

MINUTES OF THE JOINT EXECUTIVE APPROPRIATIONS COMMITTEE
September 17, 2002 at 1:00 P. M.
Room 303, State Capitol Building

Members Present: Sen. Leonard Blackham, Committee Co-Chair
 Rep. Jeff Alexander, Committee Co-Chair
 Sen. Ron Allen
 Sen. Gene Davis
 Sen. Mike Dmitrich
 Sen. Karen Hale
 Sen. Peter Knudson
 Pres. Al Mansell
 Sen. Steve Poulton
 Sen. John Valentine
 Rep. Patrice Arent
 Rep. Ralph Becker
 Rep. Jackie Biskupski
 Rep. Greg Curtis
 Rep. Tom Hatch
 Rep. Brad King
 Speaker Martin Stephens
 Rep. David Ure

Sen. Bill Hickman, Vice-Chair
Rep. Ron Bigelow, Vice Chair

Members Absent:

Staff Present: John Massey, Legislative Fiscal Analyst
 Michael Kjar, Deputy Director
 Linda Hansen, Secretary

Others Present:

List of Others Present on File:

Committee Co-Chair Blackham called the meeting to order at 1:30 p.m.

1. Approval of Minutes

Rep. Arent made a motion to approve the minutes of August 20, 2002. The motion passed unanimously with Sens. Davis, Poulton, Valentine and Pres. Mansell and Rep. Curtis and Speaker Stephens absent at the time of voting.

2. Revenue Update

John Massey, Legislative Fiscal Analyst, handed out a summary that the Division of Finance prepared and said FY 2002 ended with a General Fund Surplus of \$736,000. He said there are some other numbers floating around out there in the \$4 million range and that is made up of transfers made into the Industrial Assistance Fund, there was money to do that and by law that is required and by law it is also required to transfer into the Rainy Day Fund.

The Rainy Day Fund now stands at a \$20 million balance because the Division of Finance only had to use \$105 million instead of the \$113 million that was originally authorized because revenues came in a little higher. There were some lapsing monies from the agencies.

Mr. Massey reported that the Revenue Assumptions Committee did not have enough information to do revised revenue estimates for FY 2003 and FY 2004 for this meeting. They will be meeting on September 25, 2002. At that time they will have some preliminary third quarter numbers for this calendar year. They will have a couple job surveys done by the Department of Workforce Services and because a lot of the economic indicators keep changing daily they want to make sure they have enough time to do that.

Mr. Massey said that there will be information for the October meeting.

Mr. Massey thought there would be a report from the Tax Commission for today but that is not available. He said based on preliminary information he has received related to daily income for the first two months individual income tax is down. The growth that was projected was not projected to take place until the later half of this year.

Mr. Massey said that when the TC23 comes out that it should be accepted for what it is, an actual account for two months of operation only, noting that there is a lot of things that have taken place in the last two months. He said it is more important to wait for the Revenue Assumptions Committee to do their work at the end of this month.

3. Response To State Audit on Federal Funds - Followup to 4/23/02 EAC

Stan Eckersley, Fiscal Analyst, handed out a Single Audit Report FY Ended June 30, 2001.

Mr. Eckersley said the federal government requires the state to do an entity-wide audit to ensure compliance with federal laws and regulations. He said the State Auditor finds that Utah is in compliance, in all material respects, except for three areas: Community & Economic Development's Low Income Home Energy Assistance Program; Workforce Services - Child Care; and Workforce Services - Workforce Investment Act.

Mr. Eckersley said state agencies are working to resolve all of the audit problems and they do not believe there will be any loss of federal funds because of the audit.

Mr. Eckersley reported that Community and Economic Development agreed with the audit and is correcting the cited problems.

Workforce Services originally disputed some of the findings Mr. Eckersley said but they have since decided to come into compliance. He said resolving these issues is one of the top priorities of the new Director. She has organized an audit committee, brought in outside help, and is working closely with the State Auditor.

4. UDOT - STIP Requirements - DOT Performance Management

John Njord, UDOT, requested that the UDOT performance management be held until October.

Mr. Njord reported on Statewide Transportation Implementation Plan (STIP) and said there was a shortfall in the Transportation Fund revenue of \$100 million and this has put projects back and they are waiting to be funded. He said revenue forecasts continue to be flat in the Transportation Fund.

Mr. Njord said there is an uncertainty about federal funding and they are waiting for a decision on the Congressional level and they are working with the Congressional Delegation.

Mr. Njord mentioned they have had difficulties with STIP program in particular with reference to air quality. He said they believe they are over the hump on those issues and will be able to move forward.

Mr. Njord responded to questions of the Committee.

Mr. Njord reported on the Legacy Highway and said that the 10th Circuit Court of Appeals made a decision yesterday. In reviewing the decision he said they found that many things that were claims against the project that were affirmed by the Court of Appeals. He said around 50 issues were raised by the plaintiffs in this case and of those just a handful that were reversed. He said of the issues that were reversed they are prepared to look at and evaluate and determine what they need to do to move forward. He said there will be a delay in this very critical project.

Mr. Njord responded to questions of the Committee.

Mr. Njord said they will be meeting with the Army Corp or Engineers and with the Federal

Highway Administration as quickly as they can and determine what are the next steps.

5. Driver's Education Follow-up to 8/20/02 EAC

Mark Bleazard, Lead Analyst, Michael Kjar, Deputy Director, Ben Leishman, Bill Greer, and Gary Ricks, Fiscal Analysts appeared before the Committee.

Mr. Bleazard handed out a report to the Committee and gave a brief review. He said the State requires all new drivers to have drivers education by statute. Currently there are 39,000 to 40,000 new drivers annually of which 32,000 or 33,000 of those are going through the public education system and approximately 5,000 are currently being instructed through the private source.

Mr. Bleazard reviewed that there is a \$2.50 per vehicle fee assessed to each vehicle which generates approximately \$4.2 million annually for Public Education which each district is granted \$100.00 per student that they teach annually. There are also fees that are charged by various districts and there are 12 districts that are charging no fees. The highest fee being \$160.00 and that is current fees are raising a little over \$1.7 million. A third source is local revenue which is between \$500,000 - \$600,000 annually.

Mr. Bleazard said that there are approximately 460 teachers who are certified through the public system and the average cost for that instruction throughout the state is \$184.00 per student.

Currently there are 32 private companies offering driver education to new drivers in the State of Utah with a cost of \$185.00 to \$250.00 per student.

Options.

Mr. Bleazard reviewed issues that they looked at and options to those issues. Should fees be charged that are equalized throughout the state; not allow school districts to use local revenue; the Legislature could remove the state subsidy of driver education; the state could look to other sources for subsidy revenue; the state could offer a voucher to students to take driver education from a private school; the Legislature could choose to increase the motor vehicle registration fee to cover the full cost of the program.

Privatization.

Mr. Bleazard said they reviewed the option that the Legislature could move the entire program from the public schools to the private sector or a potential partial privatization could be considered by keeping the classroom instruction in the public schools, but have districts contract out to the Division of Public Safety or private providers for behind the wheel training.

Other items that they looked at Mr. Bleazard said was that the Legislature could give parents the option of providing driver training and also the Legislature could consider other states models of how to improve driver education in Utah.

Mr. Bleazard reported on follow-up of questions that were posed by the Executive Appropriations Committee during its August 2002 meeting.

- What are the transition costs and stranded costs with conversion to the private sector?

Mr. Bleazard said that no statewide data exists as to the number and value of the items that may be stranded.

Mr. Bleazard reported that the Driver License Division of the Department of Public Safety polled each school district to determine what driver education assets are in the school districts. Thirty-seven of the forty school districts responded.

There are currently approximately 610 vehicles in use for driver education with an estimated value of \$10,000 for each vehicle. Stranded costs for vehicles to local school districts for driver education vehicles are anticipated to be minimal because the cars can be sold to the private sector.

There are 12 driving ranges in the state and most are in high school parking lots and it is anticipated that range space would simply become additional parking or future expansion space at the high schools.

School districts report that there are approximately 215 driving simulators currently in use and an exact value is unknown. However, most of these simulators are considered outdated.

Mr. Bleazard said there are currently 32 private driver education schools operating throughout the state. In 2001, private driving schools taught approximately 5,000 students, which amounts to about 13 percent of all driver training students in the state per year.

Mr. Bleazard said if driver education were transferred to the private driver training sector, there would be a need for the private sector to create the equivalent of approximately 128 new schools. In order for the Driver License Division to certify and oversee these additional schools, it is estimated that there would be a need for five additional Driver License Program Coordinators at a cost of \$300,000 annually.

Mr. Bleazard said the students would need to be tested prior to licensure. Assuming this

responsibility and authority were granted to the private schools with the Driver License Division performing oversight, there should be no additional costs to the Department of Public Safety.

- Would driver education fee waivers increase if the Legislature adopted a standardized fee for all school districts?

Mr. Bleazard reported that student fee waivers have increased while students working in lieu of fee waivers have decreased. He referred to Page 7 of the report showing estimates of approximately 2500 students involved in fee waivers.

- What is the fiscal impact of fee waivers on the Driver Education program?

Mr. Bleazard said due to the way fee waivers are reported the exact impact fee waivers have on the driver education program is unknown.

- Is there a way to maintain driver education in the public schools and make the program ineligible for student fee waivers?

Mr. Bleazard said Community Education currently conducted at many public schools, could be used to deliver the program, provided the Community Education programs are independent of the school district and the host school.

- If driver education is converted to the private sector, would private providers be willing to provide services to the rural areas of the state?

Mr. Bleazard said the answer is yes. Private providers have been partnering with Weber State University to create a home study course and Internet course through Utah Valley State College.

Mr. Bleazard said the driving portion of the training is a little more challenging. There are private providers here in Utah that have indicated that they would add cars and send a car to some of the more rural parts of the state to provide the training. One provider already sends a car to Moab on a regular basis.

Mr. Bleazard said more oversight might be necessary to determine adequate services by private providers. Some urban school districts seem to have taken advantage of this current wording by presenting driver education to adults even when private providers are available in the area.

Mr. Bleazard and Mr. Kjar responded to questions of the Committee.

There was a discussion on eliminating the fee waivers.

Response was taken from the audience.

Karen Derrick, Salt Lake City School District, said the cost is \$60.00 per student in their district and she feels public education does a much better job. She has had some of her children with a private provider and some in public education. She feels that the private provider program needs to be beefed up.

Gail Johnson, Educational Specialist Utah State Office of Education, and Jim Eldredge, Utah Education Association, said they were present to answer any questions.

Perry Mason, Utah Education Association, spoke in favor of driver training in the public schools. He said it is as important as any other subject.

Rolayne Fairclough, Utah Safe Traffic Coalition, spoke in favor of drivers education in public schools. She asked the Committee to think of the medical costs and the importance of education to young drivers.

Wendy Bills, Provo School District, spoke in favor of drivers education in public schools and expressed concern of fee waivers being high in the Provo District and the impact private providers would have on these students.

Debbie Anderson, Anderson School of Driving, said the private schools are good but private and public education drivers training should be better from the top to the bottom.

Kevin Curtis said there is technology available to improve drivers training and it should be used to improve the training and to keep the crashes down. He said his children received better training in private schools in Oregon than 1 of his children in public education in Utah.

Glen Taylor, Driver Education Teacher Ogden City School District, encouraged the Committee to keep the drivers education in public education. He suggested to reduce the hours to 18 in public education.

Bart Blackstock, Deputy Director Drivers License Division, said he is not here to debate public policy but the Committee should know it is the Drivers License Division's duty to regulate these organizations and they can't do it with 5 Program Coordinators particularly with all the private providers and road testers.

Verl Shell, A 1 Driving School, said the average cost for private drivers education is \$334.18 per student. He said the private providers can take care of the needs of the State of Utah.

MOTION: Rep. Ure made a motion to request that the Management Committee consider assigning the Driver Education Study to the Business and Labor Interim Committee and to Transportation and Public Safety Interim Committee.

The motion passed with Rep. King voting in opposition. Rep. Curtis was absent at the time of voting.

6. Update on Federal Funds Activities

Spencer Pratt, Fiscal Analyst, handed out a report to the Committee. Mr. Pratt said the report lists 75 grant applications received since Spring 2002, totaling \$93.5 million in federal funds. The Executive Appropriations Committee has requested that the report highlight those grants where FTEs will be added and those grants where continuation funding will be requested at the termination of the grant.

Mr. Pratt said there are 16 grants which would add 56-60 new FTE positions.

Mr. Pratt reported there are three grants that indicate that continuation funding would be requested following the termination of the grant. Those grants represent a total of \$2.39 million in federal funds over the next one to three years that the receiving agencies would request replacement state funding.

The Analyst identified a few federal awards that were significantly higher than originally authorized by the Legislature in the last general session. Also, it appears that in at least one case an award was received that was not specifically discussed in the last general session. Apparently, the Federal Government occasionally has additional money to distribute that was not part of any official request by the State.

The Analyst recommended that the interim Federal Funds Report to the Executive Appropriations Committee be enhanced to include any federal fund awards that exceed 15 percent of the original authorization, have had a significant change in terms, or that were given by the Federal Government but did not require a State application.

Motion: Speaker Stephens made a motion that the interim Federal Funds Report be enhanced to include any federal fund awards that exceed 15 percent of the original authorization, have had a significant change in terms, or that were given by the

Federal Government but did not require a State application.

The motion passed unanimously with Rep. Curtis absent at the time of voting.

Co-Chair Blackham said that there are two items left on the agenda, Information Technology Consolidation - SB 1, 2002, items 53 and 58 and Report on Restricted Fund Balances and Interagency Transfer Activities, which will be lengthy and the time is gone. He said if there are no objections a motion to adjourn will be entertained.

MOTION: Sen. Valentine made a motion to adjourn. The motion passed unanimously with Rep. Curtis absent at the time of voting.

The meeting was adjourned at 3:05 p.m.

Minutes reported by Linda G. Hansen, Secretary.

Sen. Leonard Blackham, Co-Chair

Rep. Jeff Alexander, Co-Chair

Handouts:

State of Utah Financial Highlights

Single Audit Report Fiscal Year Ended June 30, 2001

Revenue & Expenditures Drivers Education Private Provider

Driver Education Study Follow-up Questions

Driver Education Study Funding and Structure Options

Drivers Education News Clip

Driver's Education in Public Education

Federal Funds Update