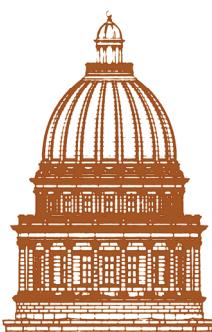


# FISCAL HIGHLIGHTS

Executive Appropriations	1
Record-High Proceeds from an Auction of Seized Antlers and Hides	2
Lemonade for \$39,000?	2
URS Funded Liability, Report to EAC	3
DOT Project Progress and Financing, Report to EAC	3
Transfer of the Division of Housing and Community Development from DCC to DWS	3
What is the Future of the Utah State Developmental Center in American Fork?	4
Federal Deficit Attention Disorder	4
Tuition and Fee Increases	5
Non-State Funded Buildings Approved by the State Building Board	5
Successful Budgeting	6

**OFFICE OF THE  
LEGISLATIVE FISCAL ANALYST**

STATE CAPITOL COMPLEX  
HOUSE BUILDING, SUITE W310  
P.O. Box 145310  
SALT LAKE CITY, UTAH 84114  
PHONE: (801) 538-1034  
FAX: (801) 538-1692  
[WWW.LE.UTAH.GOV/LFA](http://WWW.LE.UTAH.GOV/LFA)



## EXECUTIVE APPROPRIATIONS COMMITTEE

SENATOR LYLE HILLYARD & REPRESENTATIVE MEL BROWN, CO-CHAIRS

### MEETING SUMMARY - MAY 15, 2011

#### **Report: Federal/Non-Federal Funds**

*Staff Contact: Gary Syphus*

The Executive Appropriations Committee recommended approval of eight new, two continuations, and five revisions of existing federal grants. The committee did not approve the state match for the renewal of the Heart Disease and Stroke Prevention Programs federal grant and asked the Social Services Appropriations Subcommittee to report on three health grants. The legislators also recommended approval of two new non-federal grants.

#### **Report: URS Funded Liability**

*Staff Contact: Mark Bleazard*

For details, please refer to p. 3.

#### **Report: Turnover Savings**

*Staff Contact: Stephen Jardine*

The report on turnover savings indicated that legislative staff lacks clear policy direction on treatment of vacant positions when calculating personnel cost changes, and included eight options for addressing this issue. The committee voted to have: 1) all agencies include funded vacant positions in their budget personnel lists; 2) the LFA calculate and apply a historical turnover savings rate for each agency when calculating personnel cost changes; and 3) exempt entities with fewer than 20 FTEs and local public education agencies.

#### **Report: DOT Project Progress and Financing**

*Staff Contact: Mark Bleazard*

For details, please refer to p. 3.

#### **Report: Revenue Adoption**

*Staff Contact: Andrea Wilko*

The Division of Finance is required to calculate a revenue surplus or deficit for the

current fiscal year based on a final revenue estimate. The committee adopted \$4,774,115,000 as the final General Fund/Education Fund revenue estimate for FY 2012, which is the February 2012 adopted revenue forecast adjusted for changes made by the 2012 Legislature.

#### **LFA In-Depth Budget Review**

*Staff Contact: Steven Allred*

Legislative rule requires an annual in-depth budget review carried out by the Legislative Fiscal Analyst's Office. The Analyst proposed a five-year fiscal sustainability review focusing on the General and Education Funds to help legislators assess the state's budget condition. The committee accepted the proposal.

#### **GOPB In-Depth Budget Review**

*Staff Contact: Steven Allred*

Statute directs the Legislative Management Committee, upon recommendation of an appropriations subcommittee, to request an in-depth budget review by the Governor's Office. The Executive Appropriations Committee approved a recommendation that the Governor's Office conduct an in-depth budget review of the Department of Agriculture and Food.

#### **General Session Highlights**

*Staff Contact: Jonathan Ball*

Staff reviewed new funding sources and uses from the 2012 General Session. Legislators had \$450 million in revenue to appropriate after covering the structural deficit. Public and higher education, Medicaid, and CHIP garnered the lion's share of new money. Staff also reviewed elements of successful budgeting employed in the 2012 General Session and talked about future budget trends.

Staff Contact: Ivan Djambov

### **Record-High Proceeds from an Auction of Seized Antlers and Hides**

The auction of seized antlers and hides held by the Division of Wildlife Resources (DWR) on May 8, 2012 generated a record-high \$136,200 in proceeds. The auction included hundreds of sets of forfeited deer and elk antlers, as well as dozens of bobcat hides and assorted cougar, fox, bear, and bison hides/skulls. DWR's law enforcement section coordinates these auctions every 3-4 years, depending on the amount of confiscated materials and available storage space. The previous auction was in 2008 with total proceeds of less than \$40,000.

DWR attributes the financial success of the auction this year to a better outreach campaign that actively sought the involvement of commercial buyers from the western United States for the first time. The 5.5-hour event was held at the Lee Kay Shooting Sports Center in Salt Lake City, and it was attended by hundreds of people. The division reported that 49 stretched and dried bobcat pelts sold at an average of \$530, totaling \$25,960. Elk antlers ranged from \$8 to \$11 per pound, and a single set of trophy deer antlers sold for \$1,700.



DWR will retain 90% of the net auction proceeds, and 10% will go to the Division of State Surplus. Tony Wood, a captain with the DWR law enforcement section, stated: "Holding this auction allows our constituency to make use of the wildlife while generating additional revenue to bolster existing populations of wildlife and to assist in preventing these losses in the future. Though we recognize that this sale tends to be emotionally charged, we feel it is the fiscally responsible route to take."

Staff Contact: Gary Syphus

### **Lemonade for \$39,000?**

It's not as bad as it sounds. The \$39,000 was the cost for the programmer who created an ePayment system for the Courts. This system was developed in response to the budget reductions in 2008 and made the most out of a bad situation. In other words, budget lemonade out of revenue lemons.

In 2008, lawmakers reduced the budgets of most state agencies, including the Courts. The General Fund appropriation for the Courts went from \$113 million to \$108 million (4% reduction). Because the Courts employees constitute about 70% of the total budget, reducing staff was largely unavoidable. However, even though staff was reduced, service was mostly uninterrupted and in some aspects was improved. This was because the Courts implemented a paperless system that included a new ePayment system.

Traditionally, court payments, such as filing fees, fines, penalties etc., were made on location in the form of cash, check, or credit card. A court clerk processed the payments. If each of these transactions took four minutes at 1,200 transactions a day (statewide) that is 80 clerk hours per day, requiring about 10 clerks doing only transactions for their entire work day. Providing the court customers the option to pay online, allows the convenience to pay from anywhere and at any time, and also lowers the number of clerks needed.

The ePayment system kicked off in September 2009, and expanded to collect payments in all state courts and justice courts. Online payments currently constitute over 30% of total payments, and the Courts expect internet payments to eventually reach about 70%. Traditional forms of payment are still available.

The Courts report that while plans for a paperless system were in place (as well as several other electronic systems) for some time, the budget downturn sped up their implementation and enabled the agency to reduce staff.

While the budget downturn changed priorities for the state agencies, including the Courts, it was not all bad news. In the case of the Courts, the customers benefitted from the expedited implementation of the Courts online payment system, which makes payments more convenient to them and less costly to the state.



## RETIREMENT & INDEPENDENT ENTITIES

Staff Contact: Mark Bleazard

### **URS Funded Liability, Report to EAC**

Prior to the 2008 downturn of the economy, the Utah State Retirement System (URS) had a funded liability ratio over 94%. Post downturn, the system has had a declining funding ratio. Robert Newman, URS Executive Director, appeared before the Executive Appropriations Committee (EAC) on May 15, 2012 to explain reasons for the decline and changes that have been implemented to correct the decline.

Mr. Newman stated that a few major adjustments to the system have been implemented and are reasons that the funding ratio decline is less than originally predicted by actuaries. One reason is the fact that the Legislature enacted the "Tier 2 Retirement Plan" that provides employees hired after July 1, 2011 a defined contribution rather than a defined benefit. Another reason is the adjustments to investment strategies implemented by the Utah State Retirement System's staff. Additionally fewer people are retiring and salaries have not grown as result of the downturn.



## INFRASTRUCTURE & GENERAL GOVERNMENT

Staff Contact: Mark Bleazard

### **DOT Project Progress and Financing, Report to EAC**

Carlos Braceras, Deputy Director of the Department of Transportation (DOT), reported to EAC about the progress of the Mountain View Corridor and the Utah County I-15 CORE projects. He stated that portions of each project will be opened before the end of June 2012. Both projects are at or under budget and should be completed by the contract date.

Original estimates to meet contract obligations in FY 2013 included a need to bond for \$182 million. Through collaborative efforts of staff members of the Legislative Fiscal Analyst Office, the Department of Transportation, the Division of Finance, the State Treasurer, and the Governor's Office of Planning and Budget it has been determined that DOT will not be issuing general obligation bonds this year for construction projects.

The department has made adjustments to payment schedules and project completion dates to be able to meet department cash flow needs. Not having to borrow the once expected \$182 million from the bond market is

estimated to save the state over \$60 million in interest payments over the life of the bond. A no-bond position also is estimated to decrease the bond indebtedness as a percentage of the constitutional debt limit by approximately 2%.



## SOCIAL SERVICES

Staff Contact: Gary Ricks

### **Transfer of the Division of Housing and Community Development from DCC to DWS**

During the 2012 General Session, the Legislature transferred the Division of Housing and Community Development from the Department of Community and Culture (DCC) to the Department of Workforce Services (DWS). This action was accomplished through the passage of HB 139, "Department of Community and Culture Amendments." This legislation changed the name of the division to the Housing and Community Development Division. It also modified the powers and duties of the division and created an advisory council to advise the Department of Workforce Services during the transition.

The division move will transfer four line items and \$171,532,900 (\$5,266,000 General Fund) in annual funding beginning in FY 2013.

#### Funding for the Housing and Community Development Division, FY 2013

Operations Line Item <i>Programs</i>	Funding
HCD Administration	\$1,099,000
Community Assistance	7,757,800
Housing Development	1,028,700
Community Services	3,716,800
HEAT	28,439,400
Homeless Committee	7,710,300
Emergency Food Network	295,100
Special Housing	145,000
Weatherization Assistance	10,205,000
<b>Operations Line Item Total</b>	<b>\$60,397,100</b>
<b>Capital Budget Line Item</b>	<b>\$103,651,500</b>
<b>Zoos Line Item</b>	<b>\$908,400</b>
<b>Special Districts Line Item</b>	<b>\$6,575,900</b>
<b>Division Total</b>	<b>\$171,532,900</b>

The legislation becomes effective July 1, 2012. It is important to note that this division also includes the pass-thru funding for the Hogle Zoo, a non-traditional role for the Department of Workforce Services.



## SOCIAL SERVICES

Staff Contact: Stephen Jardine

### **What is the Future of the Utah State Developmental Center in American Fork?**

The Utah State Developmental Center (USDC) in American Fork is a 24-hour Intermediate Care Facility for the Intellectually Disabled (ICF/ID), operating under the administration of the Division of Services for People with Disabilities in the Department of Human Services. The USDC provides services for 206 individuals with acute and complex needs on a campus consisting of 525,000 square feet in 49 separate buildings and 250 acres of excess undeveloped farmland. The USDC is one part of a full array of Utah's state supports and services for individuals with disabilities. A summary of USDC space and its usage can be found on page 80 of the Human Services In-depth Budget Review (<http://le.utah.gov/interim/2010/pdf/00001613.pdf>).

In September 2011, Palmer DePaulis, Executive Director, Department of Human Services, initiated a strategic planning committee to develop recommendations for the future direction and mission at the USDC. The committee was made up of individuals representing various constituencies of the disability community along with representatives from the department, division, and the state Medicaid agency. The committee developed a set of draft master plan recommendations. The recommendations from the committee address the following areas:

1. What should the vision and mission be of the USDC? What role does it play in the continuum of services for Utah's population of individuals and families with disabilities?
2. Given the vision and mission of USDC, what programs or services are needed on campus? What are the trends in terms of unmet need?
3. What is the master plan for existing buildings given the recommendations to 1 and 2? Is the latest master plan for the existing buildings on campus still relevant?
4. What is the master plan for undeveloped USDC land?

Along with developing a mission and vision statement, the recommended master plan addresses key areas including:

1. Quality services,

2. Planning and accountability,
3. Buildings and land, and
4. Funding priorities.

The Department of Human Services sought and received input on the future direction and mission of the USDC as it relates to the master plan through public hearings held on Saturday, May 5, 2012 at the Utah State Developmental Center in American Fork and Wednesday evening, May 9, 2012 in Salt Lake City as well as through an online survey. A copy of the draft recommended master plan can be found at: <http://www.dspd.utah.gov/>. The final master plan will be available by the 2013 General Session.



## GOVERNMENT OPERATIONS

Staff Contact: Steven Allred

### **Federal Deficit Attention Disorder**

Under the federal Budget Control Act (BCA) of 2011, failure of the Super Committee triggered automatic across-the-board cuts ("sequestration") to defense and other spending, exempting funding for vulnerable populations, totaling \$1.2 trillion over the next 10 years. The automatic cuts are set to begin in 2013, after the next election. This gives Congress some time to decide whether to amend the law, allow the cuts to occur, or let the next Congress figure it out.

Last week the federal House of Representatives passed HR 5652, the Sequestration Replacement Reconciliation Act of 2012. This bill's language would eliminate the automatic cuts required by the BCA and would install a new long-term deficit reduction proposal. In the short term it would reduce some entitlement programs by \$18 billion and reduce the cap on domestic discretionary spending by \$19 billion. The act, combined with appropriations measures, would save approximately \$261 billion over ten years. However, the act is really just one piece of a planned package in the House to save some \$5 trillion over ten years.

The bill will certainly die in the Senate, where it appears there is more support for FFY 2013 appropriations based on the spending caps in the BCA. According to the National Conference of State Legislatures, the divided Congress will probably not agree on any changes to BCA before the election and will punt to the next Congress.



## HIGHER EDUCATION

Staff Contact: Spencer Pratt

### Tuition and Fee Increases

Following the 2012 General Session, the State Board of Regents met and approved a 4.5% first-tier tuition increase for the 2012-2013 academic year for the Utah System of Higher Education. In addition to the first-tier tuition, the Regents also approved second-tier tuition increases ranging from 0% to 2.5%. The tuition increases are projected to generate approximately \$33.2 million. In addition, student fee changes were also approved. The following table shows the tuition and fee changes by institution.

USHE Tuition and Fee Increases for 2012-2013				
	1st tier	2nd tier	Total	Fees
University of Utah	4.5%	1.5%	6.0%	2.8%
Utah State University	4.5%	1.5%	6.0%	10.2%
Weber State University	4.5%	0.5%	5.0%	4.2%
Southern Utah University	4.5%	2.0%	6.5%	14.1%
Utah Valley University	4.5%	0.0%	4.5%	3.8%
Snow College	4.5%	2.5%	7.0%	0.0%
Dixie State College	4.5%	1.0%	5.5%	3.3%
Salt Lake Community College	4.5%	0.0%	4.5%	-0.2%

In April 2012, the Utah College of Applied Technology (UCAT) Board of Trustees approved increasing tuition on UCAT campuses from \$1.55 per membership hour to \$1.70, an increase of 9.7%. This increase is expected to generate about \$700,000 for the UCAT campuses.



## INFRASTRUCTURE AND GENERAL GOVERNMENT

Staff Contact: Rich Amon

### Non-State Funded Buildings Approved by the State Building Board

Utah Code (63A-5-104) allows the State Building Board to approve the design and construction of new facilities without legislative approval if the requesting agency provides assurance that it will not use state funds for the project, for additional operation and maintenance, or for capital improvements. The State Building Board approved the construction of two new non-state funded buildings during a meeting in May 2012 that were not previously heard by the Legislature: an expansion of the Weber County Ice Sheet at Weber State University and a new Utah Valley University Wee Care Center.

### Weber County Ice Sheet, Weber State University

Weber County constructed the current 59,000 square foot Ice Sheet in 1994 on Weber State University's campus.



The County, in coordination with the University, proposes expanding the facility approximately 73,000 square feet at a cost of \$7.5 million: \$3.5 million from Weber County, \$2 million from County Recreation Arts Museums Parks (RAMP) and \$2 million from Weber State University donated funds. Operation and maintenance will be funded from rental income and fees.

### Wee Care Center, Utah Valley University

Utah Valley University (UVU) currently operates a child care facility on campus that services 130 children primarily from low income families (though it is also open to faculty and staff).



The University requested permission to build a new 12,000 square foot facility to accommodate 500 children at a cost of \$2.2 million: \$450,000 from the UVU Foundation, and \$1.75 million from private donations. Operation and maintenance will be funded from day-care service revenue.



OFFICE OF THE LEGISLATIVE FISCAL ANALYST  
STATE CAPITOL COMPLEX  
HOUSE BUILDING, SUITE W310  
SALT LAKE CITY, UTAH 84114-5310

## RETURN SERVICE REQUESTED



### SUCCESSFUL BUDGETING

Staff Contact: Jonathan Ball

I'm fond of repeating something I've heard several veteran Utah appropriators say – "Our success in getting through the Great Recession had more to do with what we did in 2003 than what we did in 2008." I like to quote it now because, believe it or not, we're in year 3 of recovery from the Great Recession. Looking back at what budgeters did after the penultimate recession seems like a reasonable course of action.

Utah's success weathering the Great Recession had a lot to do with budget reductions and sacrifices, and I don't mean to minimize that. But it also had a lot to do with foresight.

After the recession of 2001 – 2002, legislators began planning for next time. They built reserves by depositing surpluses in rainy day funds and by creating new reserves like the Disaster Recovery Fund and the Growth in Student Population Restricted Account. They paid cash for buildings and highways to avoid interest costs, but also to reduced debt and increase available bond capacity. They recognized previously "off budget" liabilities like preventative building maintenance and retiree sick leave. And

they matched ongoing commitments with ongoing revenue sources to assure long-term financial viability.

All of these tools were necessary to balance budgets during the downturn from FY 2008 through FY 2011. I think it's encouraging that appropriators are returning to the same practices now that we're past the Great Recession.

In the 2012 General Session, Legislators put \$11 million into Rainy Day Funds on top of automatic deposits of \$28 million. They reduced authorized road debt by \$130 million and used cash management to avoid General Obligation (G.O.) bonding altogether in FY 2013. They paid cash for capital development and increased capital improvements funding from 0.6% of asset value to 0.8%. They contributed what was required to keep the state's retirement system sound. When they left General Session, they did so with a small structural surplus.

These aren't the most exciting investments a state can make – but we'll be glad about it the next time budgets get tight.