

FISCAL HIGHLIGHTS

EXECUTIVE APPROPRIATIONS COMMITTEE

SENATOR LYLE HILLYARD & REPRESENTATIVE MEL BROWN, CO-CHAIRS

MEETING SUMMARY - NOVEMBER 15, 2011

Report: Federal/Non-Federal Funds

Staff Contact: Gary Syphus

Jill Flygare from the Governor's Office of Planning and Budget (GOPB), presented the Federal/Non-Federal Funds Report for the Executive Branch. Gary Syphus presented the grants submitted by the Judicial Branch (Courts). The committee recommended approval of all three proposed grants: two federal grants and one non-federal grant.

Report: GOPB In-depth Review, Capital Expenditures in the Budget

Staff Contact: Mark Bleazard

Kimberlee Willettee, GOPB, presented a memorandum with two recommendations: (1) agencies should use Budget Prep for all funds connected to capital projects, and (2) agencies should prepare detailed projections for capital projects.

Report: DHRM Compensation Study

Staff Contact: Mark Bleazard

Neville Kenning and Malinda Riley, the Hay Group, presented their compensation study. They stated that current actual pay for state employees is 10.5% below the market average. The State of Utah's overall benefit program is at the 75th percentile for Utah and between the 50th and 75th percentile when compared to other states. The Hay Group did not recommend changes to vacation and holiday leave.

Report: Employee Leave Liability

Staff Contact: Steven Allred

Intent language directed the Division of Finance to report on the long term liability associated with state employee sick

leave and possible ways to address the liability. The division reported that most Program I sick leave is being addressed through creation of the Post-Retirement Benefits Trust Fund and program changes made in H.B. 213, 2005 G.S.

However, H.B. 213 also created Program II sick leave which is funded on a pay-as-you-go basis. Program II has liability growing at \$10.5 million per year, and is not capped in the number of hours that an employee can accumulate. The division gave several alternatives, including using the trust fund to cover Program II liability, capping sick leave hours that can be paid out at retirement, de-linking the benefit from sick leave hours, and carefully avoiding changes that would limit federal participation or impact taxability of programs.

Report: Property Valuation in the Constitutional Debt Limit

Staff Contact: Rich Amon

The State Treasurer presented a draft of a state debt policy that includes detail on how to calculate the constitutional debt limit. The policy also sets targets for state debt levels. The Treasurer discussed current state debt levels and recommended paying down current debt levels before further obligating the state.

Report: Expenditures on Services to Low Income Individuals and Families

Staff Contact: Mark Bleazard

Low-income individuals and families received services and support worth over \$2.7 billion in FY 2011. Of that amount, \$402.3 million came from the General Fund and Education Fund and \$1.95 billion from Federal Funds.

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PUBLIC EDUCATION

Staff Contact: Ben Leishman

Meeting Summary of the Public Education Appropriations Subcommittee

The Public Education subcommittee held its second interim meeting on November 9th. During the morning session, the subcommittee followed-up on changes made to the education budget during the 2011 General Session. Specifically, the committee discussed changes in funding to school districts and charter schools due to the consolidation of programs within the Minimum School Program. The Utah State Office of Education (USOE) and Utah Association of School Business Officials contributed to the discussion.

The subcommittee had a robust discussion on Career and Technical Education (CTE). The discussion included funding and policy implications associated with eliminating the Utah College of Applied Technology (UCAT) incentive from statute during the 2011 General Session. The UCAT incentive was a policy that allowed school districts to continue to count students for WPU purposes that had left the high school campus to attend courses at one of the regional campuses of UCAT. The subcommittee also learned more about the interrelationship between high school CTE classes and courses offered through UCAT institutions.

Lunch was provided by high school students participating in the Utah Restaurant Association's ProStart culinary arts program. This CTE course teaches students about the restaurant/hospitality industry. Student teams from three local high schools each prepared one of the three courses.

The afternoon session finished with discussions on three topics.

First, members heard from USOE on the impact of lost federal charter school start-up funds. On average newly forming charter schools received approximately 500,000 from the grant over several years to pay initial expenses. Also, the subcommittee learned the history of charter schools in Utah with specific concentration on the Charter School Local Replacement Formula. This history is included in the Issue Brief "Charter Schools in Utah."

Second, subcommittee members heard from the Utah State Office of Education on the status of the Performance Based Compensation Pilot Program. The final report on

the program is being done by researchers at the University of Utah and is not yet available. This report is expected to be released to the Education Interim Committee on November 16.

Finally, subcommittee members heard a report from the Utah Foundation on their recent report "Comparing Teacher Compensation: Looking Beyond the Averages."



INFRASTRUCTURE & GENERAL GOVERNMENT

Staff Contact: Rich Amon

FY 2013 State Building Board Rankings

Each year the Building Board tours capital facilities throughout the state to gain insight into statewide facility needs. The Board then hears presentations from all agencies and institutions requesting new buildings for the coming budget year. Finally, the Board ranks the annual requests for new buildings based on five criteria:

- life safety,
- program growth,
- cost effectiveness,
- program effectiveness, and
- alternative funding.

The following table contains the top 10 projects prioritized by the Board (out of 20).

	Project Name	Cost
1	University of Utah utility distribution infrastructure	\$50,000,000
2	Ogden juvenile courthouse	\$27,350,000
3	Utah Valley University classroom building	\$53,200,000
4	Southwest ATC health science building	\$15,800,000
5	Weber State University science lab building	\$63,200,000
6	Dixie ATC land purchase and new building	\$20,700,000
7	Gunnison prison 192-bed expansion	\$30,100,000
8	Natural Resources Parks Wasatch Mountain renovation	\$14,393,000
9	Unified state laboratory module #2	\$30,250,000
10	Utah National Guard statewide capital developments	\$4,000,000



Funding for the New Office of Energy Development

On the last day of the 2011 General Session, the Legislature passed H.B. 475, State Energy Amendments, which created the Office of Energy Development (OED). The bill’s fiscal note outlined transfer of funds from the Department of Natural Resources and the Governor’s Office to OED. However, because this bill passed after the passage of the Bill of Bills (S.B. 3, Appropriations Adjustments), no funding was actually transferred.

Since the beginning of FY 2012, OED has been able to draw down federal funds, which are used to pay for 14 of the 22 employees. Some of the other staff is partially funded by the Utah Science Technology and Research (USTAR) and the Division of Oil, Gas and Mining. In addition to employee cost sharing, OED has dealt with their limited funds by sharing an office with the Department of Environmental Quality.

The agencies identified in the fiscal note are preparing a request for the fund transfers during the 2012 General Session, which include the following:

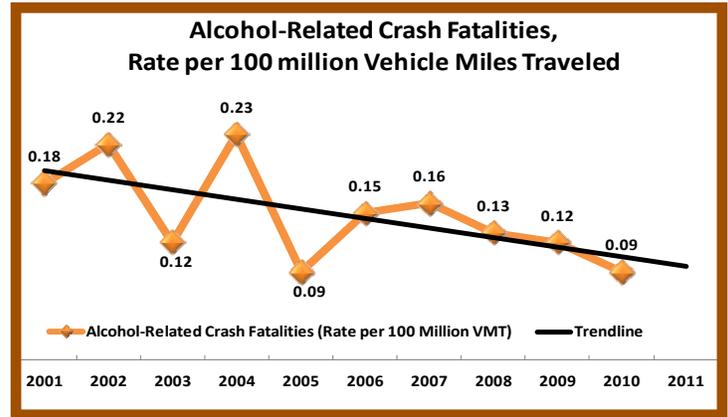
Transfers to the Energy Development Office				
Funding Sources	FY 2012		FY 2013	
	Natural Resources	Governor's Office	Natural Resources	Governor's Office
General Fund	\$61,700	\$200,000	\$61,700	\$200,000
Federal Funds	\$29,237,600		\$237,500	
Dedicated Credits	\$89,700		\$89,700	
Nonlapsing Balances		\$200,000		
Total	\$29,389,000	\$400,000	\$388,900	\$200,000



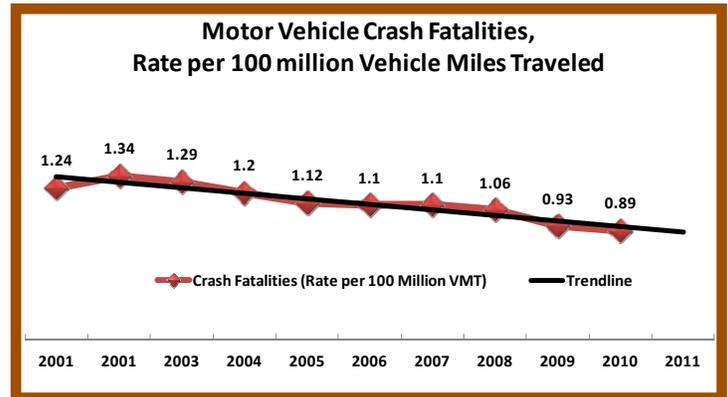
Highway Safety Performance

The Department of Public Safety (DPS) measures various levels of highway safety. Key measures are: (1) alcohol related crash fatalities, (2) motor vehicle crash fatalities, and (3) observed seatbelt use. The following charts provide the 10-year history in these categories.

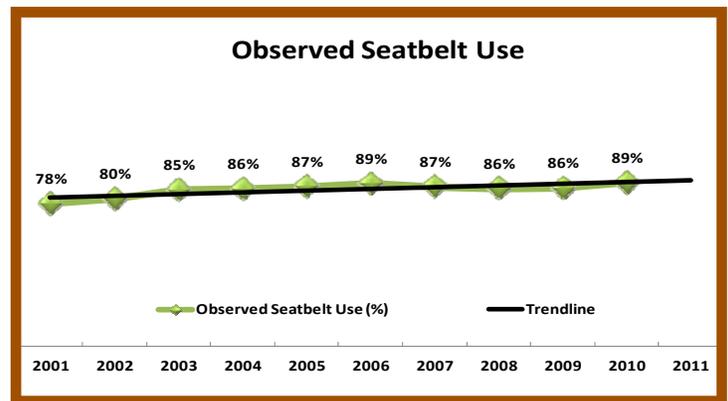
The number of alcohol-related crash fatalities has been declining in the last 10 years.



The number of crash fatalities has also been declining since 2001.



The percentage of people using seatbelts has increased 10% since 2001.



All three metrics shown are trending positively, but not all factors that contribute to highway safety can be attributed to DPS action. Uncontrollable factors include the weather, improved safety features in vehicles, improved roads, and others.

Notwithstanding these unrelated factors, DPS reports steps they are taking to reduce fatalities. These include increased holiday drunk-driving enforcement, public awareness campaigns on seatbelt usage, and using crash and crime data to better target “hot spots”.



Meeting Summary of the Higher Education Appropriations Subcommittee

The Higher Education Appropriations Subcommittee met the day after November Interim (November 17, 2011). The meeting began at the Eccles Broadcast Center, where the Utah Education Network (UEN) has its offices. UEN presented a short clip showing the three major UEN functions: Networking Services, Application Hosting, and Application Support. UEN discussed how each of these functions affect public education, higher education, and other entities. UEN connects 1,383 locations throughout Utah. Subcommittee members were taken on a tour of the UEN facilities to see some of the operations.

The meeting then moved to the Marriott Library on the University of Utah campus. The meeting resumed with a discussion of Career and Technical Education (CTE), as provided by the Utah System of Higher Education, the Utah College of Applied Technology, and Public Education. Several presenters expressed how the three groups cooperatively work together. CTE is offered throughout the state by the three groups. CTE can also be taken in conjunction with concurrent enrollment.

During a working lunch, the subcommittee heard from Stan Jones from Complete College America. Mr. Jones outlined strategies to increase the number of students completing their higher education experience. Some of his main points were how the need for remedial education and a more structured curriculum affect completion. Commissioner Sederburg also talked briefly about six new general-education, concurrent enrollment courses that are being developed for statewide, uniform usage.

Spencer Pratt presented two Issue Briefs dealing with Barriers to Graduation – reducing the need for remedial education and increasing efficiencies. California has implemented interactive testing for 11th grade students that will let them know if they are prepared to enter college, and if not, use the senior year to become better prepared. Several options other states have implemented to reduce costs were also discussed.

The Chairman of the State Board of Regents, David Jordan, spoke to the subcommittee about the role of the Board.



Safety Net Services for Low Income Populations

The Social Services Appropriations Subcommittee studied the safety net for low income individuals at its October 20, 2011 meeting. The report entitled “Safety Net Services for Low Income Populations” (<http://le.utah.gov/interim/2011/pdf/00002087.pdf>) identified 284 safety net services potentially available to U.S. citizens living in downtown Salt Lake City, whose incomes are under 100% of the Federal Poverty Level.

The report only identified potential safety net services provided to someone because of low income, and excluded the services that required any categorical eligibility (military service, disability, substance abuse, domestic violence, etc.). All types of safety net services, except financial counseling, had some additional criteria based on household members (presence of children or someone over the age of 65). No one household type would qualify for all 284 services.

Of the 284 potential safety net services, a single mother with two children might qualify for 222 services, while a single male might qualify for 160 services. In order to apply for those 222 services, a single mother would need to interact with 100 providers, while a single male trying to receive 160 services would need to interact with 78 providers.

Each provider may have multiple locations and may have different application processes for the services they offer. The 284 services were provided and funded by organizations from the private sector, local, state, and federal government, as follows:

Service Providers	Administers	Primary Funder
Private Organizations	165	156
Local Government	63	14
State Government	38	21
Federal Government	18	93
Total	284	284

Of the 284 potential services, 17 or 6% are entitlement programs with a legal obligation to serve everyone who qualifies. For the other 267 or 94% potential safety net services, the provider determines who will be served based on resources available.



Super Committee Failure: Now What?

The “Super-committee” assigned to reduce between \$1.2 and \$1.5 trillion from the federal deficit over the next 10 years has failed to reach a compromise. The deadline for submitting a plan was Monday evening, November 21. Under the Budget Control Act of 2011, failure by the committee will trigger significant across-the-board reductions to defense and other spending. However, funding for “vulnerable populations” (Medicaid, CHIP, food stamps, TANF) is exempt from this “sequestration.”

The automatic cuts, which were meant to deter committee members from postponing a decision, are scheduled to begin in 2013, after the next election. This gives Congress approximately 13 months to decide whether to amend the law. Congress will face great pressure to do so. The Pentagon has already stated that the \$600 billion in scheduled cuts to defense spending would have serious ramifications. Other cuts to Medicare and discretionary spending will also be unpalatable.

A report by the Governor’s Office of Planning and Budget, presented to the Executive Appropriations Committee in October, estimates that the state budget would see a reduction of approximately \$90 million should the automatic cuts occur.

Various groups say that even had the committee reached a deal, a reduction of \$1.2 trillion over ten years would have still allowed debt to grow faster than the economy. Members of the Bowles-Simpson commission and the “Gang of Six” asked the committee to find \$4 trillion.

It remains to be seen whether Congress will allow the automatic cuts to occur, will amend the law so that different or fewer cuts occur, or will leave the problem for the next Congress after the election.



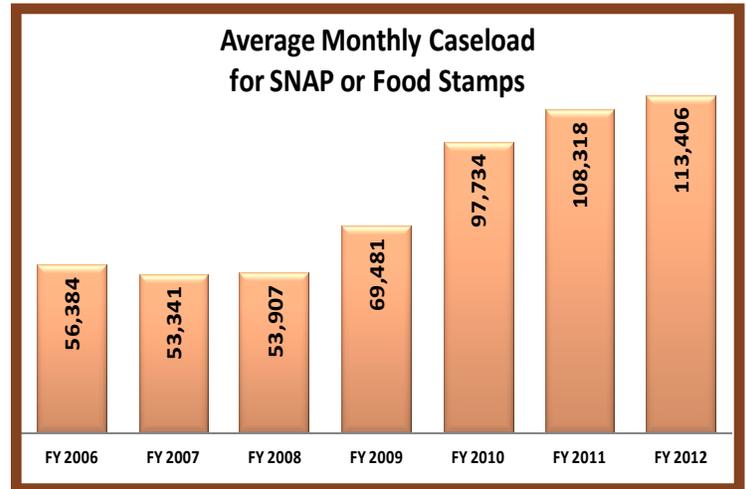
Trends in the SNAP or Food Stamp Program

The Supplemental Nutrition Assistance Program (SNAP) is the name given to the Food Stamps program as of October 1, 2008. SNAP is the federal program funded through the U.S. Department of Agriculture, Food and Nutrition Service. It is intended to assist low income individuals

and households buy nutritious food and increase their food purchasing power at grocery stores and supermarkets for qualifying food items.

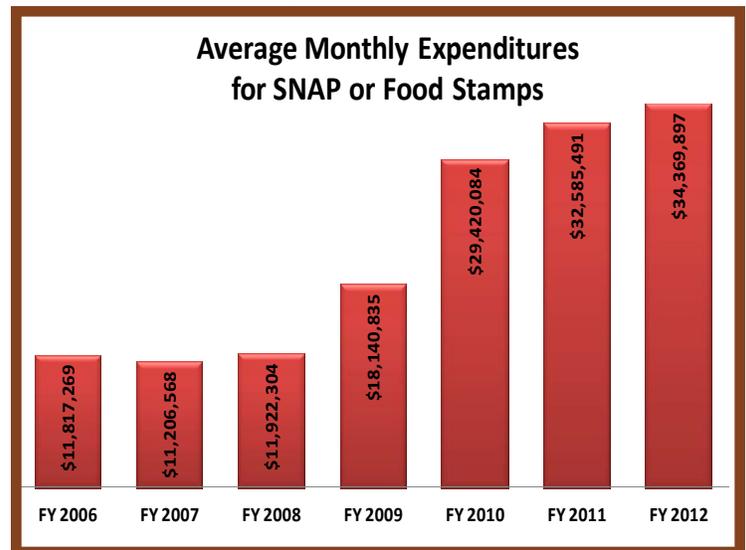
To get SNAP benefits, households must meet certain tests that evaluate circumstances such as resources, income, employment, and age or disability status. The Department of Workforce Services has an online screening tool to assist individuals in determining eligibility for the program.

Since FY 2008, the average monthly SNAP caseload per year in Utah has increased by over 110%.



Note: the FY 2012 only reflects data through October, 2011.

In the same period, monthly expenditures for SNAP in Utah have increased by 188%.



Note: the FY 2012 only reflects data through October, 2011.



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SAFETY IN NUMBERS?

Staff Contact: Jonathan Ball

It appears from the latest estimates that policymakers will approach the next round of state budgeting with increased revenue. Utah has increased balances in it's rainy day and disaster recovery funds, too. We're not alone. According to a new survey released by the National Conference of State Legislatures (NCSL), many states' revenues are gradually improving.

"State Budget Update: Fall 2011" is the latest in NCSL's regular survey of state legislative fiscal officers. It found that about two-thirds of states report revenue collections that are on-target or above estimate for FY 2012. When asked about revenue prospects for the remainder of the year, 35 of 51 respondents said the outlook was "stable" or "optimistic". No state fiscal officer indicated they were "pessimistic."

Not surprisingly, survey respondents are still voicing concerns (these are legislative fiscal officers, after all!). Respondents cited employment, housing, Europe, and the federal budget as concerns. When asked about the "overall fiscal outlook" - not just revenue - 44 of 51 respondents were "concerned" or "cautiously optimistic." Seven were "positive."

While the up-tick in revenue is certainly good news, risks - and increasing costs - remain.

**Change in Revenue - November 2011 Estimates
 (In Millions)**

One-time	General Fund	Education Fund	Total
FY 2011 Surplus	\$1	\$60	\$60
FY 2012 Re-estimate	\$49	\$19	\$68
Total One-time	\$49	\$79	\$128

Ongoing	General Fund	Education Fund	Total
FY 2012 Re-estimate	\$49	\$19	\$68
FY 2013 Growth	\$38	\$169	\$208
Change in Set-aside	\$4	\$0	\$4
Total Ongoing	\$91	\$188	\$280

**Rainy Day Balances
 (In Millions)**

	General Fund	Education Fund	Disaster
Beginning Balance	\$105	\$105	\$3
Appropriations	-\$6	\$0	-\$3
New Deposits	\$23	\$5	\$12
New Balance	\$122	\$110	\$12