

**Significant Factors Driving Department,
Institutional, and Public Education Budgets
FY 2005 - FY 2006**

November 9, 2004

**A Report from Departments, Institutions, and Public Education
To the Executive Appropriations Committee
of the Utah State Legislature**

**Compiled by
The Office of the Legislative Fiscal Analyst**

Introduction

Agencies and institutions were requested to provide a summary of the significant cost factors that were driving budgets in FY 2005 and FY 2006. This summary was not to be just a list of building block requests, but should provide the legislature with an understanding of current and future budgetary concerns.

In working with the Departments and Institutions, the Legislative Fiscal Analyst requested that, where possible and/or applicable, a funding request amount be included in order for the Executive Appropriations Committee members to have a point of reference. It is important to note that the funding requests are not the recommendations of the Governor or the Legislative Fiscal Analyst. In fact, the numbers may be modified by the Departments and Institutions as the budget process unfolds.

Table of Contents

Executive Offices and Criminal Justice.....	1
Auditor	2
Attorney General.....	3
Governor/Administration.....	4
Governor/Commission on Criminal and Juvenile Justice (CCJJ).....	4
Department of Public Safety.....	5
Administrative Office of the Courts	7
Board of Pardons.....	9
Division of Juvenile Justice Services (Department of Human Services)	10
Utah Department of Corrections	11
Capital Facilities and Administrative Services	13
Department of Administrative Services.....	14
Capital Preservation Board	17
Commerce and Revenue	19
Department of Alcoholic Beverage Control	20
Department of Commerce.....	20
Department of Financial Institutions	20
Department of Insurance.....	21
Labor Commission.....	21
Tax Commission	22
Department of Workforce Services	22
Utah College of Applied Technology	23
Economic Development and Human Resources.....	25
Department of Community and Economic Development.....	26
Health and Human Services.....	27
Department of Health.....	28
Department of Human Services	29
Higher Education	33
Utah System of Higher Education	34
Utah Education Network.....	36
Utah Medical Education Council.....	37
Natural Resources	38
School and Institutional Trust Lands Administration.....	39
Department of Agriculture and Food.....	40
Department of Natural Resources	42
Public Education	44
Board of Education – Minimum School Program	45
Board of Education – State Office of Education	47
Board of Education – State Office of Rehabilitation	48
Board of Education – Utah Schools for the Deaf and Blind.....	50
Transportation, Environmental Quality, and National Guard.....	52
Department of Transportation.....	53
Department of Environmental Quality.....	54
National Guard.....	55

Executive Offices and Criminal Justice

**Summary of Significant Factors Driving Budget Increase Requests
FY 2005 and FY 2006**

Department: Auditor				
<u>Title</u>	<u>Amount</u>	<u>Revenue Source</u>	<u>FY 05 or FY 06?</u>	<u>Ongoing or One-Time?</u>
Restoration of 3 Auditors (3 FTEs)	\$183,800	GF	FY 06	Ongoing

The Auditor has reduced the audit staff by 5 auditors and it is impacting the agency's ability to perform statutorily and other required audits. Several of the audits performed have been in the off-season and often too late to be of much use for management decision making. Some college financial and bond audits were recently delayed due to lack of resources and were completed after the deadline date established in the bond covenants. Colleges and bonding underwriters have started to complain about the delays and late audits. The audits of CEU, Snow College, SUU, and Dixie College have been delayed. Additional delays or the elimination of less critical audits (e.g., CEU, Snow College, SUU, Dixie College, SLCC, UVSC, WSU, etc.) are being considered. Additional delays would probably not meet bond covenant audit requirements. Delays in the state audit will probably not delay the state's financial statements to the point of affecting the state's bond rating. However, delays in the Single Audit Report would violate a federal mandate. Historically, the Auditor has always met this deadline. It is not certain what the consequences would be for the state or its federal funding should this deadline not be met.

Performance Audits: 3 Auditors (3 FTEs)	\$183,800	GF	FY 06	Ongoing
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The 2003 Legislature authorized the State Auditor to conduct Performance Audits (as the Auditor determines is necessary: see Section 67-3-1 (4) in the Utah Code). The Auditor concurs with the need; however, without the resources to pursue them, these performance audits have not been conducted.

**Summary of Significant Factors Driving Budget Increase Requests
FY 2005 and FY 2006**

Department: Attorney General

<u>Title</u>	<u>Amount</u>	<u>Revenue Source</u>	<u>FY 05 or FY 06?</u>	<u>Ongoing or One-Time?</u>
Attorney Fees (David C. Litigation)	\$99,200	GF	FY 05	One-Time

The requests for supplemental funding are driven by the settlement of lawsuits wherein the state as the defendant is ordered or agrees to pay the plaintiff's attorney fees. The Attorney General's Office has traditionally paid such settlements from its operations budget and the Legislature reimburses the Attorney General's Office for making these payments. This year, pursuant to the ongoing Federal District Court Order, the state is obligated to pay plaintiff's attorney fees in the David C et al. v. Michael Leavitt et al. ongoing class action litigation concerning the state's child welfare system. The amount for the latest time period is \$99,200. This amount covers the time period of September 1, 2003 through August 31, 2004.

Attorney Fees (Workers' Comp. Fund)	\$169,500	GF	FY 05	One-Time
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The Attorney General also paid for the state court declaratory judgment suit brought by the Workers' Compensation Fund (WCF) against the state to determine the state's interest in WCF's assets. The Governor and the Legislature hired the local firm of Suitter & Axland to analyze the issues in this suit during the last General Session. The cost of these services (\$169,500) was paid from the Attorney General's operations budget.

**Summary of Significant Factors Driving Budget Increase Requests
FY 2005 and FY 2006**

Department: Governor/Administration
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<u>Title</u>	<u>Amount</u>	<u>Revenue Source</u>	<u>FY 05 or FY 06?</u>	<u>Ongoing or One-Time?</u>
Gubernatorial Inauguration	\$100,000	GF	FY 05	One-Time

This funding will pay for the inauguration and transition costs of the new Governor and Lieutenant Governor.

Department: Governor/Commission on Criminal and Juvenile Justice (CCJJ)
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<u>Title</u>	<u>Amount</u>	<u>Revenue Source</u>	<u>FY 05 or FY 06?</u>	<u>Ongoing or One-Time?</u>
CCJJ Funding Switched to General Funds	\$1,514,400	GF	FY 06	Ongoing

The Legislature switched funding for the Commission on Criminal and Juvenile Justice (CCJJ) from the General Fund to the Crime Victims Trust Fund in FY 2003 because of shortfalls in the state budget. The reserve balance in the Crime Victims Trust Fund is decreasing and will continue to do so at current expenditure levels. It is estimated that if the trend continues, there will be insufficient funds to compensate victims of violent crime by FY 2008.

**Summary of Significant Factors Driving Budget Increase Requests
FY 2005 and FY 2006**

Department: Department of Public Safety
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<u>Title</u>	<u>Amount</u>	<u>Revenue Source</u>	<u>FY 05 or FY 06?</u>	<u>Ongoing or One-Time?</u>
Increased Personnel Costs	\$292,800	GF	FY 05	One-Time
Increased Personnel Costs	\$136,400	GF	FY 06	Ongoing

In recent years, the Department of Public Safety (DPS) has been required to provide additional services to local governmental entities and to the citizens of the State of Utah without receiving additional funding to provide the services. Following the 9/11 disaster, the Department of Public Safety was given the responsibility of being the State Administrative Agent for homeland security. Department of Public Safety is responsible for training classes, updating emergency plans, adding terrorism annexes and exercises. Resources were reallocated from every division within DPS and other state agencies to create the Utah Homeland Security Task Force and the Utah Criminal Intelligence Center - a fusion center for criminal and homeland security information and intelligence sharing between local, state and federal agencies. No new FTE positions were added and the department was forced to add AJ positions (temporary positions) and AL positions (temporary positions supported with federal grant funds). The Driver License Division was requested by Governor Leavitt to open field offices on Saturdays to better serve the public. Since no additional FTEs were provided, the division was forced to hire AJ positions to provide the services. With the Motor Voter registration requirements, additional duties were required of Driver License employees, necessitating additional AJs. Driver license check-off fees that support three different organizations must be collected by the division and remitted to the agencies with no additional funding for the increased workload requiring new AJ positions.

Increased UHP Technology and Fleet Costs	\$496,900	GF	FY 05	One-Time
Increased UHP Technology and Fleet Costs	\$888,900	GF	FY 06	Ongoing

The Utah Highway Patrol has been responsible for replacing equipment and purchasing technology for all patrol vehicles. Mobile vision cameras and computers have, of necessity, been added to each patrol vehicle. DPS has not received state funding for this equipment which has been added in recent years. Federal grants have funded these needs. But federal budget reductions in this area are impacting this source of funding.

Increased Lease Payments	\$783,900	GF	FY 05	One-Time
Increased Lease Payments	\$35,300	GFR	FY 05	One-Time
Increased Lease Payments	\$1,700,300	GF	FY 06	Ongoing
Increased Lease Payments	\$35,400	GFR	FY 06	Ongoing

The department has multiple operations and offices throughout the State of Utah requiring commercial lease payments. As lease rates increase or new leases are required, the department has no option other than paying the increased lease amounts unless a decision is made to cut services. In recent years, unfunded increases in lease payments have significantly impacted the

DPS budget. The General Fund Restricted is Fund 1642 “Life Insurance Tax to the Fire Academy.”

In-service Training/Certification	\$91,000	GF	FY 05	One-Time
In-service Training/Certification	\$91,000	GF	FY 06	Ongoing

Costs associated with maintaining the required certifications of employees and programs within the department have increased dramatically over the past several years. Various programs within the department require that personnel meet minimum training and programs be accredited. Without adequate funding to meet training and certification standards, programs risk losing accreditation.

Increased Communications and IT Costs	\$280,000	GF	FY 06	Ongoing
Increased Communications and IT Costs	\$1,300,000	GFR	FY 06	Ongoing

Communications and IT costs have risen dramatically with no additional funding. The General Fund Restricted is Fund 1077 “Department of Public Safety Restricted Driver License.”

**Summary of Significant Factors Driving Budget Increase Requests
FY 2005 and FY 2006**

Department: Administrative Office of the Courts

<u>Title</u>	<u>Amount</u>	<u>Source</u>	<u>FY 05 or FY 06</u>	<u>Ongoing or One-time</u>
Lease / Contracts	\$718,600	GF	FY 06	Ongoing
	\$10,400	DC	FY 06	Ongoing
	\$577,800	GFR	FY 06	Ongoing

Mandates from previous years' contracts and obligations discussed and authorized by the Legislature.

Jury/Witness/Interpreter Fees	\$300,900	GF	FY 05	One-Time
Jury/Witness/Interpreter Fees	\$315,000	GF	FY 06	Ongoing

Mandate from the Constitutional right to jury trial, witnesses, and interpreters. The sum of \$145,000 has been set aside this year to address the FY 2004 deficit. The FY 2005 supplemental one-time funding would be used to pay for the deficit of FY 2004 and the estimated deficit for FY 2005. The FY 2006 request is to fund the ongoing jury/witness need and to increase funding for interpreter fees. Utah's growing diversity increases the need for court interpreter services.

Law Clerks	\$370,000	GF	FY 06	Ongoing
Deputy Clerks	\$238,400	GF	FY 06	Ongoing

The State's population growth affects the number and types of cases adjudicated by the courts. The increasing caseload puts pressure on staff and judges in both district courts and juvenile courts. Law clerk assistances allows more time in court for existing judges.

Juvenile Judge	\$245,100	GF	FY 06	Ongoing
District Judge	\$245,100	GF	FY 06	Ongoing

The State's population growth affects the number and types of cases adjudicated by the courts. The increasing caseload puts pressure on judges and staff. The Second District Juvenile Court and the Fourth District Court are carrying the heaviest workloads per judge in the State.

Guardian ad Litem Services	\$350,000	GF	FY 06	Ongoing
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The growing population of children at risk in the state impacts the number of cases requiring the services of the Guardian ad Litem.

DP E-Filing Equipment	\$201,500	GF	FY 06	One-Time
DP E-Filing Support/Staff	\$106,900	GF	FY 06	Ongoing

The courts have been converting to an electronic system of filing since 1992. This has been done within current appropriated levels. Workload increases and system requirements will require additional funding to continue to conversion and potentially save money in the future.

Bailiff Funding	\$1,800,000	GFR	FY 06	Ongoing
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Senate Bill 196, passed in the 2004 General Session, provided an ongoing funding increase for Juvenile Court Bailiff Program from the General Fund Restricted Court Security Account. Funds come from a security surcharge of \$32 assessed on all convictions for offenses listed in the uniform bail schedule adopted by the Judicial Council and moving traffic violations.

**Summary of Significant Factors Driving Budget Increase Requests
FY 2005 and FY 2006**

Department: Board of Pardons

<u>Title</u>	<u>Amount</u>	<u>Source</u>	<u>FY 05 or FY 06?</u>	<u>Ongoing or One-time</u>
Caseload Growth	\$106,000	GF	FY 06	Ongoing

The Board of Pardons budget is driven by the number of inmates sentenced and the number of parolees returned to prison. A significant impact results from new or enhanced criminal sanctions passed by the Legislature. The number of Board hearings has grown an average of twenty percent per year the last few years. This increase has been at a time of budget and staff reductions.

**Summary of Significant Factors Driving Budget Increase Requests
FY 2005 and FY 2006**

Department: Department of Human Services - Juvenile Justice Services

<u>Title</u>	<u>Amount</u>	<u>Source</u>	<u>FY 05 or FY 06</u>	<u>Ongoing or One-time</u>
Caseload Growth	\$1,111,600	GF	FY 06	Ongoing
	\$31,100	FF	FY 06	Ongoing
	\$1,095,000	TR	FY 06	Ongoing

Residential placements have increased by over 100 clients. Caseload for Juvenile Justice Services mirrors the demographics of this population and is increasing.

Strawberry Work Camp	\$130,300	GF	FY 06	Ongoing
	\$19,200	GF	FY 06	One-Time

Increased enrollment in all programs necessitates the expansion of a proven treatment program for female offenders.

Geographic Specific Programs	\$1,508,500	GF	FY 06	Ongoing
	\$141,200	GF	FY 06	One-Time
	\$44,300	FF	FY 06	Ongoing
	\$370,000	TR	FY 06	Ongoing

Some population areas around the State have grown faster than others requiring additional resources to address case management, aftercare programs and assessment activities.

Special Function Officers	\$121,100	GF	FY 06	Ongoing
	\$26,000	GF	FY 06	One-Time
	\$7,600	FF	FY 06	Ongoing

As residential placements grow, the number of youth that “abscond” each month is estimated to increase. Two additional special function officers contracted from Adult Corrections could be used to reduce the number of days youth are absconded and increase public safety.

FMAP	\$146,300	GF	FY 06	Ongoing
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Federal Medicaid Assistance Percentage (FMAP) match rate for FY 2006 is projected to increase 0.93%. This increases the State match requirement for Federal Title IVE (Federal Payments for Foster Care) and Title XIX (Medicaid) funds by \$146,300. Funding the increased State match will keep federal funding at its current level.

**Summary of Significant Factors Driving Budget Increase Requests
FY 2004 and FY 2005**

Department: Utah Department of Corrections (UDC)

<u>Title</u>	<u>Amount</u>	<u>Revenue Source</u>	<u>FY 05 or FY 06?</u>	<u>Ongoing or One-Time</u>
The key significant factor driving costs at the Utah Department of Corrections is inmate growth. The inmate population is growing at a rate of more than 250 offenders per year. The number of incarcerated persons and parolees impacts cost factors such as housing, treatment programs, reentry programs, probation and parole supervision and medical services. The Department has no control over the number of persons sentenced to prison and no control over when they are released.				
New Facility Construction	\$14,600,000	GF or Bond	FY 06	One-Time
VOI/TIS Facility Operations	\$5,686,700	GF	FY 06	Ongoing
VOI/TIS Facility Operations	\$920,000	GF	FY 05	One-Time
Jail Contracting Expansion	\$5,659,800	GF	FY 06	Ongoing
Jail Contracting Exp.	\$825,400	GF	FY 05	One-Time
Jail Reimbursement Growth	\$1,090,000	GF	FY 06	Ongoing
Core Rate Increase	\$1,280,900	GF	FY 06	Ongoing

The Department of Corrections will need to address the inmate housing shortage in the short-term and the long-term. This can be done through new facility construction, upgrading current facilities and increasing the number of inmates housed at county facilities. The Corrections system bed space must be increased at least by 288 to accommodate the growing inmate population. The prison system is currently operating at 98 percent of capacity. Facilities construction started now will not be operational for 14 to 24 months. Correction's experience shows that the safety of staff and inmates and the effectiveness of programs are adversely affected when the inmate population exceeds 95 percent of capacity. Without additional housing, the State must consider another early release of prison inmates. The Board of Pardons believes that such a decision is not in the best interest of the State. The State is currently upgrading the VOI/TIS Facility. Additional funding will be required to operate it. Other options are to expand the county beds housing State prisoners.

Adult Probation & Parole Agents	\$773,000	GF	FY 06	Ongoing
AP&P Leases	\$217,000	GF	FY 06	Ongoing

The courts are experiencing high increases in the number of felony court filings which impacts Corrections in two ways. First, the number of pre-sentence investigations is increasing. As part of the FY '02 and '03 budget cuts, Corrections lost funding for private PSI contractors. This workload has been added to the probation and parole agents without addition staff. Supervision and re-entry efforts are hurt when staff must be taken out of the community to write PSI's. Second, the number of felons admitted to prison and probation is growing without adding resources to manage these increases.

Sex Offender Treatment	\$1,012,900	GF	FY 06	Ongoing
Drug Offender Rehabilitation Act (DORA)	\$6,200,000	GF	FY 06	Ongoing

Corrections believes the best way to reduce the prison population in the long-run is to improve treatment, re-entry and transition programs for offenders. Ultimately, if the cycle of continuing recidivism can be stopped, prison growth will slow. Improving re-entry has required the department to increase programming resources and improve community supervision. This has been done in the past without additional resources, greatly increasing the workload of probation and parole. DORA could contribute to significant future cost avoidance impacting all areas of Corrections.

Crime Victim Fund Replacement	\$750,000	GF	FY 06	Ongoing
Grant Funds	\$417,700	GF	FY 06	Ongoing

Crime Victim Reparation Funds were used to replace General Fund at the Corrections Diagnostic Unit during recent budget reductions. The Crime Victim Reparation Fund has been impacted as a result. Corrections rarely receives increases in programming funds, in spite of large increases in the offender populations accessing these programs. Additionally, the grants that support a number of programs are being terminated. This will result in decreases in programs at the same time the target populations are increasing.

Medical Services Inflation	\$653,000	GF	FY 06	Ongoing
Dialysis Clinic	\$329,100	GF	FY 06	Ongoing

Corrections is constitutionally required to provide medical care to prison inmates. The cost of medical care is increasing nationwide and prisons are no exception. It has been many years since Corrections has received an increase in the medical budget. Medical inflation has been counterbalanced by innovative efforts to reduce per inmate costs which have been very effective. However, these efforts can no longer address this ever increasing level of inflation.

Capital Facilities and Administrative Services

**Summary of Significant Factors Driving Budget Increase Requests
FY 2005 and FY 2006**

Department: Administrative Services
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<u>Title</u>	<u>Amount</u>	<u>Revenue Source</u>	<u>FY 05 or FY 06?</u>	<u>Ongoing or One-Time?</u>
DFCM – Restore General Funds	\$2,167,000	GF	FY 06	Ongoing

In order to assist the state during the economic downturn in the previous two years, General Funds were deleted from DFCM Administration and replaced with Contingency Reserve and Project Reserve Funds. This was intended to be a temporary solution. Reserve funds are driven by construction market conditions and many other factors, which make them unstable going into the future.

DFCM – Move CAD Program	\$124,000	Restricted	FY 06	Ongoing
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The division requests the budgetary moving of the Computer Aided Design program from the DFCM ISF budget to the DFCM Administration budget. This request includes 2.0 FTE.

State Archives – Electronic Records	\$68,000	GF	FY 06	One-Time
	\$143,000	GF	FY 06	Ongoing

The management of electronic records for both state and local government agencies is by far the greatest challenge to agency records managers. As technology improves and greater efficiencies are realized through ever increasing computer applications, the need to understand and meet this challenge is critical. Historically significant electronic records, as those in paper format, need to be preserved and be readily accessible by the public. The Archives is mandated to provide guidance and standards for the proper management of these records. If steps are not taken to strengthen these programs, the state will continue to be at risk of losing these valuable electronic records. This request includes 1.0 FTE.

State Archives – Digitize Collections	\$94,600	GF	FY 06	One-Time
	\$48,400	GF	FY 06	Ongoing

State Archives has a large historically significant collection of state records which could be made available to the public and agency users, including the Legislature, through the digitization of these records and making them accessible on Archives' web site. Not only would this be of great value to researchers because of ease of searching and quick response time but the original documents would also be better preserved due to less handling. One time costs will be for computer, digitizing and software equipment of such quality as to maintain the program over several years. This request includes 1.0 FTE.

State Archives – Vehicle Purchase/Lease	\$21,000	GF	FY 06	One-time
	\$3,300	GF	FY 06	Ongoing

The division needs to purchase and pay lease rates on a seven passenger van to enable division staff greater flexibility in transporting records from various state and local government agencies, in providing transportation for the statewide regional training programs, and for the transportation of microfilm cameras to and from different locations throughout the state. Lease costs will be \$3,300 per year.

Administrative Rules – Editor FTE	\$55,000	GF	FY 06	Ongoing
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The risk of an agency administrative rule being challenged because of a procedural defect is rising. The accuracy of agency rule filings presents the most significant controllable cost driver for the Division of Administrative Rules. Since the automation of rule filing in September 2001, the division has documented an average of 28% of rule filings require substantive corrections prior to publication. However, this is only based on problems the division's existing staff identified. In FY 2004, with heightened scrutiny of rules and few five-year review filings, 42% were returned for correction. The division needs an additional editor to adequately "provide agencies assistance in rulemaking; and administer [the Rulemaking Act] and require agencies to comply with filing, publication, and hearing procedures." This request includes 1.0 FTE.

Administrative Rules – E-Rulemaking	\$75,000	GF	FY 06	Ongoing
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The design and underlying software that supports eRules, the division's web-enabled rule filing system, is over five years old. The division needs to move toward eRules version two. This includes restructuring and rewriting the underlying code using more readily available, less onerously licensed software.

AGRC – Update Database	\$300,000	GF	FY 06	Ongoing
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There is a critical need to integrate more complete, accurate, and current data in the State Geographic Information Database (UCA 63A-6-203) from a variety of sources. Examples include integrating streets, ownership, boundaries, etc. derived from parcel data developed by local government need for economic development and critical infrastructure data required for homeland security. If not funded, services might decrease and will result in multiple funding versions of similar but inconsistent and possibly conflicting data used for decisions. AGRC has the growing responsibility to work with federal agencies including the Department of Homeland Security. All of the data acquisition will require the use of interns and a land surveyor. This request includes 1.0 FTE.

Finance – Actuarial Study	\$50,000	GF	FY 05	One-time
	\$25,000	GF	FY 06	Ongoing

The state has never had an actuarial study to estimate the liability for post employment benefits. The state is required by statute to recognize its liability for post employment benefits and to prepare financial statements according to generally accepted accounting principles (UCA 51-5-6). New financial reporting requirements in GASB 43 and 45 will require the state to estimate its

liability for other post employment benefits (OPEB) through actuarially defined methods. This will require the division to contract with an actuary to complete the actuarial study. The study will be required every two years so the ongoing appropriation is for half the cost each year.

Child Welfare Parental Defense

The agency will likely want to discuss the funding challenges in this division. Resources, at this point, are limited and the division may seek clarification on goals and direction based upon available funding and the overall direction the Legislature intends for this program.

**Summary of Significant Factors Driving Budget Increase Requests
FY 2005 and FY 2006**

Department: Capital Preservation Board

<u>Title</u>	<u>Amount</u>	<u>Revenue Source</u>	<u>FY 05 or FY 06?</u>	<u>Ongoing or One-Time?</u>
Secretarial Support	\$35,100	GF	FY 06	Ongoing

Currently in this two FTE office, the administrative secretary is tasked with budget issues, being a problem solver, monitoring contracts and handling acquisitions for the restored Capitol building. Without someone to handle the less technical but urgent daily tasks, the urgent tasks are set aside and not handled in the most timely or efficient manner. This request includes 1.0 FTE.

Restore General Fund for Salaries and O&M	\$192,700	GF	FY 05	One-Time
	\$244,400	GF	FY 06	Ongoing

This request results from a shift of funding in FY 2003 forward as the economy became worse. In FY 2002 the funding level was \$2,525,600. These funds were used by CPB and DFCM to maintain facilities on Capitol Hill. In FY 2005 funding was reduced to \$2,177,300 and the board is forced to request ongoing funds to offset a projected loss in FY 2006 and beyond. Currently the losses are being covered with money from the Capitol Restoration Project Funds and DFCM Reserves. These dollars are being used to pay administrative salaries for the two CPB FTE and the DFCM maintenance director, but were never budgeted as part of the restoration project. The FY05 request would cover shortfalls in paying for DFCM O&M; the FY06 request would restore \$141,400 for personal services and \$103,000 for O&M.

Public Information Officer/Visitor Information	\$90,200	GF	FY 06	Ongoing
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There has been ongoing concern raised about how the visitor services and gift shop should be developed in the future. In the past the Salt Lake Convention and Visitor Bureau (SLCVB) has provided the tour guide services. These have been paid for with approximately \$25,000 from SLCVB. The SLCVB has informed us they are not interested in continuing the service. As the restoration has unfolded research indicates the Capitol will need a well organized and managed tour guide program and gift shop. Currently the Public Information Officer is a temporary (AL status) employee funded out of Capitol Restoration Funds. It is a logical expansion of the PIO duties to move into the visitor information services. It is critical to start the program now so when the Capitol reopens in January 2008 all these services are in place. This request includes 1.0 FTE.

Bonding Request

The executive director feels confident in suggesting that the funding request for FY 2006 through the end of the project in 2008 will be \$135 million. This amount will allow CPB to complete all remaining work. The phase funding that is currently being dealt with is creating confusion and

problems for the contractor. This is due to the need of the contractor to encumber for more than the \$50 million per year as currently authorized. Another problem is trying to hold the budget without being able to contract for the full amount (could result in a cost impact of 10% or \$20 million due to market conditions). There are two alternatives available which could resolve this difficulty. One alternative would be to completely fund the project this year for the remaining \$135 million. This could be done with language requiring that bonds only be issued as needed. Another alternative would be for the Legislature to authorize CPB to enter into a contract for the full cost of the project while requiring that the contract include a provision for termination of the contract for the convenience of the state as required by UCA 63-56-40(4)(d). This would allow the contractor to lock in the full cost of the remaining construction while restricting the amount of cash flow allowed each fiscal year to a predetermined amount identified in the contract that matches the Legislature's intentions for authorized funding. This alternative would allow the Legislature to continue with its current plan of phased funding. As an example, UCA 63A-5-207(2) allows DFCM to utilize this alternative if specifically authorized by the Legislature. This approach is frequently used with major highway projects.

Security

The Department of Public Safety will need two or three FTE to help with security on the Hill. These are largely the sentries who would man the new sentry stations on the perimeter of the campus. Funds could be appropriated to DPS like other Capitol security dollars are currently appropriated, or to CPB for pass-through to DPS.

Commerce and Revenue

**Summary of Significant Factors Driving Budget Increase Requests
FY 2005 and FY 2006**

Department: Alcoholic Beverage Control

Continued increases in Liquor sales drive the Department's requests for budget increases. As sales increase so does the need for increased sales space and staffing. DABC is planning on opening 3 new stores in FY 2006. Maintaining existing stores also drives some requests.

Title	Amount	Revenue Source	FY 05 or Ongoing or FY 06	FY 06 or One-Time?
New Stores FTEs	\$420,000	Rest	FY 06	One-Time
Store Equipment Upgrades	\$100,000	Rest	FY 06	One-Time
Security Guards	\$25,000	Rest	FY 06	Ongoing

The request is to have ongoing funds to replace worn equipment in the Departments 37 stores.

Security Guards **\$25,000** **Rest** **FY 06** **Ongoing**

Many liquor stores have part-time security guards and many of them are not POST certified. The Department would like to have only POST certified officers. The requested increase would be used to cover inflationary costs for current guards, the cost of shifting to only POST certified guards, and adding security to stores that do not currently have needed security.

Department: Commerce Department
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Workload has grown in volume and complexity over the last few years due to substantial increases in business filings, licensees, and annual new legislative requirements. Online initiatives provide better customer service but demand considerable time and talent from employees.

Proprietary School Investigator	\$66,400	Rest	FY 06	Ongoing
Proprietary School Investigator	\$66,400	Rest	FY 05	One-time
Consumer Protection Auditor	\$200,000	Rest	FY 06	Ongoing
Consumer Protection Auditor	\$200,000	Rest	FY 05	One-time

Department: Financial Institutions

Renegotiate Office Lease **\$117,400** **Rest** **FY 06** **Ongoing**

The Department's lease expires at the end of FY 05. The increased cost of leasing the same space is expected to be \$117,400.

Replace Laptop Computers **113,000** **Rest** **FY 06** **Ongoing**
Fee Increase

The conversion of ten largest state-chartered credit unions to federal charters has caused significant lost in revenues. In FY 04 the Department collected \$262,500 less than it spent. That is expected to be the case again in FY 05. This will necessitate an increase in fees.

Department: Insurance Department

The Department is providing more and better service to the public. However, these workload increases have not been funded for eight years. The Department also faces an office space crunch and needs more room. The industry is pressuring the Department to change the way it conducts market surveillance. The function is currently narrowly focused and divided between programs. Complying with industry requests would require two additional FTEs. Insurance industry regulation requires continuing training in financial and market conduct analysis and computer systems. National Association of Insurance Commissioners (NAIC) membership results in added travel expenditures to keep state regulation uniform with other states. This is prompted by the threat of federalization.

Enterprise Content Management System	\$50,000	GF	FY 06	One-time
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The Department's Enterprise Content Management System (ECM) supports the regulation of companies, agents, and agencies. The ECM system augments the Department's services to provide protections to the public against illegal activities.

Comprehensive Health Insurance Pool	\$14,600,000	GF	FY 06	Ongoing
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The current economic climate has increased participation in the pool. The Agency believes that this trend will continue.

Department: Labor Commission

The Commission is concerned about the instability of federal funding. For example, the federal OSHA programs under control of the Commission did not fund the last COLA increase or the increases in benefit costs. This forced cuts in other areas of the budget.

Attorney General charges	\$26,100	GF	FY 06	Ongoing
Attorney General charges	\$26,100	GF	FY 05	One-time

These funds will be matched with an equal amount of federal funds.

Industrial Accidents	\$474,000	GF	FY 06	Ongoing
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During the last budget crunch a few years ago, it was decided to replace the General Fund portion of the Industrial Accidents Division with restricted funds (from three funds). This affects actuarial soundness of the funds and it may require an increase in Workers' Compensation premiums if the funds are not replaced.

Labor Commission Specialist	\$48,500	GF	FY 06	Ongoing
UOSH Safety and Health Officer	\$33,500	GF	FY 06	Ongoing

These funds will be matched with an equal amount of federal funds.

Department: Tax Commission

The taxpayer and motor vehicle registration population increases each year by an average of 2%. This compounded growth over many years creates workload increases that could expand beyond existing resources. Several Motor Vehicle branch offices have leases that are due to expire over the next several years, and there are usually significant cost increases associated with new leases.

Data processing vendors are not maintaining equipment and software programs older than 3-5 years. Most of the legacy tax system was first implemented 15 to 20 years ago. While systems have been enhanced and changed many times over the years, replacing them with new technologies would bring substantial improvements.

The Commission is not asking for any budget increases this year.

Department: Workforce Services

Difficult Economic Times: Department of Workforce Services' (DWS) programs provide employment and support to customers, helping them improve their economic condition. The state of the economy is the most significant cost driver. Poor economic time product fewer jobs and more demand for jobs. Support programs are used in a poor economy. In the last three years DWS has seen a 70% increase in Food Stamp cases, a 60% increase in GA cases and an 89% increase in Unemployment Insurance benefit issuance. Although, the economy is beginning to show signs of recovery, DWS' workloads may take several years to return to pre-recession levels.

Federal Program Reauthorization: Over 90% of DWS funding comes from federal sources, many of which have match or "maintenance of effort" requirements which tie up state funding. Several federal programs are pending Congressional re-authorization, and with that, proposed restructuring and programmatic changes. These proposed changes may have significant impacts, not only on the level of federal funding, but also on the costs to operate these programs. For example, the TANF re-authorization proposes to expand the requirement that customers be employed in order to qualify for financial assistance. Since most TANF customers are single mothers, this requirement will increase the needs for Child Care Assistance. This would also increase the workload on DWS employment counselors.

General Assistance Caseload Growth	\$2,424,300	GF	FY 06	Ongoing
Food Stamp Caseload	\$945,200	GF	FY 06	Ongoing
Child Care Match	\$2,703,400	GF	FY 06	Ongoing

This would be matched with \$6,997,600 in federal funds for a total of \$12,124,300. This might allow a reduction in TANF funds going to Child Care for use in other programs.

**Summary of Significant Factors Driving Budget Increase Requests
FY 2005 and FY 2006**

Department: Utah College of Applied Technology

<u>Title</u>	<u>Revenue Amount</u>	<u>Source</u>	<u>FY 05 or FY 06?</u>	<u>Ongoing or One-Time?</u>
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Salary and Compensation

UCAT hires business professionals to instruct its students and UCAT must be sensitive to market salary levels to ensure that the college is able to recruit and retain excellent faculty and staff members. Approximately 46 percent of UCAT Faculty and Staff members' salaries have declined to below ninety percent of benchmarked market salaries. Also decreased take-home pay has resulted from increased employee health insurance cost-sharing. Despite institutional progress in efforts to better manage health benefits, health benefit cost increases continue to outpace the capacity of institutional resources.

Membership Hour Growth	\$3,800,000	GF	FY 06	Ongoing
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UCAT's enrollments are not typically impacted by population "bubbles" because of the wide range of training provided and the non-specific student profile. UCAT serves all ages of individuals seeking higher education opportunities and will continue to need additional support to support these individuals' opportunity to enroll and complete their higher education objectives. It is important to note that the Utah College of Applied Technology has been identified as "Business and Industry's College." As a result, the demand for skilled labor in particular fields is increasing. In order to support the needs of business and industry, UCAT needs support from the State to develop the necessary programs.

Core College Support	\$1,300,000	GF	FY 06	Ongoing
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The Utah College of Applied Technology was created at a time when State resources were very limited and budget cuts were happening across all State Agencies. As a result, the UCAT Central Administration never received full funding to properly staff the administration office. This has resulted in delays in receiving accreditation, obtaining financial aid support for qualified UCAT students, program development and processing, and unified student information reporting structures.

Custom Fit	\$500,000	GF	FY 06	Ongoing
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The Utah College of Applied Technology oversees and administers the State Custom Fit training program. This program helps Utah companies train their employees to succeed in their respective positions. The demand from business and industry for Custom Fit support is increasing each year.

Infrastructure Support	\$800,000	GF	FY 06	Ongoing
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As directed in Utah Law 53B-2A-112, all UCAT campuses must first give priority to leasing facilities from any available avenue before requesting capital facility support. The Utah College of Applied Technology is located throughout the state in various buildings. Five of the nine campuses of UCAT are leasing space from other USHE institutions, school districts, and private companies. Lease costs vary dramatically based on region and type of lease agreement. Lease payments continue to escalate.

Economic Development and Human Resources

**Summary of Significant Factors Driving Budget Increase Requests
FY 2005 and FY 2006**

Department: Economic Development and Human Resources

<u>Title</u>	<u>Amount</u>	<u>Revenue Source</u>	<u>FY 05 or FY 06</u>	<u>Ongoing or One-Time?</u>
Incentive Funding for Film	\$3,000,000	GF	FY 06	Ongoing

Changes in programming and incentive offered by other states have impacted film production days in Utah. The pilot project authorized by the Legislature and the Division of Business and Economic Development Board has encouraged film production within the state. As a result the agency is asking for a film industry incentive package which would be administered by the Division of Business and Economic Development Board.

Replenish Industrial Assistance Fund	\$4,422,000	GF	FY 05	One-Time
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Earned credits are earmarked from General Fund surplus. Credits are earned as contracted goals are reached. The amount required to replenish the fund in FY 2005 is identified above.

Travel Advertising	\$10,000,000	GF	FY 06	Ongoing
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The State's buying power for advertising has decreased over several years. Advertising funding for travel is currently less than one-million dollars. The declining purchasing power is contributing to a declining market share for Utah. This has been compounded by the fact that other states have increased their advertising funding. The Department is requesting funding of \$10,000,000 for travel promotion.

Children's Public Library Services	\$144,000	GF	FY 06	Ongoing
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As school age population continues to increase the demand for research resources for these students increase also. There is a need for training and resource allocation to public libraries to facilitate opportunities for the school age population and their parents.

Library Databases	\$88,600	GF	FY 06	Ongoing
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Increased database costs are inhibiting the libraries ability to fully participate in the consortia program. Without additional funding the library may be required to discontinue some of its existing programs or limit use of database resources.

Tourism Marketing Performance Fund	\$200,000	GF	FY 05	One-Time
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Funding for the Tourism Marketing Performance fund is dependent on the travel industry reaching a target growth rate. This year the industry met the target and therefore funding is being requested.

Health and Human Services

**Summary of Significant Factors Driving Budget Increase Requests
FY 2005 and FY 2006**

Department: Health

<u>Title</u>	<u>Amount</u>	<u>Revenue Source</u>	<u>FY 05 or FY 06?</u>	<u>Ongoing or One-Time?</u>
Medicaid Utilization/Caseload	\$17,858,400	GF	FY 06	Ongoing

The Medicaid program continues to see monthly growth in the number of people who are eligible for Medicaid services. After three years of growth rates of 10 to 11 percent, the FY 2005 rate is at seven percent. The FY 2006 projection is six percent. Even at the slower growth rate, the costs are significant. The six percent projection reflects a total cost of \$61.8 million, with a state share in the amount of \$17.9 million.

Medicaid Inflation	\$20,397,800	GF	FY 06	Ongoing
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To comply with federal mandates and to continue with broad base services for the Medicaid Program in Utah, it is necessary to compensate Medicaid providers for their increased costs. In reviewing the inflationary costs for the current array of Medicaid services, an overall inflationary increase factor of 6.2 percent is projected. This increase translates to a total cost of \$70.6 million, of which \$20.4 million is General Fund.

Federal Medical Assistance Percentage	\$9,683,500	GF	FY 06	Ongoing
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After three years of the State having the Federal Medical Assistance Percentage (FMAP) move in a direction favorable to the State, it is expected to reverse for FY 2006. The rate is expected to go from 27.96 percent to 28.89 percent. While less than a one percent shift, the State will need to replace lost federal funds in the amount of \$9.7 million, just to maintain the program at current levels.

Caseload Growth due to Medicare Prescription Drug Improvement and Modernization Act	\$148,900	GF	FY 06	Ongoing
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In order to comply with federal mandates that accompany this new act, five new FTE are required to process application.

Payment Error Rate Measurement	\$126,400	GF	FY 06	Ongoing
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An additional federal requirement requires compliance with provisions of the Improper Payments Information Act designed to reduce errors in Medicaid and CHIP payments. The projected need is for five FTEs.

**Summary of Significant Factors Driving Budget Increase Requests
FY 2005 and FY 2006**

Department: Human Services	Title	Amount	Revenue Source	FY 05 or FY 06?	Ongoing or One-Time?
CHANGING DEMOGRAPHICS / POPULATION GROWTH:					
<u>Division of Child and Family Services (DCFS):</u>					
The population of youth age 0-17 will increase by 27% over the next 10 years – an average of 19,500 more youth per year. By the age of 18, one in 31 youths will enter DCFS custody or supervision.					
Out of Home Services Increases		\$1,800,000		GF	FY 06
<i>Increased caseload, costs, increased emphasis and services to be provided in kinship placement</i>					
Adoption Caseload Growth		\$1,525,000		GF	FY 06
		\$801,200		GF	FY 05
<i>Division of Child and Family Services estimates 330 additional adoptive placements during FY 2006 in need of subsidies. In addition, FY05 adoption assistance funding estimated to be short.</i>					
Domestic Violence Services		\$814,200		GF	FY 06
<i>Increased caseload is driving the need for additional domestic violence case workers and treatment.</i>					
Transition to Adult Living Services		\$626,000		GF	FY 06
		\$500,000		GF	FY 05
<i>As part of a program to increase services to children leaving foster care, the Division proposes to extend Medicaid eligibility for these children until they reach age 21. This amount represents the estimated State match.</i>					
<u>Division of Services for People with Disabilities (DSPD):</u>					
As the general population grows, so does the number of people with disabilities eligible, and in need of, assistance. The State is being sued over 1,900 plus individuals waiting for community services.					
Waiting List		\$1,080,100		GF	FY 06

This will fund services for about 195 people in most serious need of services currently on the waiting list. The current waiting list shows there are about 1,950 eligible people waiting for home and community based services.

Division of Substance Abuse and Mental Health:

As the general population grows, so does the number of people suffering from mental illness. Also, a growing jail and prison population includes a growing number of inmates in need of mental health services.

State Hospital Forensic Beds	\$2,479,100	GF	FY 06	Ongoing
	1,446,100	GF	FY 05	One-time

Due to budget reductions in FY 2003, one of the four wings of the State Hospital forensic facility was closed. These 26 beds are now needed to provide access to people in the court system ordered into mental health treatment. There are about 20 to 25 inmates in jail on a waiting list that's currently about 8 to 10 weeks long. Several jail inmates have filed suits demanding the State comply with the court-ordered treatment.

Additional Competency, PASRR Evaluations	\$155,100	GF	FY 06	Ongoing
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Increased demand for court ordered mental competency evaluations, also for "Pre-admission Screening and Resident Reviews" (PASRR) required prior to nursing facility admission.

Adult Outplacement from State Hospital	\$262,800	GF	FY 06	Ongoing
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These funds would allow the outplacement of up to 12 patients from the hospital into intensive, less restrictive community services placements.

Division of Aging and Adult Services:

The population of elderly, ages 65 and over, will increase by nearly 30% over the next 10 years - an average of almost 5,800 more elderly per year. Of the 65 and over population:

- Over half report having at least one disability.
- 14% have difficulty with daily activities such as eating and dressing.
- An additional 8% have difficulty with activities such as preparing meals, shopping, housework, managing money, using the phone.
- 10% live in poverty.

Long-term Care Ombudsman	\$351,800	GF	FY 06	Ongoing
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State and federal statute requires investigation of complaints from residents of long-term care facilities. The number of complaints is growing. This will fund 7 local ombudsmen plus one statewide coordinator.

Meals for Elderly	\$200,000	GF	FY 06	Ongoing
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This amount is to replace one-time funds appropriated for the meals program by the 2004 Legislature. These funds currently serve about 315 people (about 32,000 total meals) in a year.

INFLATION COSTS

Increased Medication Costs	\$167,900	GF	FY 06	Ongoing
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At both the State Hospital and the State Developmental Center, costs for medications are increasing.

Private Provider 1% COLA adjustment	\$747,200	GF	FY 06	Ongoing
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Each year, the Legislature considers a cost of living adjustment for employees of private service contract providers with the Department. This amount represents the estimated cost of a one percent COLA.

FEDERAL GRANTS / COURT REQUIREMENTS:

Grants' Maintenance of Effort Restoration	\$1,111,100	GF	FY 05	One-time
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Recent budget reductions have brought the State's funding support of mental health and substance abuse programs below minimum required by federal grants. Without this supplemental appropriation, the State will lose one dollar of federal grant funds for every dollar the State is under the required maintenance of effort (\$745,400 Mental Health and \$365,700 Substance Abuse).

Court Monitor and Coordinators	\$269,500	GF	FY 06	One-time
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DCFS is required to fund the court appointed monitor and the regional coordinators who evaluate progress toward achieving the goals of the court-approved "Milestone Plan."

Medicaid Policy Changes – Mental Health	\$7,513,700	GF	FY 06	Ongoing
	\$2,419,000	GF	FY 05	One-time

Recent changes in Medicaid policies have denied the use of Medicaid funds received by local Mental Health Centers for services for people not Medicaid eligible. In the past, these "excess" capitated Medicaid payments were used to treat uninsured non-Medicaid clients. Mental Health centers are now reducing services to as many as 4,300 such clients.

FMAP Rate Change	\$1,913,200	GF	FY 06	Ongoing
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The Federal Medical Assistance Percentage (FMAP) is being reduced for FY 2006, meaning the State will have to pick up a larger share of Medicaid related costs. This match rate change will impact Medicaid eligible services in four of the department's divisions: Substance Abuse & Mental Health, Services for People with Disabilities, Child and Family Services, and Aging Services.

Phase out of Federal Incentive Funds - ORS	\$423,600	GF	FY 06	On-going
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The Office of Recovery Services is seeing its federal incentive grant funding reduced as other States are stepping up their efforts and Utah's share of the total grant is diminishing.

Higher Education

**Summary of Significant Factors Driving Budget Increase Requests
FY 2005 and FY 2006**

Department: Utah System of Higher Education

<u>Title</u>	<u>Amount</u>	<u>Revenue Source</u>	<u>FY 05 or FY 06?</u>	<u>Ongoing or One-Time?</u>
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Salary and Compensation

Salary competitiveness has diminished without state-funded increases. Salaries of 47 percent of faculty and staff have declined to below 90 percent of market benchmarks. Also decreased take-home pay has resulted from increased employee health insurance cost-sharing. Despite institutional progress in efforts to better manage health benefits, health benefit cost increases continue to outpace the capacity of institutional resources.

Facilities Operation and Maintenance	\$2,500,000	GF	FY 05	Ongoing
	\$2,620,000	GF	FY 06	Ongoing

State support is needed to operate and maintain facilities constructed to accommodate growing enrollment demand and replace space with life-safety concerns. Proper maintenance will extend the useful live of each building and minimize the need for extensive spending for Capital Improvements.

Fuel and Power	\$14,300,000	GF	FY 06	Ongoing
	\$12,600,000	GF	FY 05	One-time

Fuel and Power rate increases have not received permanent base funding for three years, requiring annual one-time reallocations that could have enhanced instructional programs. Utility bills have been paid on a one-time basis by raiding academic accounts, i.e. not hiring for unfilled positions, increasing the number of part-time faculty, not hiring needed advisors and counselors, postponing equipment replacement, etc.

Enrollment Funding and Access	\$46,000,000	GF	FY 06	Ongoing
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Access and quality are threatened because of unfunded enrollment growth for three consecutive years. Approximately 10,500 FTE students are unfunded, having received no state appropriation for enrollment growth (10% of all FTE students enrolled on campuses). Basic funding support is needed to ensure Utah's young adults have the opportunity to enroll and complete their higher education objectives. Utah ranks first in the nation in percent of population age 18-24 and first in the nation in total enrollment as a percent of 18-64 year-olds that are attending USHE institutions. Although on a budget-related FTE basis enrollment growth leveled off this year, over the next several years and longer term there will continue to be pressure to fund enrollment growth.

Factors Driving Additional Needs	\$8,000,000	GF	FY 06	Ongoing
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To bolster Utah's economy and provide for the care of Utah residents, expanded capacity is needed for critical programs in engineering, computer science and nursing. Annual cost increases in core support functions, such as library materials and IT software and hardware, drain

resources or limit services for front-line instructional programs. As tuition increases outpace increases in need-based student financial aid, lower income and non-traditional students face financial challenges which impede their enrollment and completion. Furthermore, the number of New Century Scholarship students continuing to double every year, insufficient funding threatens to limit the scholarships.

**Summary of Significant Factors Driving Budget Increase Requests
FY 2005 and FY 2006**

Department: Utah Education Network

Increases in quantity of bandwidth demanded, as well as changes in the demand function itself, drive budget increase requests at the Utah Education Network (UEN). As the price of computing decreases for UEN users, more students, parents, and teachers access on-line resources offered via UEN's infrastructure. At the same time, public and higher education enrollment growth, expansion of on-line applications and resources, as well as the increasingly multi-media nature of on-line content increase the amount of bandwidth demanded at all price points. Due to these factors, traffic on UEN's network has risen by an average of 50% per year since 1999. The increased traffic drives UEN's need for additional infrastructure, content, and support.

<u>Request</u>	<u>Amount</u>	Revenue <u>Source</u>	FY05 or <u>FY06?</u>	Ongoing or <u>One-Time?</u>
Conversion of One-time to Ongoing	\$540,000	GF	FY 06	Ongoing
Enterprise Level Technical Support	\$260,000	GF	FY 06	One-time
Learning Mgt System	\$370,000	GF	FY 06	Ongoing
Learning Mgt System	\$530,000	GF	FY 06	One-time
Network Capacity and Reliability	\$800,000	GF	FY 06	Ongoing
Network Capacity and Reliability	\$5,000,000	GF	FY 06	One-time
Pioneer Online Library	\$500,000	GF	FY 06	Ongoing

Changes in the labor market - resulting from the beginnings of what appears to be a modest economic recovery - are driving-up UEN's personnel costs. As private sector employers begin reinvesting in information technology, demand for the highly-skilled technical workforce employed by UEN increases. As such, UEN must offer higher, more competitive salaries to retain employees.

<u>Request</u>	<u>Amount</u>	Revenue <u>Source</u>	FY05 or <u>FY06?</u>	Ongoing or <u>One-Time?</u>
Retain Key UEN Staff	\$120,000	GF	FY 06	Ongoing

New video conferencing technology, and the obsolescence of former video network connections, drive UEN's efforts to upgrade its EdNet video conferencing network. FY 2006 marks the second year in this three-year project.

<u>Request</u>	<u>Amount</u>	Revenue <u>Source</u>	FY05 or <u>FY06?</u>	Ongoing or <u>One-Time?</u>
Conversion of EdNet to IP Based Tech	\$800,000	GF	FY 06	One-Time

The University of Utah has asked UEN to pay UEN's utility costs directly. Additionally, UEN is currently operating both analog and digital transmitters for KUED-TV and KUEN-TV as mandated by the Federal Communications Commission. These factors are driving a request for utility funding.

<u>Request</u>	<u>Amount</u>	Revenue <u>Source</u>	FY05 or <u>FY06?</u>	Ongoing or <u>One-Time?</u>
Telecommunications Utility Costs	\$127,000	GF	FY 06	Ongoing

**Summary of Significant Factors Driving Budget Increase Requests
FY 2005 and FY 2006**

Department: Utah Medical Education Council

<u>Title</u>	<u>Amount</u>	<u>Revenue Source</u>	<u>FY 05 or FY 06?</u>	<u>Ongoing or One-Time?</u>
Utah Medical Education Council	\$625,000	GF	FY 05	Ongoing

Changes in Federal Reimbursement policy and the movement to managed care threatened Utah physician and other training programs due to loss of significant funding. The federal intent is to shift more of these costs to states. One purpose for the creation of the Council was to find ways to resolve this problem and preserve Utah's training programs. The Council can get a 1 to 1 match for its administrative cost if there is a state appropriation. The Council has not had a state appropriation the last several years. The Centers for Medicare and Medicaid Services agreed to allow Utah to receive funds without the required state fund because of the serious state financial short fall. However, the federal funds end in FY 2004. Over a four year period the state is to gradually assume the full funding for the administrative budget of the Council. It is essential to have an appropriation to continue the work of the Council.

A state appropriation of \$625,000 will assure the survival of the Council and the continued annual receipt of \$12,000,000 of federal support for Utah's programs. Without this the state will be left to fund more of the cost or risk loosing some of the programs.

Natural Resources

**Summary of Significant Factors Driving Budget Increase Requests
FY 2005 and FY 2006**

Department: School and Institutional Trust Lands Administration

<u>Title</u>	<u>Amount</u>	<u>Revenue Source</u>	<u>FY 05 or FY06?</u>	<u>Ongoing or One-Time?</u>
Exchange Program (Prof. and Tech.)	\$200,000	LGM	FY 06	Ongoing
Legal	\$25,000	LGM	FY 06	Ongoing

SITLA is working on positioning its land assets to maximize short term and long term revenues. The agency is constantly on the lookout for exchange possibilities for its lands which includes a comprehensive inventory of the existing assets, including both surface and mineral values as well as targeting federal lands for acquisition. This requires significant professional resources that the agency will at times need to contract with vendors to provide the necessary services. An example would be appraisals of parcels the agency would like to exchange or acquire.

Development Growth (Office Tech.)	\$30,000	LGM	FY 06	Ongoing
Capital	\$1,000,000	LGM	FY 05/06	Ongoing

One of the most rapidly growing areas of the agency is its development group which works with surface lands to invest capital into them to enhance their value as an asset. These improved parcels are then either sold or long-term leases are entered to generate revenue into the future. There are a wide variety of real estate transactions the agency is venturing into that require expertise on many levels. The agency anticipates needing to expend larger amounts of money on these transactions either by adding staff with the necessary skills or contracting for those services.

Block Management (Investigator)	\$85,000	LGM	FY 06	One-Time
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SITLA is also making a focused effort to better manage lands that have been blocked into larger holdings than the original scattered sections of that were granted at statehood. Management plans are being prepared on select blocks each year. Depending on the direction of these plans, resources will need to be available to manage them in a way that will protect the asset and generate revenue for the beneficiaries. It is anticipating a greater portion of funds will need to be invested in some of these blocks to protect and enhance the asset.

Summary of Significant Factors Driving Budget Increase Requests FY 2005 and FY 2006

Department: Agriculture and Food

Certain homeland security and food safety-related programs are experiencing employee turnover rates that are threatening the quality of some of our most important work. All five of our Salt Lake office environmental health scientists have left for higher paying positions within the past 14 months. These employees, along with several others, including meat and dairy inspectors, veterinarians, even a department director, have sought and found higher paying positions in other government or private sector agencies; thanks to the training they received at the Utah Department of Agriculture and Food.

In nearly all cases, salary was the driving force behind the moves. Department of Human Resource Management (DHRM) reports that State of Utah employee salaries are 20 percent below private sector levels, with the Department of Agriculture and Food salaries another seven percent below the state average.

If this issue is not adequately addressed, we are significantly increasing the risk and jeopardizing the public health and welfare of the citizens of this state. We also jeopardize the ability of the industry within our state to effectively and competitively market their products locally and internationally.

It is very difficult to not talk about current and future concerns regarding budget without addressing building block or supplemental increases. Department employees continue to take on additional workload through population and corresponding industry growth. Their workload also grows through new grant programs that provide resources to help protect the citizens of the state. Grants help subsidize training to our employees in the areas of animal disease detection, plant disease detection and food safety. We have employees that are professionals in the areas of veterinary medicine, entomology, environmental health scientists, meat inspection, organic inspection and etc. It is difficult to recruit for and fill positions at the salary levels that have been established for many of our positions in the department.

The department was challenged this past year to implement a new registration program in our **Regulatory Services Division** that would have increased funding to allow adjustments to keep many of these employees. The Legislature reduced our general fund base and directed our department to collect registration fees to replace the reduced base.

The Legislature approved one-time funding for **market news reporter** and we are requesting that on-going funding be restored. This program provides accurate and unbiased price information critical to agriculture and agribusiness in decision making when selling agriculture commodities. The program disseminates information electronically, through media broadcasts and a weekly printed mailer to producers and the agribusiness community.

The decrease in business for **grain inspection and grading activities**, places this program in jeopardy of loosing the ability of providing essential services due to the reduction of staff below

an operational threshold. General Funds are needed now to maintain essential, fully trained and licensed staff to perform inspection and grading services on all grain commodities in Utah.

Soil Conservation programs are a vital part of maintaining a viable agricultural economy. The department is required by law to support the Soil Conservation Commission and district programs by adequately reimbursing expenses incurred in the performance of official duties providing technical assistance to implement conservation practices. General funds need to be appropriated to cover these programs.

**Summary of Significant Factors Driving Budget Increase Requests
FY 2005 and FY 2006**

Department: Natural Resources

<u>Title</u>	<u>Amount</u>	<u>Revenue Source</u>	<u>FY05 or FY06?</u>	<u>Ongoing or One-Time?</u>
<u>Administration: Roadless Area Management</u>	\$253,000	GF	FY 06	Ongoing
Resources needed to work with local communities to formulate management for roadless areas. This is a result of changes in federal regulations allowing states to actively manage roadless areas.				
Health and Safety Funding	\$92,500	DC	FY 06	Ongoing
Funding is proposed for the development of a safety program to reduce liability, and property damage claims in the department. This would be accomplished through hire of an AL or through contract.				
<u>Forestry, Fire & St Lands: Fire Dispatch Centers</u>	\$250,000	GF	FY 06	Ongoing
Resources are needed for costs of litigation, arbitration, and planning regarding Utah Lake boundaries.				
Sovereign Land Ecosystem Mgmt Projects	\$1,609,000	GFR	FY 06	Ongoing
Weed control on sovereign land; Bear River litigation, implementation of Great Salt Lake plan etc.				
Sovereign Land Ecosystem Mgmt Projects 2	\$195,000	GFR	FY 06	Ongoing
Crews will clear brush to protect public and private property.				
Water Line Location & Lone Peak Tractor	\$120,000	GFR	FY 06	One-Time
The existing ramp has deteriorated and cannot be used without damaging equipment. Access is necessary for brine shrimp activities, water sampling, and search and rescue operations.				
Wildland Fire Suppression	\$1,300,000	GF	FY 05	One-Time
To cover fire suppression costs that exceed funds available in Fire Suppression Program.				
Utah Lake Court Order	\$450,000	GF	FY 05	One-Time
To comply with the court order to pay for the Special Master involved in Utah Lake litigation.				

Rozell Point Oil Wells \$50,000 GFR FY 05 One-Time

To partnership with OGM to plug abandoned oil wells on sovereign land.

Fire Communication Equipment \$300,000 GF FY 05 One-Time

Funds provide interagency compatible communications equipment for safety in fire suppression.

Funding is needed to maintain regulatory services in response to booming levels of petroleum development activity within the state.

Parks & Recreation: Soldier Hollow Golf \$120,000 GF FY 06 Ongoing

It is anticipated the operation will not be self-supporting for the first few years of operation.

Utah Fieldhouse of Natural History \$80,000 GF FY 06 Ongoing

Additional funding is needed for O&M costs for the bigger building. The division cannot absorb increased costs due to GF budget cuts in past three years. One-time funds received in FY05.

Existing Park Facilities \$600,000 GF FY 06 Ongoing

Required park renovation of several existing parks caused an increase in O&M costs for these parks.

New Facilities Operations	\$129,100	GF	FY 06	Ongoing
Capital Facilities Request	\$5,000,000	GF	FY 06	One-Time

This funding would be used to refurbish worn out facilities in the park system.

Dredging Request \$5,000,000 GF FY 06 One-Time

To improve boat launching capabilities at state parks during periods of low water levels.

Public Education

**Summary of Significant Factors Driving Budget Increase Requests
FY 2005 and FY 2006**

Department: Utah State Board of Education*

<u>Title</u>	<u>Amount</u>	<u>Revenue Source</u>	<u>FY05 or FY06?</u>	<u>Ongoing or One-Time?</u>
Minimum School Program, Growth Total	\$44,801,700	USF	FY 06	Ongoing
Growth in the number of students accounts for the increases in the general educational programs as well as Board and Voted Leeway, Youth-In-Custody, the Electronic High School, and Charter Schools. Actual student growth at 1.80% exceeded anticipation for FY2005 by 1,589. The FY 2006 student growth is projected to be an additional 1.97% or an increase of 9,786 in fall enrollment.				
Minimum School Program	\$28,047,500	USF	FY 06	Ongoing
Charter Schools, Growth	\$5,000,000	USF	FY 06	Ongoing
Board and Voted Leeway	\$6,000,000	USF	FY 06	Ongoing
Youth in Custody	\$912,200	USF	FY 06	Ongoing
Youth in Custody	\$442,000	USF	FY 05	One-Time
Electronic High School (Current Year)	\$200,000	USF	FY 05	One-Time
Electronic High School	\$300,000	USF	FY 06	Ongoing
Transportation/inflationary costs	\$3,000,000	USF	FY 06	Ongoing
Transportation Supplemental	\$300,000	USF	FY 05	One-Time
NCLB Transportation	\$600,000	USF	FY 06	Ongoing
Minimum School Program, COLA Total	\$32,777,800	USF	FY 06	Ongoing

Inflationary impacts on the value of the weighted pupil unit as well as categorical appropriations are in need of address. The annual effects of inflation need to be reflected in the increase in the value of the weighted pupil unit as well as categorical funding without the benefit of WPU increments. Inflationary costs for health, accident, and dental insurances are funded from increases in the value of the WPU, those costs need to be included in the actual increase in the value of the WPU and categorical funding supporting personnel.

2.3% WPU Adjustment	\$32,777,800	USF	FY 06	Ongoing
Minimum School Program, Restorations Total	\$8,590,100	USF	FY 06	Ongoing

The critical nature of cuts to some areas of the public school financial program necessitates restorations. Particularly, cuts to the Adult Education Program jeopardize services to needy Utahns, and compound that jeopardy by creating maintenance of effort problems for the state with regard to qualifying for federal funds specifically targeted to adults in need of basic education and high school completion programs. Past cuts in the Quality Teaching Block strike at the ability of public education to affect change through the professional development of the educators asked to meet the ever-changing needs of Utah's students.

Adult Education	\$2,600,000	USF	FY 06	Ongoing
Comprehensive Guidance	\$1,211,500	USF	FY 06	Ongoing
High Cost Students	\$2,278,600	USF	FY 06	Ongoing
Reading Program (1 time to ongoing)	\$2,500,000	USF	FY 06	Ongoing
Minimum School Program, Other Total	\$28,500,000	USF	FY 05/06	One-Time

There are other funding needs that are of a continuing nature but funded when one time monies are available. Teacher Supplies and Materials, Library/Media Materials, and Literacy and Math Materials are of this nature as well as continuation of Online Testing System Development.

Teacher Supplies and Materials	\$5,500,000	USF	FY 06	One-Time
Online Testing System Development	\$5,000,000	USF	FY 05/06	One-Time
Library/Media Materials	\$3,000,000	USF	FY 05/06	One-Time
Literacy and Math Materials	\$15,000,000	USF	FY 05/06	One-Time
Performance Plus Reform	To Be Determined	USF	FY 06	Ongoing

While the Utah State Board of Education has taken a more deliberate approach to reforming Utah's public education around the issues of student competency, more timely turn-around of testing results required under the Utah Performance Assessment System for Students require additional funds for computers to enable on-line testing, development of a unique student identifier to track students, and development of sufficient forms of the Utah Basic Skills Competency Test to affect its full implementation. Meeting the requirements of U-PASS will position the state quite well to meet the testing needs of the federal No Child Left Behind Act.

Depending upon the degree of implementation for reform, competency based education, or Performance Plus, additional funding would be necessary for assessment (diagnostic, formative), professional development, and most critically, interventions and remediation.

*The State Board of Education is finalizing its FY 2006 budget request; figures presented in this document are preliminary estimates.

**Summary of Significant Factors Driving Budget Increase Requests
FY 2005 and FY 2006**

Department: Public Education - Utah State Office of Education
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<u>Title</u>	<u>Amount</u>	<u>Revenue Source</u>	<u>FY05 or FY06?</u>	<u>Ongoing or One-Time?</u>
Civics/Citizenship/Service Learning Specialist	\$112,100	USF	FY 06	Ongoing

The requested Civics/Citizenship/Service Learning specialist will work with school districts in coordinating curriculum across subjects in order to teach civic responsibility. House Bill 22 (2004 General Session) provided legislative recognition of the fundamental civic purpose and constitutional responsibility of public education; requires Civic and Character Education to be taught through an integrated curriculum in connection with regular school work.

Teacher of the Year Stipend	\$10,000	USF	FY 06	Ongoing
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The State Office of Education awards annually a “Teacher of the Year” award. Funding will provide an annual stipend to the award recipient.

National Geographic – Geographic Endowment Match	\$300,000	USF	FY 05/06	One-Time
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The National Geographic Society will set up an endowment and match up to a total of \$500,000 to help fund geographic education in Utah.

Fine Arts and Sciences - Living Planet Aquarium as POPS Participant	\$80,000	USF	FY 06	Ongoing
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The Living Planet Aquarium provides services to local schools to help teach the science curriculum. Living Planet has participated in the Fine Arts and Sciences RFP program for several years - establishing itself as a valid provider for science curriculum instruction. Legislative intent language, as well as program guidelines, encouraged the Living Planet to take the appropriate steps to move to the POPS program. The requested funding will replace the current one-time funding the aquarium receives to ongoing funding under the POPS program.

Summary of Significant Factors Driving Budget Increase Requests FY 2005 and FY 2006

Department: Public Education - Utah State Office of Rehabilitation

Growth of individuals eligible for rehabilitation services represents the largest factor driving the Utah State Office of Rehabilitation's (USOR) budget. The number of individuals seeking USOR services has increased each year as the population of Utah has increased. Growth has pushed the vocational rehabilitation caseloads to 220 clients per counselor when the regional average is about 150. The growth in the demand for services has been compounded by several factors:

1. State and federal appropriations have not kept pace with demand or inflation.
2. The costs associated with providing services have increased, namely, increased tuition at higher education facilities, increased medical expenses, and increased costs in providing transportation.
3. The elimination or reduction of services previously provided to joint consumers by other agencies. Three examples include: mental health centers eliminating services to consumers who are not Medicaid eligible; DSPD's priority of services in reference to the waiting list has eliminated most supported employment efforts; and Workforce Services reducing child care services.

The following budget increase requests by the agency aim to address the issues detailed above.

<u>Title</u>	<u>Amount</u>	<u>Revenue Source</u>	<u>FY 05 or FY 06?</u>	<u>Ongoing or One-Time?</u>
Transition Services	\$303,300	USF	FY 06	Ongoing
Benefits Planning and Assistance	\$130,000	USF	FY 06	Ongoing
Independent Living Services	\$200,000	USF	FY 06	Ongoing

Utah State Office of Rehabilitation requests six additional vocational rehabilitation staff members to address the needs of high school students with disabilities as they transition from special education which has entitlement services to employment or post secondary education where services are based on eligibility requirements.

Funding will provide for two benefits specialists who will provide personalized assistance to approximately 300 SSI/SSDI recipients. The specialists will help the clients understand Social Security work incentives that can be used to encourage them to return to work.

Utah's Independent Living Centers provide services to individuals with significant disabilities and help them live more independent lives. The requested funding will begin to address the current unmet or underserved needs of individuals seeking IL services.

Blind and Visually Impaired Services **\$92,500** **USF** **FY 06** **Ongoing**

Funding will enable the division to increase and address the outreach and rural service delivery for the blind program. An additional four part-time and one full-time employee will coordinate service delivery in the rural areas and follow up on consumer needs.

Services to the Deaf and Hard of Hearing **\$117,000** **USF** **FY 06** **Ongoing**

To meet the needs of a growing deaf/hard of hearing population, the division seeks additional staff. The deaf and hard of hearing population continues to grow. This growth is occurring throughout the state but a critical need for these services has been identified in Southern Utah. Additional funding will support one Secretary/Interpreter and program development.

Assistive Technology **\$300,000** **USF** **FY 05/06** **One-Time**

These funds are utilized in conjunction with the Independent Living Centers to purchase assistive technology devices and services for individuals with severe disabilities that are not eligible for financial support from any other agency. Each year the demand for these funds far exceeds current budget levels.

Summary of Significant Factors Driving Budget Increase Requests FY 2005 and FY 2006

Department: Public Education – Utah Schools for the Deaf and Blind

The most significant factor that drives Utah Schools for the Deaf and Blind (USDB's) budget is the Individual Education Plan's (IEPs) established for students who receive services from USDB. Individual Education Plan's can require USDB to provide such services as a one-on-one teacher aide, one-on-one Communication Interveners, a one-on-one LPN if the student is medically fragile, or personal interpreter. Other services included in IEP goals may include; door to door transportation services, Occupational Therapist, Physical Therapist, Low Vision specialist, Psychology, Speech and Language Therapist, Auditory Verbal Therapist, Orientation and Mobility, and/or Audiological services.

Utah Schools for the Deaf and Blind costs for a deaf student can range from \$8,254 to \$11,892 if the student requires an interpreter in addition to the teacher and aide; services provided to our deaf students normally include audiology and health services, transportation and curriculum supplies. The cost to educate our students increases with each additional service, necessary support, and/or assistive technology.

Utah Schools for the Deaf and Blind is an educational resource for the state of Utah. The schools provide services to districts, students, families, and agencies. These services are being evaluated at the present time by an Ad Hoc Committee to ensure the services are fair and equitable. USDB classrooms are just one part of the overall service the schools provide; USDB presently has 163 teachers on staff; consultants and itinerant teachers work with teachers and students throughout the state in 66 self-contained classrooms.

<u>Title</u>	<u>Amount</u>	<u>Revenue Source</u>	<u>FY05 or FY06?</u>	<u>Ongoing or One-Time?</u>
School Psychologist, Social Worker, and Health Care FTE's	\$225,200	USF	FY 06	Ongoing
Instructional Support Staff	\$349,900	USF	FY 06	Ongoing

USDB requests \$115,400 for an additional school psychologist and a social worker as well as \$109,800 for an additional 2.3 FTE providing one-on-one health care services.

Instructional Support Staff **\$349,900** USF **FY 06** **Ongoing**

USDB must compete with local school districts for teacher aides, interpreters and substitute instructors. USDB continually trains employees only to lose them to a neighboring district. The school districts have established pay scales that enable them to recognize education, certificates and specialized training and skills. USDB requests \$349,900 to improve and implement higher pay scales for USDB staff named above.

Pupil Transportation	\$345,600	USF	FY 06	Ongoing
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USDB continually evaluates transportation costs as the schools review methods to reduce costs at the schools. USDB requests additional transportation funds to meet the additional cost to transport JMS students, additional contractual increases, and additional routes to handle student growth.

Jean Massieu Charter School Integration	\$650,000	USF	FY 06	Ongoing
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Legislative Intent directs USDB and Jean Massieu to pursue combining services. To do this, USDB needs to offer, in addition to the Total Communication (sign language program) and Oral program for the Deaf taught at USDB, the Bilingual-Bicultural program taught at the Jean Massieu Charter School. Approximately 13 additional FTE would be funded including five teachers, four aids, three bus drivers, one office manager, and one office secretary.

Connor Street Lease Increase	\$9,800	USF	FY 06	Ongoing
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USDB renegotiated the lease agreement for the Connor Street facility in Salt Lake City. The additional cost for the lease amounts to \$9,800 in ongoing funds.

Transportation, Environmental Quality and National Guard

**Summary of Significant Factors Driving Budget Increase Requests
FY 2005 and FY 2006**

Department: Department of Transportation

<u>Title</u>	<u>Amount</u>	<u>Revenue Source</u>	<u>FY05 or FY06?</u>	<u>Ongoing or One-Time?</u>
Maintenance Management Current Expense	\$1,020,000	TF	FY 06	Ongoing
Operations and Maintenance of Traffic Operations Center	\$540,000	TF	FY 06	Ongoing
New Maintenance Station	\$1,000,000	TF	FY 06	One-Time

**Summary of Significant Factors Driving Budget Increase Requests
FY 2005 and FY 2006**

Department: Department of Environmental Quality
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<u>Title</u>	<u>Amount</u>	<u>Revenue Source</u>	<u>FY05 or FY06?</u>	<u>Ongoing or One-Time?</u>
Radiation Electronic Files Management FTE	\$54,300	GFR	FY 06	Ongoing
Radiation Electronic Files Management	\$56,200	GFR	FY 06	Ongoing
	\$37,500	GFR	FY 06	One-Time
Waste Fees Auditor FTE	\$82,500	GFR	FY 06	Ongoing
Underground Storage Tank Cost Recovery	\$87,200	Trust	FY 06	One-Time

Since 1993 the Legislature has appropriated over \$9.5 million dollars from the Petroleum Storage Tank Expendable Trust Fund to clean up underground storage tanks which are not covered under the trust fund. It is the department's responsibility to attempt to recover those expended funds from responsible parties. Recovery efforts will replenish expended funds making money available for clean up of other contaminated sites. The last four years the Legislature appropriated one time funding of \$87,200 for the Department to contract with the Attorney General's Office for cost recovery services.

Hazardous Substance Mitigation Funds	\$400,000	GFR	FY 06	One-Time
High Level Nuclear Waste Opposition	\$500,000	GF	FY 06	One-Time

The Department of Environmental Quality has been involved in investigations to identify, evaluate, and communicate risks associated with the storage of high level nuclear waste in Utah. The Governor established an office through executive order within the Department of Environmental Quality to officially oppose storage of high level nuclear waste in Utah. Some of the duties of this office will be to organize hearings, continue with discovery of issues, hiring and use of expert witnesses, conducting depositions out of state, use of court reporters, preparing trial materials, and filing various pleadings in order to prevent these materials from coming to Utah.

**Summary of Significant Factors Driving Budget Increase Requests
FY 2005 and FY 2006**

Department: Utah National Guard
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<u>Title</u>	<u>Amount</u>	<u>Revenue Source</u>	<u>FY05 or FY06?</u>	<u>Ongoing or One-Time?</u>
DFCM Maintenance Cost Increase	\$117,500	GF	FY 06	Ongoing

Recently the Building Board has mandated that DFCM assume maintenance responsibility for armories outside the metropolitan Salt Lake area and allow the National Guard to continue with maintenance responsibility for armories in the metropolitan Salt Lake area. This mandate will require additional costs of \$117,400 in FY 2006.

Utility Cost Increase	\$22,400	GF	FY 06	Ongoing
	\$67,200	FF	FY 06	Ongoing

In addition, the National Guard budgets and pays for armory utilities out of the operating budget. The Department of Construction and Facilities Management has reported that in FY 2004 natural gas increased approximately 14%, and electricity increases approximately 7%. No additional funding was provided for these increases.

At the September 2004 Internal Service Fund rate hearing, DFCM said Pacific Corp is requesting a 10% increase DFCM said that they were not going to ask for a rate increase because they had a surplus to work down, and because of internal efficiencies. The National Guard utilities are paid in the fiscal year the expenses occur. There is no surplus to draw from. Any unfunded utility cost will be at the expense of armory maintenance. The National Guard is requesting a very modest increase of \$22,400 General Fund that is matched by \$35,300 Federal Fund, for a total utility increase of only \$89,600.

Air Guard Building Maintenance	\$4,800	GF	FY 06	Ongoing
	\$14,200	FF	FY 06	Ongoing
Fort Douglas Museum Technician FTE	\$35,000	GF	FY 06	Ongoing
Fort Douglas Museum Vehicle	\$29,800	GF	FY 06	One-Time
Veterans Affairs Outreach Program	\$100,000	GF	FY 06	Ongoing