICE OF REHABILITATION

No major changes.

ECONOMIC DEVELOPMENT & REVENUE

The total General Fund and Education Fund appropriations for this subcommittee declined 27 percent from FY 2009 to FY 2010 Revised, but rebounded by 3.2 percent from FY 2010 Revised to FY 2011 Appropriated.

GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT

- Funded **tourism promotion** totaling \$6,950,000;
- Funded several **business initiatives** including:
 - Utah Sports Commission \$700,000
 - World Trade Center \$350,000
 - Health Exchange \$670,000
 - Utah Bid Development Solutions \$1,000,000
- Reduced one-time funding for the **California Initiative** by \$1,000,000 in order to help balance the budget.

DEPARTMENT OF COMMUNITY AND CULTURE

- Appropriated \$45,000 from the General Fund, to facilitate transition efforts in the **Folk Arts** program.
- Eliminated the **Radio Reading Program** in the State Library to reach committee targets.

UTAH STATE TAX COMMISSION

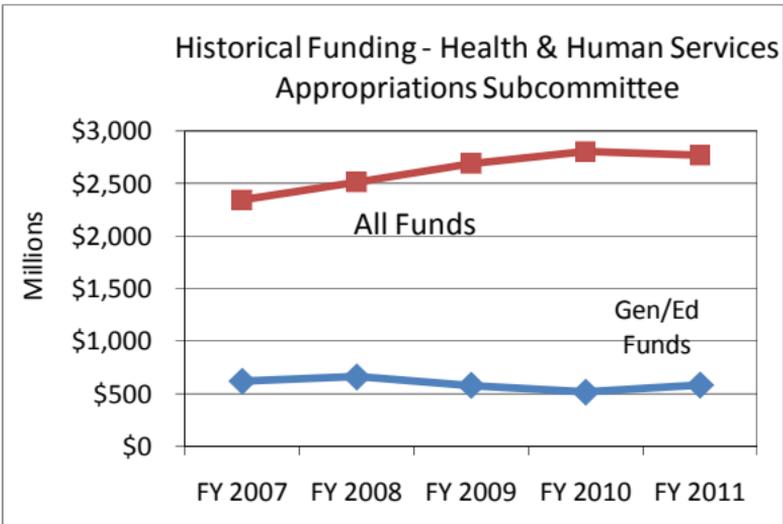
- Decreased the cost of **tax collection** activities by decreasing the number of budgeted positions by 12 FTE, totaling \$703,700.
- Expanded the hours of the **South Valley Drivers License Office** to stay open Fridays, increasing the cost of collection by \$250,000.
- Funded **postage** related costs by \$139,200.
- Changed certain **filing and advertising requirements**, resulting in savings of \$110,000.

UTAH SCIENCE TECHNOLOGY AND RESEARCH

- Authorized a one-time reduction of \$5 million from the **recruitment of researcher's** effort.
- Decreased ongoing expenses related to **recruitment of researchers** by \$792,400.

HEALTH & HUMAN SERVICES

Total General Fund appropriations for this subcommittee declined 11.3 percent between the FY 2009 Actual budget and the FY 2010 Revised budget, but increased by 13.3 percent between the FY 2010 Revised budget and the FY 2011 Appropriated budget – largely due to increases to Medicaid and the Division of Child and Family Services.



BALANCING WITH OTHER FUNDS

The Legislature used one-time funding from the following sources:

FY 2010

- \$22,776,900 federal stimulus funds
- \$6,864,900 from Medicaid Restricted, Tobacco Settlement, Domestic Violence Services, Children's, and People with Disabilities accounts

FY 2011

- \$83,778,600 federal stimulus funds
- \$10,550,100 from Medicaid Restricted, Tobacco Settlement, Nursing Care Facilities, Hospital Provider Assessment, and People with Disabilities accounts

EXECUTIVE ORDER – The Governor reduced personnel and operating expenses by 3.0 percent in the second half of FY 2010. The one-time General Fund reductions were \$2,856,300 from Human Services and \$687,600 from Health.

DEPARTMENT OF HEALTH

MEDICAID MATCH RATE – Part of the federal stimulus is a temporary increase in the Medicaid match rate resulting in a federal funds increase of \$15,319,300 in FY 2010 and \$45,954,100 in FY 2011. The Legislature allocated the funds as follows:

FY 2010

- \$7.1 million for supplemental caseload growth
- \$4.9 million to reduce General Fund in the budget
- \$1.5 million for dental rate backfill
- \$1.2 million for Houghton lawsuit costs
- \$0.7 million to delay start of FY 2010 reductions

FY 2011

- \$45 million for Medicaid caseload and inflation
- \$1.0 million to reduce the amount of General Fund in the budget

MEDICAID INFLATION AND

CASELOAD/UTILIZATION INCREASES – The

Legislature added \$17,137,500 in one-time General Fund in FY 2010 to cover anticipated caseload growth. Medicaid caseloads grew by 14.5 percent from March 2009 through March 2010.

LEGISLATIVE AUDIT FINDINGS – The Legislature

acted on two audits: 2009-12, “A Performance Audit of Fraud, Waste, & Abuse Controls in Utah’s Medicaid Program”, and 2010-01, “A Performance Audit of Medicaid Managed Care.” Legislators removed \$5,276,200 (\$1,332,900 General Fund) in FY 2010 and \$26,210,800 (\$9,461,100 General Fund with a one-time backfill of \$4,661,300) in FY 2011.

The Legislature expects improvements in:

- Fraud, waste, and abuse prevention efforts
- Contracted managed care
- A corrected payment error for emergency room services.

MEDICAID COMPUTER SYSTEM UPGRADE – The

Legislature added \$3,000,000 in one-time General Fund to begin replacement of a 1975-generation Medicaid Management Information System.

BUDGET REORGANIZATION – The Legislature

changed four of Health’s line items into three line

items to reflect the new organizational structure of the Department of Health.

DEPARTMENT OF HEALTH INTENT:

*The Legislature intends that the Department of Health report by October 1, 2010 to the Office of the Legislative Fiscal Analyst on **reimbursement options for pharmaceutical drugs** that would give the State more control over inflationary increases and/or move away from a reimbursement based on Average Wholesale Price. (H.B. 2, Item 206)*

*Under Section 63J-1-603 of the Utah Code, the Legislature intends that up to \$350,000 of Item 99 of Chapter 1, Laws of Utah 2007, Volume 1 for funding of the **Medicaid Management Information System** not lapse at the close of Fiscal Year 2010. The use of any nonlapsing funds is limited to the redesign of the Medicaid Management Information System and implementing recommendations from the Legislative Auditor General's audits in Medicaid. (H.B. 2, Item 69)*

*The Legislature intends that the Department of Health report to the Office of the Legislative Fiscal Analyst by July 1, 2010 its plans for a **Medicaid Management Information System** replacement. The presentation should include the full array of options for which parts of claims processing are performed by State vs. contracted workers. (H.B. 2, Item 207)*

*The Legislature intends that the Department of Health report quarterly to the Office of the Legislative Fiscal Analyst on the status of replacing the **Medicaid Management Information System** replacement beginning September 30, 2010. The reports should include, where applicable, the responses to any requests for proposals. (H.B. 2, Item 207)*

*The Legislature intends that the Department of Health **establish a Medicaid outpatient fee schedule** for each of the following types of facilities: rural hospitals, urban hospitals, and ambulatory surgical centers. The first twenty-five percent of the new fee schedule should be implemented no later than July 1, 2010. Fifty percent should be implemented no later than October 1, 2010. Seventy-five percent should be implemented no later than January 1, 2011. The project should be completed by July 1, 2011. (H.B. 2, Item 70)*

*The Legislature intends that the **Public Employees' Health Program (PEHP)** provide a report to the Legislative Fiscal Analyst by December 31, 2010 on ideas learned by PEHP that could be applied to Medicaid. (H.B. 2, Item 208)*

DEPARTMENT OF HUMAN SERVICES

EXECUTIVE DIRECTOR OPERATIONS

Decreased funding by \$424,100 (\$353,900 General Fund or 5.0 percent) to Information Technology, Fiscal Operations, Human Resources, Services Review, and the Office of Licensing and by \$217,500 (\$123,400 General Fund or 10.0 percent) to the Executive Director's Office and Legal Affairs.

HUMAN SERVICES INTENT:

*The Legislature intends the department **review all oversight and audit functions for streamlining and consolidation** in an effort to maximize the effectiveness of the audit process and minimize disruption to the provision of services. The Legislature further intends the study of the effectiveness of streamlining and consolidation of audit efforts by the Department of Human Services on counties and private providers be placed on the Master Study Resolution. (H.B. 2, Item 212)*

*The Legislature intends the Division of Substance Abuse and Mental Health and the Division of Aging and Adult Services **forego site visits of county mental health, substance abuse, and aging programs** during FY 2011 and conduct statutorily required monitoring through reports submitted by electronic or other means and report back to the Office of the Legislative Fiscal Analyst on or before*

January 1, 2011 concerning the outcome of this monitoring technique. (H.B. 2, Items 213 and 217)

*The Legislature intends the Division of Facilities and Construction Management **review office space management** for the Department of Human Services in conjunction with the office space availability and needs of all state agencies and report back to the Office of the Legislative Fiscal Analyst on or before January 1, 2011 concerning optimal facility utilization. (H.B. 2, Item 212)*

*The Legislature intends the Department **explore options to privatize the Utah State Developmental Center** in order to bring greater cost sustainability to the state. The Legislature further intends the department identify opportunities to privatize other activities and facilities and report back its findings regarding the Developmental Center and other opportunities to privatize to the Office of the Legislative Fiscal Analyst on or before November 1, 2010. (H.B. 2, Item 214)*

DIVISION OF SUBSTANCE ABUSE AND MENTAL HEALTH

- Decreased funding by \$56,100 (5.0 percent) to **Residential Mental Health and the Drug Offender Reform Act (DORA)**, by \$148,400 (10.0 percent) to **Administration**, by \$621,000 (\$500,000 General Fund or 1.2 percent) to the **State Hospital**, and by \$44,200 (2.5 percent) to **State Substance Abuse Services**.

- Decreased funding by \$600,000 ongoing General Fund (2.7 percent) to **Local Mental Health Centers** with one-time backfill funding of \$613,900.
- Eliminated the **Drug Board** program (\$350,900)
- Increased funding by \$1,960,400 one-time (part of a \$2,900,000 multi-agency package) to continue **DORA** for one additional year.

DIVISION OF SERVICES FOR PEOPLE WITH DISABILITIES

- Decreased funding by \$214,600 (\$107,300 General Fund or 5.5 percent) to **Administration**.
- Decreased funding by \$7,000,000 (\$1,500,000 General Fund or 14.0 percent) to the **Utah State Developmental Center**.
- Increased funding by \$5,928,900 (\$1,500,000 General Fund) to pay for required additional needs of individuals with disabilities as a condition of participation in **Medicaid waiver programs**.
- Restored \$1,000,000 ongoing General Fund of a previously scheduled \$1,950,000 reduction effective July 1, 2010 to the **regional case management** portion of the budget.
- Increased funding by \$1,700,000 one-time General Fund to delay for one year a reduction in **provider rates** previously scheduled to take effect July 1, 2010.
- Increased funding by \$150,000 to fund the **Supported Employment** program for one year.

DSPD INTENT

*The Legislature intends the Division of Services for People with Disabilities, in consultation with **Medicaid** officials, take the following actions as a result of the funding changes made to the division budget: 1) **increase the caseload level** for support coordinators and streamline the reporting and oversight functions of these case manager positions; 2) begin negotiations with federal and state Medicaid officials to revise the waivers and **provide low cost, less intensive services**; and 3) revise the **oversight methodology** used to monitor private providers' use of funds and cease auditing to 15 minute increments and shift to a methodology which is not more frequent than daily. The Legislature recognizes that less oversight is needed for well performing providers. The Legislature further intends the Division of Services for People with Disabilities change the frequency of face to face visit requirements and other requirements from support coordinator contracts and implement a corresponding cost reduction. (H.B. 2, Item 214)*

*The Legislature intends the Division of Services for People with Disabilities look to maximize funding going to the **Disabilities Trust Fund**. (H.B. 2, Item 214)*

OFFICE OF RECOVERY SERVICES

- **Decreased funding** by \$991,000 (\$357,200 General Fund or 5.0 percent) in all ORS operations except Child Support Collection Services, Children in Care Collections, and the Attorney General Contract.

DIVISION OF CHILD AND FAMILY SERVICES

- **Decreased funding** by \$1,002,800 (\$628,800 General Fund or 5.0 percent) in **Administration, Adoption Assistance, and the Child Welfare Management Information System.**
- **Decreased funding to the division's case management and regional operations** by \$2,139,200 (\$1,900,000 General Fund – comprised of a \$2,900,000 ongoing reduction with a \$1,000,000 one-time backfill).
- Increased funding by \$14,000,000 General Fund (\$7,000,000 ongoing and \$7,000,000 one-time) to help minimize the impact of an anticipated \$18,000,000 **loss of federal Medicaid funding** beginning July 1, 2010 in residential group care.
- Increased funding by \$4,000,000 ongoing General Fund for **treatment services for children and youth in state custody.**

DIVISION OF CHILD & FAMILY SERVICES

INTENT:

*The Legislature intends the Division of Child and Family Services take the following actions as a result of the funding changes made to this line item: 1) **increase caseloads** by an average of 1 case per caseworker, 2) identify opportunities to **increase in-field work** as well as telecommuting in order to reduce facility costs on an ongoing basis, and 3) **consider options** and strategies to pay workers on a per case basis. The Legislature further intends the Division of Child and Family Services report back to the Office of the Legislative Fiscal Analyst on or before January 1, 2011 concerning the effects of this change on division outcomes and operations. (H.B. 2, Item 216)*

DIVISION OF AGING AND ADULT SERVICES

- **Decreased funding** by \$36,200 (5.0 percent) to **Administration**.
- **Restored funding** completely for reductions previously scheduled to take place beginning July 1, 2010 to **Aging Alternatives** for \$500,000 as well as Pass-through Funds to **County Aging Programs** of \$189,000.

JUVENILE JUSTICE SERVICES,

While part of DHS, Juvenile Justice Services is included in the Executive Offices and Criminal Justice section.

HIGHER EDUCATION

The FY 2010 appropriated budget for the Utah System of Higher Education, the Utah Education Network, and the Medical Education Council was \$1,242,017,900, with 56 percent (\$693,650,900) being funded from state tax funds (General Fund, Education Fund, and Uniform School Fund), six percent from American Recovery and Reinvestment Act (ARRA) funds, 34 percent from tuition, and the balance from Federal Funds and other restricted accounts. Non-state funds adjustments, mainly tuition and nonlapsing balances increased the appropriated level by \$6,421,800. With lower revenue estimates for FY 2010, the Legislature reduced the FY 2010 appropriation by \$20,876,000, but also approved an additional \$800,000 for New Century Scholarships this fiscal year. In further FY 2010 action, the Legislature authorized Salt Lake Community College to receive \$3 million in competitive ARRA grants and reduced one-time funding in the amount of \$93,700 for pre-funded Operations and Maintenance expenses for buildings where the completion has been slightly delayed. The final FY 2010 budget is expected to be \$1,231,270,000.

With Higher Education being one of the Legislature's priorities for FY 2011, lawmakers approved a FY 2011 budget of \$1,231,337,200, with \$720,650,200 in state funds. The ongoing state funds of \$740,311,800 are offset by \$19,661,600 in one-time reductions. Comparing the FY 2011

ongoing state funds appropriation to the respective level for FY 2010 shows an increase of nearly five percent. Comparing it to the original FY 2009 level shows a decrease of 12.5 percent. The total state funding of \$720,650,200 represents 58.5 percent of the total appropriation. Tuition represents 37.2 percent, ARRA funding drops to 1.6 percent, with remaining 2.7 percent consisting of federal revenue, transfers, mineral lease, land grant management funds, and nonlapsing balances.

UTAH SYSTEM OF HIGHER EDUCATION

Legislative Action

The Legislature adjusted the FY 2010 budget using the FY 2010 appropriation of \$1,208,638,800 as the beginning point. The FY 2010 Estimated level recognizes revisions for tuition and non-lapsing balances in the amount of \$6,846,300. To this budget, lawmakers approved one-time reductions of \$20,637,800 to cover anticipated revenue shortfalls in FY 2010. Consistent with promises made during the summer of 2009, lawmakers approved FY 2010 supplemental funding in the amount of \$800,000 for **New Century Scholarships**. They also authorized \$3 million in additional ARRA funding for **competitive grants** and reduced funding by \$93,700 for **Operations and Maintenance** funding that had been approved with the expectation of an earlier opening date for the **Snow College library**. The FY 2010 total appropriation is \$1,198,553,600.

The ongoing portion of the FY 2010 budget becomes the beginning point for the FY 2011 budget. The Base Budget bill (S.B. 1) funded Higher Education at 98 percent of the ongoing state funds and 100 percent of other fund sources. To this base, the Legislature approved additional appropriations through H.B. 2 and H.B. 3. Total increases approved in these two bills amount to \$49,025,700, resulting in a total FY 2011 budget of \$1,186,261,000, with \$701,598,900 in state funds (\$722,260,500 ongoing and (\$20,661,600) one-time).

NEW FUNDING

Replacement of Reductions: The Legislature approved replacing the two percent across-the-board reduction included in S.B. 1 (\$13,747,200), and \$31.5 million in previous reductions. Part of this funding (\$19.8 million) is from ARRA funds in FY 2011, but will be funded with General Funds in FY 2012 and beyond.

Operation and Maintenance of New Facilities: The USHE received appropriations of \$2,898,000 for the operation and maintenance (O & M) of the following four new state-funded facilities:

- Agriculture Building at Utah State University (\$493,000)
- Science/Health Science Addition at Utah Valley University (\$1,244,000)
- Centennial Commons Building at Dixie State College (\$712,000)
- Instructional and Administrative Complex at Salt Lake Community College (\$449,000)

In 2005, the Legislature adopted a policy for state-funded buildings where the O & M is funded when the building is approved, and then offset with one-time reductions until the building comes on line. Under this policy, the Legislature approved one-time reductions in the appropriated levels in the amount of \$5,558,800, which includes the above-mentioned new facilities and the following:

- Museum of Natural History at the University of Utah (\$656,300)
- Business School Replacement Building at the University of Utah (\$1,055,100)
- Gibson Science Center at Southern Utah University (\$324,400)
- Digital Design/Communications Center at Salt Lake Community College (\$141,400)
- Northern Utah County Campus Building at the Mountainlands Applied Technology College (\$214,100)
- Health Technology Building at the Ogden/Weber Applied Technology College (\$408,200)

These reductions were offset by \$138,700 in one-time funding for Nursing Building O & M at the University of Utah.

Financial Aid: For FY 2011, the Utah System of Higher Education received \$500,000 for the Regents' Scholarship and \$3,850,000 (one-time) for the New Century Scholarship.

Range Creek: Lawmakers approved \$25,000 for security expenses at Range Creek.

Lean Manufacturing Lease Buyout: The Lean Manufacturing program, operated by the Ogden/Weber Applied Technology College, has been operating in leased space. The Legislature provided \$385,000 in one-time funding to be used with other funding from OWATC and concessions of the leaseholder, to buy out the remainder of lease.

Internal Funding Transfers: To more accurately reflect expenditures, several transfers were made within various Higher Education budgets. These include:

- Moving \$498,000 from Snow College to Utah State University Tooele Campus. This was funding from the 2007 General Session that funded several partnerships between USU and the Community Colleges. This transfer will maintain the partnership with Snow College, but the funding will be at USU.
- Moving \$1,368,300 from the College of Eastern Utah's Education and General line item to a new line item for Career and Technical Education, in accordance with provisions in H.B. 15, "Career and Technical Education Amendments," passed during the 2009 General Session.
- Moving \$153,000 from Salt Lake Community College's School of Applied Technology line item to its Education and General line item to correct the funding allocation from H.B. 15.
- Moving \$378,000 from the Utah College of Applied Technology Custom Fit program to Salt Lake Community College. This represents the allocation UCAT has passed through to

SLCC and, with this transfer, will be through a direct appropriation.

- Moving \$879,600 from two of Utah State University's line items to seven other line items to better reflect expenditures.

External Funding Transfers: Funding for one program was transferred from the State Board of Regents to the Department of Corrections and two programs were transferred to Utah State University from Public Education.

- H.B. 100, "Department of Corrections – Tracking and Reimbursement of Individual Prisoner Costs" from the 2009 General Session required the State Board of Regents to transfer funds for the Prison Recidivism program to the Department of Corrections. This was done manually for FY 2010; for FY 2011, the Legislature approved moving the appropriations completely. The amount transferred is \$423,700.
- Public Education transferred funding for the Sound Beginnings program (\$249,900) and the ASSERT program (\$166,000) to Utah State University where the programs' services are delivered.

BILLS AFFECTING HIGHER EDUCATION

S.B. 69, "College of Eastern Utah Affiliation with Utah State University" merges CEU with USU and makes CEU a comprehensive regional college of USU. All five of the CEU line items, totaling \$19,576,200, and 218.8 FTEs were transferred to USU. The Legislature added a one-time appropriation of \$500,000 to USU for merger costs.

S.B. 52, “State Board of Regents Amendments” requires the Governor to appoint at least two individuals to the Board who do not reside in a metropolitan area of the State, and restricts the number of Board members who reside in a county of the first class to six. The bill also directs the Board to establish a Bachelor of Science degree program in electronics engineering at Weber State University.

UTAH MEDICAL EDUCATION PROGRAM

The base appropriation in FY 2011 for the MEC was \$561,000 or \$20,000 less than the FY 2010 ongoing appropriation. The total appropriation includes a reduction of \$29,100 from the Rural Residency Training Program.

UTAH EDUCATION NETWORK

The Legislature made no reductions to UEN’s ongoing state funds appropriation for FY 2011 and approved a \$1,000,000 one-time appropriation to help UEN secure a \$13.4 million federal broadband grant from the National Telecommunications and Information Administration (NTIA).

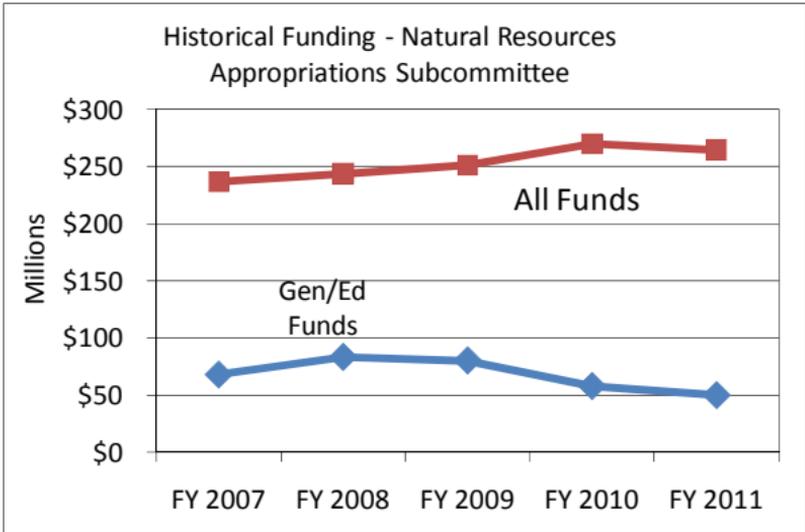
NATURAL RESOURCES

FY 2010 BUDGET SHORTFALL

The Legislature reduced the Subcommittee's one-time General Fund by \$2.78 million. The General Fund portion of the Subcommittee's FY 2010 budget is 28 percent less than the prior year. However, the agencies received supplemental appropriations from non General Fund sources totaling \$12.8 million. This brought the total FY 2010 budget to \$270,229,300 (with \$57,831,500 from the General Fund), which is a 7.5 percent increase from FY 2009.

FY 2011 BUDGET SHORTFALL

The Legislature reduced the Subcommittee's General Fund by \$7.9 million (\$1.7 million ongoing and \$6.2 million one-time). The General Fund portion of the FY 2011 budget is 14 percent less than the FY 2010 revised appropriations. The Legislature increased the appropriation from other sources by \$2.5 million, which brought the total FY 2011 budget to \$264,829,200 (with \$49,893,400 from the General Fund). This is a two percent decrease from the FY 2010 revised appropriations.



DEPARTMENT OF NATURAL RESOURCES

During the 2010 General Session, legislators undertook the following major funding initiatives:

- H.B. 240, “Department of Natural Resources Amendments”** changes the user fees for playing nine holes of golf at Wasatch Mountain, Palisade, and Green River State Parks from \$1.50 to 15 percent of the green fees, which is projected to generate additional \$16,300 in restricted revenues for the Division of Parks and Recreation.
- S.B. 24, “Land Exchange Distribution Account Amendments”** adjusts the allocation formula and provided 1 percent (about \$133,300) from the revenues of the Land Exchange Distribution Account to the Utah Geological Survey for projects in the West Desert such as well testing, other hydrologic studies, and air quality monitoring.

- **H.B. 2, “Fiscal Year 2010 and Fiscal Year 2011 Supplemental Appropriations”** (Item 299) transfers \$207,000 ongoing and \$300,000 onetime funds from the Species Protection restricted account to the General Fund.

NATURAL RESOURCES INTENT:

*The Legislature intends that the proceeds of the **hunts for bison, deer and Bighorn sheep on Antelope Island**, up to the amount of \$200,000, be used on Antelope Island State Park. Both conservation and regular hunts will be coordinated through a cooperative agreement between the Division of State Parks and the Division of Wildlife Resources (H.B. 3, Item 165).*

*The Legislature intends that the proposed purchase of buildings for **covered storage at Jordanelle State Park** by the Division of Parks and Recreation may not exceed \$440,000 (H.B. 2, Item 90).*

*The Legislature intends that the \$300,000 appropriation to the Division of Wildlife Resources be used to identify conflict areas between **landowners and fishermen** on Utah streams and rivers, and to purchase easements through the Walk-in Access Program (H.B. 3, Item 163).*

AGRICULTURE AND FOOD INTENT

*The Legislature intends that these funds be appropriated to securitize, at a discounted rate, funding for **emergency relief loans to the dairy sector**, as determined by the Agricultural Advisory Board to be under severe distress. The Legislature intends that these emergency relief loans be secured with United States Department of Agriculture loan protection guarantees, be approved and administered by the Agricultural Advisory Board, and be secured with sufficient funds or other collateral to assure revenue bond payment (H.B. 3, Item 172A).*

SCHOOL AND INSTITUTIONAL TRUST LANDS ADMINISTRATION

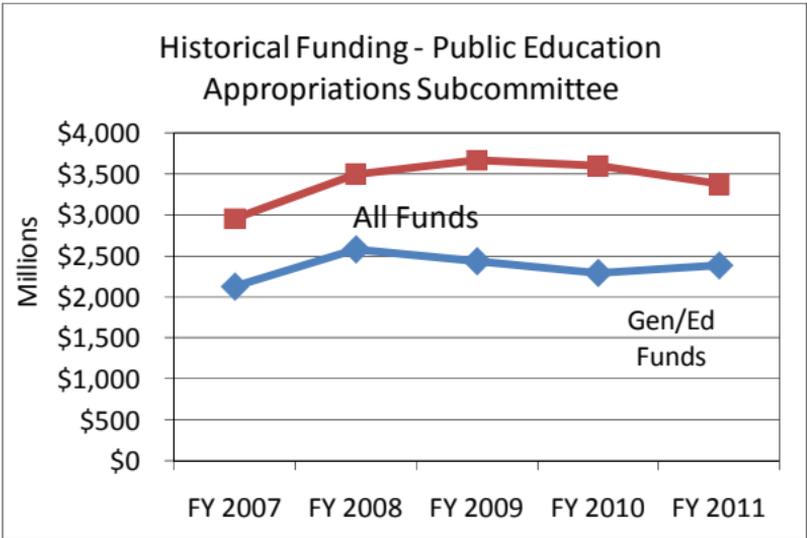
During the 2010 General Session, legislators reduced SITLA's FY 2010 budget by \$165,000 one-time, in order to reimburse the permanent trust fund for the third **management bonus** in FY 2009.

PUBLIC LANDS POLICY COORDINATION OFFICE

No major changes.

PUBLIC EDUCATION

Total appropriations for public education exceed \$3.3 billion in FY 2011, representing the largest share of the State’s annual budget. Appropriations declined 1.9 percent from FY 2009 Actual to FY 2010 Revised. A further decline of approximately 6.1 percent from FY 2010 Revised to FY 2011 is largely due to the expiration of federal education stimulus funds. State funds (GF/EF) declined by less than one percent from the FY 2010 original appropriation to FY 2011. The Historical Funding chart below shows a slight increase in state (GF/EF) appropriations from FY 2010 to FY 2011. This is a result of state funds supplanting State Fiscal Stabilization (ARRA) funds used in FY 2010.



Student Enrollment – Utah’s public schools enrolled 563,273 students in fall 2009 (FY 2010). Projections indicate that an additional 11,044 students will enroll in fall 2010, an increase of 2.0 percent.

School Personnel – In FY 2009, local school districts and charter schools employed 28,561 FTE licensed educators:

- 24,668 classroom teachers
- 2,396 instructional support, coordinators, and counselors
- 1,497 district and school-level administrators

In addition, 20,501 classified FTE worked to support the various functions of operating local schools. These numbers don’t include state-level FTEs.

MINIMUM SCHOOL PROGRAM

- Maintained the **Weighted Pupil Unit (WPU) value at \$2,577** – the same value as in FY 2009 and FY 2010 – resulting in a cost increase of nearly \$35 million to fund new WPUs occurring as a result of student enrollment growth.
- **Funded a total of 745,100 WPUs** (an increase of \$13,581) at a total cost of \$1.9 billion, of which \$1.6 billion comes from state revenue sources and the remaining from local property taxes.

- Estimated the **Basic Property Tax Rate (Basic Levy)** at 0.001513 (compared to 0.001307 in FY 2010) to generate the same \$273,950,764 in local property tax revenue as generated in FY 2010.
- Reduced funding for **To & From School Pupil Transportation** by \$6.3 million ongoing, but restored this reduction one time in FY 2011.
- Maintained the state fund guarantee for the **Voted & Board Leeway** programs at \$25.25 per WPU with \$19.9 million ongoing, state funds totaling \$57.9 million (local property taxes contribute the remaining \$310.4 million).
- Allocated additional funding for the **Charter School** Local Replacement program (\$13.6 million ongoing) and the Charter School Administrative Cost program (\$0.5 million ongoing) to account for increased student enrollment, appropriations for each program total \$58.9 million (\$1,607/student) and \$4.2 million (\$100/student) respectively.
- Provided \$2.1 million ongoing in FY 2011 to provide **Educator Salary Adjustments** to approximately 408 newly qualifying educators that began working in the 2009-2010 school year.
- Funded the **Critical Language & Dual Immersion** programs with \$750,000 ongoing, bringing the total ongoing appropriation \$975,400.

- Appropriated \$217.5 million ongoing to provide **flexible funding** to school districts and charter schools with funds distributed on a WPU basis.
- Reallocated one-time back-fill monies in FY 2010 to provide supplemental adjustments to the **Voted & Board Leeway state guarantee** (\$13.5 million) and the **Educator Salary Adjustment** program (\$2.1 million) to fund the impact of new teachers mentioned above in the current fiscal year.
- Appropriated \$5 million one-time to reimburse classroom teachers for out-of-pocket expenditures on **classroom supplies and materials**.
- Eliminated \$2.1 million in ongoing funding for the **Public Education Job Enhancement Program (PEJEP)**, but provided \$350,000 in one time funding in FY 2011.
- Reduced ongoing funding for **Library Books and Electronic Resources** by \$475,000 (\$25,000 ongoing remains), and provided \$400,000 in one-time funding in FY 2011.
- Maintained funding for the **Beverley Taylor Sorenson Arts Enhanced Learning Program** in FY 2011 (at the FY 2010 funding level) with a one-time appropriation of \$658,000; when combined with program balances, total funding in FY 2011 is approximately \$3.4 million and will exhaust all funding remaining from the original \$15.8 million one-time appropriation.

- Moved funding for the **Electronic High School** from the MSP to the Utah State Office of Education (USOE) and moved the **Performance-Based Compensation Pilot Program** from USOE to the MSP
- Reallocated remaining funding in the Social Security & Retirement line-item to the newly created **Flexible Distribution** program.

The Legislature included in **S.B. 2, “Minimum School Program and Public Education Budget Amendments”** the following changes in Utah Code governing certain MSP programs, as well as several items of intent language:

- Repealed and reenacted statutory language that governs the **authority of the State Board of Education (the Board) to adjust program allocations** in the MSP based on certain circumstances and requires the Board to report its actions taken under this section to the Legislative Fiscal Analyst and the Governor’s Office of Planning and Budget. Language also provides non-lapsing authority for state funds appropriated to the Board. (UCA Section 53A-17a-105/S.B. 2, Section 2)

- Adjusted statutory language to provide Board authority to make proportional reductions to per-student allocations to charter schools in the **Local Replacement and Administrative Cost programs** if the number of students enrolled exceeds the total per-student funding appropriated. (UCA Sections 53A-1a-513 and 53A-17a-108/S.B. 2, Sections 1 & 3)
- Amended statutes governing the **Voted & Board Leeway** programs to clarify that the state guarantee per WPU applies to the tax rate that was in effect for the previous fiscal year, unless an increase was approved by voters and meets certain timing requirements. (UCA Sections 53A-17a-133 and 53A-17a-134/ S.B. 2, Sections 4 & 5)
- Modified language governing **reductions to school district and charter school allocations** in case of insufficient revenues in the Education Fund. (UCA Section 53A-17a-146/ Section 6)
- Outlined the distribution of funds appropriated to teachers for reimbursement of out-of-pocket expenditures on **classroom supplies and materials**. (S.B. 2, Section 8)
- Directed that funding for the new **Flexible Allocation** program be distributed to school districts and charter schools on a WPU basis and that the Board provide for reporting of program expenditures. (S.B. 2, Item 12)

- Authorized student enrollment in **charter schools to grow** by 6,000 students for the 2011-12 school year. This enrollment is in addition to the anticipated base enrollment for 2010-11 of 42,211. (S.B. 2, Item 12)
- Provided that \$2,584,400 of the appropriation to **To & From School Pupil Transportation** support related costs at the Utah Schools for the Deaf and the Blind. (H.B. 1, Item 2 & S.B. 2, Item 12)
- Provided that \$1,117,084 of the appropriation to the **Career & Technology Education (CTE) District Add-on** program support agriculture programs in the public schools. (H.B. 1, Item 1 & S.B. 2, Item 11)

SCHOOL BUILDING PROGRAM

Appropriations total nearly \$14.5 million in FY 2011 and are entirely funded by the State.

- **Reduced ongoing funding** by \$8 million; the Foundation program was reduced by \$6,957,900 and the Enrollment Growth Program by \$1,042,100 – remaining appropriations total \$12.6 million and \$1.8 million respectively.
- Modified the statutory formulas governing the distribution of appropriations to qualifying school districts for both the **Capital Outlay Foundation and Enrollment Growth programs** – see H.B. 117, “Public Education Capital Outlay Act”.

PUBLIC EDUCATION AGENCIES

- **Re-appropriated \$97,885,900 in federal funds** to USOE in FY 2010 from the American Recovery and Reinvestment Act:
 - \$83,114,200 for re-appropriation in FY 2010 of Individuals With Disabilities Education Act (IDEA) and Title I Grants to Local Education Agencies
 - \$14,771,700 for Title I Part A
- Provided an increase of \$900,000 to the **Carson Smith** Special Needs Scholarship in FY 2011.
- Approved fees of \$175,000 in FY 2010 and 2011 for the **Elementary Core Academy**.
- Appropriated an FY 2011 base budget of \$21,103,300 Education Funds for **USOE**, or \$14,000 higher than their FY 2010 base budget.
- Approved an across-the-board 2 percent reduction of programs in the **USOE Initiative Programs** line item, except for the Carson Smith Scholarship Program mentioned above.
- Transferred two programs from the USOE Initiative Programs line item to the Higher Education Appropriations Subcommittee—**Sound Beginnings** (\$249,900) and **ASSERT Autism Support** (\$165,900) programs.
- Increased the **USDB** Education Fund appropriation by \$42,400 ongoing in FY 2011.

EDUCATION AGENCIES INTENT:

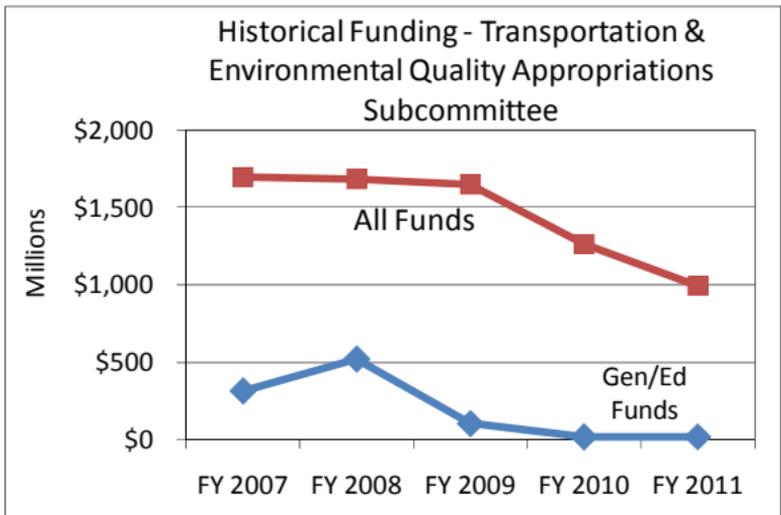
*The Legislature intends that the Utah State Office of Education **eliminate the use of its Education General Services Internal Service Fund** by transferring any associated capital assets of the fund to the Utah State Office of Education. The Legislature further intends that the Utah State Office of Education transfer up to \$34,000 to the Education General Services Internal Service Fund from the main Utah State Office of Education line item to cover the remaining deficit net assets. (H.B. 2, Item 102)*

Under Section 63J-1-603 of the Utah Code, the Legislature intends that any remaining amount of the \$2,312,500 ongoing General Funds provided by the Laws of Utah 2009, Chapter 396, State Agency and Higher Education Base Budget Appropriations, Item 209, shall not lapse for the State Board of Education, Carson Smith Special Needs Scholarship, at the close of Fiscal Year 2010. (H.B. 2, Item 103)

*The Legislature intends that the State Board of Education develop a plan **to create a website where best practices** and studies of school districts and charter schools **may be posted** for the purpose of facilitating and encouraging innovation, cost-savings, and productivity. The State Board of Education is requested to make a report on the plan to the Education Interim Committee no later than the committee's October interim committee meeting. (S.B. 2, Item 1)*

TRANSPORTATION AND ENVIRONMENTAL QUALITY

Total appropriations for this subcommittee declined 23.5 percent from FY 2009 to FY 2010 Revised, and then declined another 21.5 percent from FY 2010 Revised to FY 2011 Appropriated – largely due to the one-time transfer of \$113 million from highway construction to building construction.



DEPARTMENT OF TRANSPORTATION

Legislators approved the following major funding initiatives:

- **H.B. 438, “Transportation Modifications”** decreased the amount of sales taxes dedicated to the Centennial Highway Fund Restricted Account by \$113 million one-time in FY 2011. The Department of Transportation has agreed to delay construction of projects totaling \$113 million until 2015.
- Over \$3.5 billion in appropriations provides funding for **highway projects** in various stages of construction throughout the state. The larger projects include the rebuild of I-15 in Utah County from Lehi to past Main Street in Spanish Fork, the first phase of Mountain View Corridor, and the Southern Corridor in Washington County.
- Internal service fund **rate adjustments** generated \$340,700 savings to programs of the Department of Transportation.
- **S.B. 89, “Legal Notice Amendments”** modifies an advertisement for bids publication requirement applicable to the Department of Transportation, creating a savings of \$68,000.

DEPARTMENT OF ENVIRONMENTAL QUALITY

- **H.B 331, “Waste Fee and Related Amendments”** adjusted permittee fees for those companies regulated by the Solid and Hazardous Waste and Radiation Control Programs. The fee increases enacted by the bill are estimated to increase deposits to the Environmental Quality Restricted Account by \$2,533,300. The increased funding will allow DEQ to maintain regulation levels even though waste volumes have decreased in years past.
- FY 2011 General Fund **appropriation reductions** of \$239,400 will adjust current expenses, data processing expenditures, and transfers to local health departments.
- Internal service fund **rate adjustments** generate \$102,400 savings to Department of Environmental Quality programs.

DEPARTMENT OF ENVIRONMENTAL QUALITY INTENT:

*It is the intent of the Legislature that the Department of Environmental Quality do a **complete review of the Division of Air Quality.** Including review of all division functions, staffing, programs, fees, and funding sources. The Department shall report back to the Office of the Legislative Fiscal Analyst prior to the 2011 General Session its findings and recommendations to identify what program, policy, fee, staffing and other changes are needed to improve service to*

stakeholders, better address and respond to federal mandates, improve permit processing times and response, improve air quality and other changes needed to maintain program primacy with requirements of the federal government. (H.B. 2, Item 303)

UTAH NATIONAL GUARD

- Ongoing General Fund increases of \$137,000 in FY 2011 will increase **tuition assistance** by \$40,000 and utility payments by \$97,000.
- \$600,000 in one-time General Fund appropriations for 2011 will offset utility rate increases by \$100,000 and **increase tuition assistance** by \$500,000.
- \$213,000 in American Recovery and Reinvestment Act funds will address **armory facilities** at Camp Williams.

VETERANS' AFFAIRS

- Reduced ongoing General Fund appropriation by \$24,100.
- Provided one-time appropriation of \$100,000 for the **Veterans' Outreach** Program.