

**MINUTES OF THE
EXECUTIVE OFFICES & CRIMINAL JUSTICE
APPROPRIATIONS SUBCOMMITTEE
Room 25 House Building
January 27, 2012**

Members Present: Sen. Daniel Thatcher, Co-Chair
Rep. Eric K. Hutchings, Co-Chair
Rep. Christopher N. Herrod, House Vice Chair
Sen. Ben McAdams
Sen. Howard A. Stephenson
President Michael G. Waddoups
Rep. Joel K. Briscoe
Rep. Richard Greenwood
Rep. Curtis Oda
Rep. Paul Ray
Rep. Jennifer M. Seelig
Rep. Brad R. Wilson

Members Excused: Sen. Peter C. Knudson
Sen. John L. Valentine

Staff Present: Mr. Gary Syphus, Fiscal Analyst
Mr. Zackery King, Fiscal Analyst
Ms. Jennifer Eyring, Committee Secretary

Note: A list of visitors and a copy of handouts are filed with the committee minutes.

Co-Chair Thatcher called the meeting to order at 8:13 a.m.

Zackery King, Fiscal Analyst, noted that the committee had been provided FY 2013 base budget information, along with budget and issue briefs for the Governor's Office, State Treasurer, State Auditor, and Board of Pardons and Parole.

Commission on Criminal and Juvenile Justice (CCJJ)

Ron Gordon, Executive Director, CCJJ, provided the committee with a handout that included information on CCJJ and two building block requests. The first request is for reimbursement of \$73,032 from the general fund to the Crime Victims Reparations Account, and a one-time, non-lapsing request of \$51,728. These funds are for the payment of a petitioner who has been found factually innocent, after having spent time incarcerated, as required by statute. The second request is for a \$250,000 ongoing appropriation for the State Asset Forfeiture Grant Program. This is a request for authorization to spend funds that are in the Criminal Forfeiture Restricted Account. CCJJ also provided the 2011 Annual Report. Mr. Gordon highlighted a new website, www.gangfree.utah.gov, which provides resources for communities, educators, and parents. He also noted that the Office for Victims of Crime processed over 7,000 applications for assistance. They also partner on substance abuse campaigns, ParentsEmpowered.org and Use Only As Directed. He explained a cost benefit analysis that CCJJ will have completed in the summer of 2012. It is intended to provide information on the best use of

resources and will cover all areas of the Criminal and Juvenile Justice system. The Department of Corrections is working with the University of Utah on an offender employment analysis, to assess the factors that impact an offender finding gainful employment after incarceration.

Governor's Office

Sandy Naegle, Financial Manager, outlined six issues for the committee to consider.

1. Building block funding was appropriated in the 2011 Legislative session to fund redistricting. Redistricting bills passed in the current session allow those funds to be appropriated to the counties by the deadline of January 31, 2012.

2. The Public Lands Litigation Program is funded from the General Fund Restricted Account - Land Exchange Distribution Account. HB 91, if passed, would take \$2 million in FY 2012 and \$1 million in FY 2013 from that account for the Office of the Attorney General, instead of the Governor's Office to fund the Public Lands Litigation Program. Ms. Naegle said this was an issue they had just become aware of and were trying to get more information.

3. The Office of Energy Development (OED) was created in the 2011 Legislative session. The Governor's Office is requesting a transfer of funds for OED and a building block grant of \$700,000 in FY 2013.

4. The LeRay McAllister Critical Land Conservation Program did not receive funding in FY 2011 or FY 2012 and has been operating on non-lapsing funds. Ms. Naegle estimated the funds would last for one more year.

5. The Governor's Office has requested \$77,000 ongoing funding for an auditor to provide oversight of the tax and cash based incentive programs administered by the Governor's Office of Economic Development. Considering the amount of funds involved, Ms. Naegle felt it would be worth the cost to follow up on compliance.

6. The Office of Inspector General of Medicaid Services was initiated to audit and prevent fraud, waste and abuse in Medicaid. They have requested \$138,000 to fund three new FTE positions. Two would focus on Workforce Services eligibility issues and one would focus on outside agencies. They have also requested they retain 3 percent, up to \$300,000, from recovery funds to follow federal requirements. This would be a transfer of Medicaid funds from the Department of Health.

Ms. Naegle clarified where the information concerning the 6 listed issues could be found in the budget and issue briefs.

Mr. King stated that the \$700,000 building block request for the Office of Energy Development is a recommendation from the Governor's Office and not a recommendation from the Fiscal Analyst Office.

Ron Bigelow, Director, Governor's Office of Planning and Budget (GOPB), discussed the request for an auditor, independent of the Governor's Office of Economic Development, who could follow up and verify that companies receiving tax credits and incentives were in full compliance. He felt it was justified because of the large amount of money involved in the incentives. He also explained that the Office of Inspector General of Medicaid Services was created by the Legislature and is functioning. He explained that as they have begun, they have found there is more work to be done and have requested additional positions for follow through. Correcting fraud, waste, or abuse brings money back to the state.

The state receives a federal match to assist in funding these positions.

Rep. Briscoe noted that the issue brief states that an audit identified \$1 million in recoverable costs and an additional \$3.9 million in future cost avoidance.

In response to committee questions, Mr. Bigelow stated that part of the increase in FTE levels in the Governor's Office was due to a transfer of 30 positions from the Department of Health. The GOPB FTE level has gone down.

Mr. Gordon stated that CCJJ has an additional ten FTE. Five positions were added due to new programs created, one was added as a transfer and four were added due to an increased workload.

State Treasurer

Richard Ellis, State Treasurer, explained the functions and responsibilities of the Office of the Treasurer. They control the receipt and deposit of state funds, manage banking relationships, manage the investment of funds, issue debt, and manage unclaimed property. They have one line item which is comprised of four programs: Treasury and Investment, Unclaimed Property, Money Management Council, and Financial Assistance. The Office manages the Public Treasurers' Investment Fund (PTIF), the State Post Retirement Benefits Trust Fund (OPEB Trust Fund) and the State School and Institutional Trust Funds. The Financial Assistance program is not currently in use. Mr. Ellis reviewed the Accountability Detail found in the budget brief, highlighting the refinancing of debt that will save the state \$32.9 million over 13 years. They are not requesting any building blocks for FY 2013. He said they are working on a fast track program in unclaimed property to get small amounts returned more quickly.

Dennis Johnston, Unclaimed Property, explained that claims that are in process do not show up on the website.

Mr. Ellis stated they try to find a balance between protecting against fraudulent claims and expediting claims.

Rep. Huchings recommended they consider working with the Office of the Attorney General and their ID theft program in preparing their fast track program. Mr. Johnston said they are partnering with other agencies and are open to other partnerships.

Mr. Ellis said the state has a stable bond rating. The debt level is still relatively high, about 87 to 90 percent of debt limit, but debt levels are expected to head down soon.

State Auditor

Auston Johnson, State Auditor, and Jon Johnson, Audit Director, explained the functions of the State Auditor. They are responsible to audit state annual financial reports, colleges and universities, federal funds for compliance, and they work with local governments. They maintain a website that contains financial information for each local government. On the handout provided to the committee, Mr.

Johnson highlighted the fact that departmental audits have gone from 34 percent to 4 percent. The decrease is due to a growth in government, change in accounting and auditing standards, and limited staff. They are no longer able to do performance audits. They have requested non-lapsing authority and requested it be made permanent so they could do long range planning. They have not requested additional funding for FY 2012, but will have a request for next year to fund more auditors to do departmental and performance audits.

In response to committee questions, Mr. Johnson said that departmental audits have gone from about 31 per year to 2 per year. Local government audits are done by outside sources and the Office only monitors the audits. He also explained that auditing has shifted to prevention audits, but without sufficient audits, they can't know the extent of problems.

Mr. Jon Johnson said that they are fulfilling minimal audit standards and requirements. They watch for other areas to look at as time permits, and prioritize those areas. Although they focus on prevention, they don't have the time to look at everything that might be vulnerable to fraud. He stated that to improve the timeliness of reports issued, it would require a large increase in funding to contract outside audits, or a large increase of staff. He didn't feel it was a particular problem because of the type of audits that were issued late. He explained that they look at internal controls and methods that prevent fraud from occurring. In response to committee questions, he discussed how local government audits are monitored, how audits are filed, how they deal with any problems they find, and how training is provided. He also noted that the state's Comprehensive Annual Financial Report (CAFR) has grown because of more requirements for reporting. Auditing standards have also changed, increasing the amount of work required in an audit.

Board of Pardons and Parole

Due to a lack of time, the Board of Pardons and Parole will be first on the agenda of the next meeting.

Sen. Thatcher asked the committee to look at the information concerning federal funds which would be voted on at the next meeting.

Mr. Syphus explained the base budget information prepared on two handouts provided to the committee.

MOTION: Rep. Ray moved to adjourn the meeting. The motion passed unanimously.

Sen. Thatcher adjourned the meeting at 9:57 a.m.

Sen. Daniel W. Thatcher, Co-Chair

Rep. Eric K. Hutchings, Co-Chair