



FISCAL HIGHLIGHTS

VOLUME 2, ISSUE 1

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EXECUTIVE APPROPRIATIONS COMMITTEE

APRIL 18, 2006

CO-CHAIRS

SENATOR LYLE HILLYARD & REPRESENTATIVE RON BIGELOW

Report: Federal Funds

Summary:

Sophia DiCaro, Governor’s Office of Planning and Budget, presented the list of federal fund grant applications since the last EAC meeting. The listing shows two new applications and 12 reapplications requiring action by the EAC, 26 applications that have been approved by the Governor, and the tracking of over 300 outstanding federal fund grants.

Committee Action: The committee approved all 14 applications on the list of applications requiring legislative action.

Staff Contact: Juliette Tennert

Report: Charter School Study - Proposed Work-plan

Summary:

S.B. 5 “Amendments to the Minimum School Program Budget” (2006 General Session) directs the Executive Appropriations Committee to direct and approve a study of the state’s charter schools. Legislative staff from all three offices will conduct the study. The study request identifies four major components to examine in regards to charter schools: administration, finances, facilities, and growth.

Staff presented a preliminary work outline for the study which divides the study into three sections. A Request for Proposal (RFP) requires contracting with outside researchers to address the growth components of the study. The Legislative Auditor General will conduct an audit of charter schools and provide information on the major financial and facility questions of the study. Finally, the Utah State Office of Education will conduct an administrative review of charter school governance.

Committee Action: The committee did not take any formal action on this item. Committee members questioned the completion deadline and recommended that the study be completed sooner than the October deadline.

Staff Contacts: Ben Leishman, Mike Kjar & Derek Byrne

Report: Intent Language Standardization & Draft Legislation

Summary:

Jonathan Ball briefed committee members about ongoing efforts to streamline and standardize intent language in the appropriations acts. In response to direction given in the committee's June and November 2005 meetings, Mr. Ball summarized subcommittee action on intent language recommended for statute; shared information on nonlapsing balances as given to subcommittees during the 2006 General Session; and suggested standard templates for nonlapsing intent language to be included in appropriations acts.

Staff Contact: Jonathan Ball

UPCOMING MEETINGS

◆ **Medicaid Interim Committee**

May 10, 2006 - 9:00 a.m.
W020 State Capitol Complex

Please Confirm Meeting Date & Time with Committee Staff

Staff Contacts: Bill Greer, Debbie Headden, Stan Eckersley, Derek Byrne, & Tom Vaughn (LRGC)

EXECUTIVE APPROPRIATIONS COMMITTEE

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Report: Drug Offender's Reform Act (DORA) - Program Update

Summary:

Mary Lou Emerson, Director of the Utah Substance Abuse and Anti-violence Coordinating Council, updated the committee on the progress of the three-year DORA pilot program. In the first nine months of the pilot, 79 offenders have been ordered into the DORA program. The level of treatment includes: general outpatient; intensive outpatient; day treatment; and residential.

Staff Contact: Debbie Headden

Report: Medicaid Interim Committee - Overview of Committee Work-plan

Summary:

The Legislative Management Committee established a Medicaid Interim Committee to "study the state's Medicaid related programs and make recommendations to the Legislature about modifications to the programs." Representative Bigelow emphasized the need to address the FY 2007 one-time funding for the Department of Health, which relates to federal cutbacks. Staff prepared a draft survey instrument to begin gathering data.

The Medicaid Interim Committee received authorization to meet six times during the 2006 interim period. The first meeting is tentatively scheduled for May 10, 2006. The Committee is currently in the process of being appointed. Staff for the committee comes from both the Legislative Fiscal Analyst Office and the Office of Legislative Research and General Counsel. A report will be presented to Management Committee by November 1st and to the Executive Appropriations Committee at the November 2006 meeting.

Staff Contacts: Bill Greer, Debbie Headden, Stan Eckersley, Derek Byrne, & Tom Vaughn (LRGC)

Report: Veteran's Nursing Home - Program Update

Summary:

The federal grant to build a Veteran's Nursing Home in Ogden was approved by the Veteran's Administration. Due to budget limitations the grant was not funded and 2008 is the earliest that the grant will be funded.

During the 2005 Special Session, the Legislature authorized \$4.5 million in General Obligation Bonding to assist in the construction of the nursing home. This funding was tied to the receipt of the federal funds.

Staff Contact: Mark Bleazard

Report: Public Employee's Health Plan & High Deductible Health Plan

Summary:

During the 2006 General Session, Public Employee's Health Program agreed to lower health benefit costs to the State by approximately \$5.5 million to facilitate a half percent increase in salaries for State employees. Linn Baker, director of Public Employee's Health Program, presented committee members with a summary of how PEHP will decrease benefit costs for fiscal year 2007. The program will transfer \$2.3 million from dental reserves to medical plans, increase deductibles for inpatient admission to \$250 on the Preferred network and \$150 on managed care networks, and increase emergency room co-pays from \$75 to \$100 on all plans.

Mr. Baker also provided committee members with an outline of the new high deductible/health savings plan option that HB 76 (High Deductible Health Plan Option for Public Employees, passed during the 2006 General Session) requires PEHP to offer. The new plan includes higher deductibles and out-of-pocket maximums than the traditional plans offered by PEHP, although preventative care benefits are still paid outside of the deductible. Recommended annual funding of the health savings account is \$650 for singles and \$1,300 for couples and families. More information on this new plan may be obtained by contacting PEHP or the Office of the Legislative Fiscal Analyst.

Committee Action: The committee expressed concern that PEHP used one-time monies (dental reserves) to fund the reduction in benefit costs and approved a motion to require PEHP to present EAC with a minimum of three alternatives for replacing the dental reserve transfer amount in future years. Specifically, the committee would like to hear an option that changes the share of premiums paid by employees, an option that changes deductibles, and an option that changes benefits. The committee also requested that PEHP compare these options to industry standards.

Staff Contact: Juliette Tennert

HEALTH AND HUMAN SERVICES

Federal Action on Public Health Appropriations

In response to Federal cuts in public health funding of the Deficit Reduction Act of 2005, the US Senate restored nearly \$7 billion in health, education and labor budgets. However, in a letter from Senators Spector and Harkin Chair and Ranking Minority Chair of the Labor and HHS Appropriations Committee, it was reported that the House HHS Appropriations Committee did not include a similar measure in their Committee action. Without these federal dollars all states could be facing significant cuts in public health, human services and education programming in the coming years.

The Utah Legislative Management Committee created a Medicaid Interim Committee to look at these and other potential reductions in funding of health and human service programs.

Staff Contact: Bill Greer

The First Utah Pandemic Flu Summit

The Governor's Summit: Utah Plans for Pandemic Influenza was held on March 24, 2006 to discuss Utah's response to a potential influenza pandemic. It was hosted by Lt. Governor Gary Herbert with U.S. Department of Health and Human Services Secretary Mike Leavitt. About 500 Utah leaders in government, business, health care, emergency management, education and community and faith-based organizations attended the afternoon summit held at the Davis Conference Center in Layton, Utah. Federal, state and local officials discussed current and future efforts to prepare Utah and the nation for a potential influenza pandemic. At the summit, the Utah Department of Health (UDOH) launched the new www.pandemicflu.utah.gov web site, which provides tools and resources to help Utahans plan for pandemic influenza. A Summit Planning Toolkit was also distributed to participants. A copy of this can be ordered from the website.

Staff Contact: Bill Greer

Tobacco Revenue Update

As of April 20, 2006, the Governor's Office of Planning and Budget reported that the state had received \$26,028,600 in FY 2006 payments from tobacco companies participating in the Master Settlement Agreement (MSA). The restricted account received 75 percent of these MSA payments or \$19,521,500. The beginning balance in the restricted account was \$6,101,900. The total funds in the restricted account available for FY 2006 are \$25,623,400 plus interest payments. Total appropriations from this account for FY 2006 are \$22,631,800. MSA payments in FY 2006 are sufficient to cover appropriations for FY 2006. Tobacco revenue is used to fund programs in the Utah Departments of Health and Human Services, the Courts, the Attorney General's Office and the University of Utah Science Center.

Staff Contact: Bill Greer

NATURAL RESOURCES

Public/Private Partnerships to Support State Parks

The Division of Parks and Recreation has begun forming partnerships with local governments, the tourism industry, and private businesses surrounding Utah's 42 state parks. The goal is to enhance and expand tourism opportunities in the areas, as well as to increase parks' visitation and revenues. The first partnership meeting was held in Emery County and has resulted in receiving matching funds for advertising, making joint plans for special events with community partners, and cross-promotion of facilities and activities. A second partnership meeting was just held in Davis County, and a third is planned for Uintah County.

Staff Contact: Ivan Djambov

HIGHER EDUCATION

Approval of 1st & 2nd Tier Tuition Increases

In its first meeting following the conclusion of the 2006 General Session, the State Board of Regents approved a four percent first tier tuition rate increase for academic year 2006-2007. In addition, the Board of Regents approved second tier tuition ranging from 0 to 27.1 percent. The tuition increases for academic year 2006-2007 will generate approximately \$27.6 million (\$13 million from first tier tuition and \$14.6 million from second tier tuition). The table below shows the tuition percent increases for each college or university.

First tier tuition covers the Dedicated Credit portion of the compensation increases at each of the institutions. Second tier tuition is used for institution-specific, student-approved initiatives such as library support, additional advising and counseling services, new faculty, and student services.

Staff Contact: Spencer Pratt

USHE Tuition Increases for 2006-2007

| | <u>1st Tier</u> | <u>2nd Tier</u> | <u>Total</u> |
|-----------------------------|------------------------|------------------------|---------------------|
| University of Utah | 4.0% | 5.5% | 9.5% |
| Utah State University | 4.0% | 4.0% | 8.0% |
| Weber State University | 4.0% | 4.5% | 8.5% |
| Southern Utah University | 4.0% | 4.0% | 8.0% |
| Snow College | 4.0% | 5.0% | 9.0% |
| Dixie State College | | | |
| Resident, Lower Division | 4.0% | 27.1% | 31.1% |
| Resident, Upper Division | 4.0% | -14.7% | -10.7% |
| Non Resident | 4.0% | 19.6% | 23.6% |
| College of Eastern Utah | 4.0% | 4.5% | 8.5% |
| Utah Valley State College | 4.0% | 5.0% | 9.0% |
| Salt Lake Community College | 4.0% | 0.0% | 4.0% |

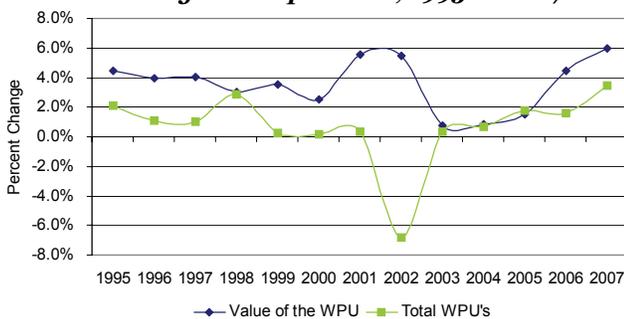
PUBLIC EDUCATION

Increase in the Value of the Weighted Pupil Unit

During the 2006 General Session, the Legislature funded a 6% increase in the value of the Weighted Pupil Unit (WPU). This increase represents the largest single increase since 1991, when the value of the WPU was increased 8.5%. The following chart provides a history of the percent change in the value of the WPU since 1995. The bottom line shows the percent change in the total number of weighted pupil units funded through the Minimum School Program since 1995. Consolidating several MSP programs into block-grants in FY 2002 accounts for the brief decline in the total number of WPUs.

Staff Contacts: Mike Kjar & Ben Leishman

Value of the Weighted Pupil Unit Compared to Total Weighted Pupil Units, 1995 to 2007



Source: Appropriations Reports, Office of the Legislative Fiscal Analyst, April 2006.

COMMERCE & REVENUE

Interim Study Items Affecting Commerce & Revenue Agencies

Executive Appropriations has selected three study items that will affect Commerce and Revenue agencies:

1. Tax Commission Auditors and Collectors. This study will examine the fiscal impact of auditors and collectors on state revenue.
2. Tax Commission - Progress Report on New Systems Implementation
3. Health and Human Services Program Review. Current growth in safety net programs will be examined by the Medicaid Interim Committee. This is a new and temporary committee that will look at controlling costs of health, human services, and welfare programs. Workforce Services programs will be included in the study.

Commerce & Revenue Appropriations Subcommittee co-chairs have not yet decided the interim schedule and agenda. If members of the committee have suggestions for interim study, please contact the Analyst and he will bring your items to the attention of the co-chairs.

Staff Contact: Stan Eckersley

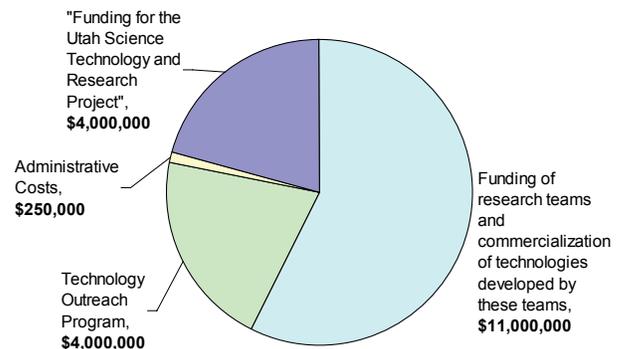
ECONOMIC DEVELOPMENT

Update on the USTAR Initiative

During the 2005 General Session, the Legislature allocated funding to the University of Utah and Utah State University to recruit and hire research teams, purchase research equipment, and develop and implement a high technology research and development initiative. This initiative was named the Utah Science, Technology, and Research (USTAR) Economic Development Initiative and the 2006 General Session passage of SB 75 (USTAR Initiative) greatly broadened its scope and funding. Senate Bill 75 establishes the USTAR Governing Authority, to which funds are appropriated for the construction of research buildings at Utah State University and the University of Utah, the creation of a technology outreach program at up to five locations throughout Utah, and the recruiting and funding of research teams.

Senate Bill 75 transfers \$4,000,000 ongoing from General Fund appropriations to the University of Utah and Utah State University and provides a new ongoing General Fund appropriation of \$15,250,000, for a total of \$19,250,000 ongoing, to the USTAR Governing Authority. Specific funding intents are outlined in the following pie-chart.

Ongoing USTAR Funding Specified by Intent Language in SB 75



The bill also authorizes the issuance and sale of \$111,100,000 in general obligation bonds and appropriates \$50,000,000 one-time from the General Fund to the USTAR Governing Authority for the construction of a Bio Innovations Research Institute at USU (\$40,400,000 in bonds and \$20,000,000 one-time) and a Biomedical Technology Research Building at the U of U (\$70,700,000 in bonds and \$30,000,000 one-time). Expenditure of these funds is contingent upon USU and U of U obtaining commitments of at least \$10,000,000 and \$30,000,000 in non-state funds, respectively.

Staff Contact: Juliette Tennert

New Campaign to Reduce Traffic Fatalities

During the 2006 General Session, the Transportation, Environmental Quality & National Guard Appropriations Subcommittee heard a report from the Utah Department of Transportation on a joint venture between UDOT and the Utah Department of Public Safety to reduce fatalities on Utah's roads. According to the report the agencies plan on launching "a new educational campaign to reduce traffic-related deaths in 2006." The report states that "UDOT, DPS, the Federal Highway Administration, AAA and the Federal Motor Carrier Safety Administration have all pledged their support in this campaign"

The new campaign was introduced in an announcement releasing the 2005 Fatality Report. The report showed "a steady decline of deaths on Utah roads over the past 5 years, with 282 fatalities in 2005 (down from 296 in 2004). The Zero Fatalities public education campaign aims to reduce some of the more prevalent contributing factors to fatalities on Utah roads, such as improper restraints (208 fatalities). In addition more people died as a result of fatigue (25) than DUI (21), showing a need to educate motorists on the dangers of driving while drowsy."

Staff Contact: Mark Bleazard

Source: Utah Department of Transportation, Press Release, 2006-01-13. www.udot.utah.gov

FEDERAL FUNDS

New Federal Grant Approvals

As noted in the Executive Appropriations Committee update, EAC approved two new applications for federal fund grants during its April meeting. These grants are described below.

The annual award amount for the **Utah GPS Domestic Violence Prevention Project** grant totals \$308,326 and requires \$49,596 annually in matching state funds. During the 24-month grant period, which begins in October, the **Department of Corrections** will use grant monies and state funds to determine whether GPS technology prevents domestic violence for those on protective orders. To accomplish this task, 210 offenders with active protective orders will be fitted with GPS units and compared to a group of offenders without GPS units. Of the \$49,596 state match requirement, \$12,156 is General Fund and \$37,440 is in-kind. The in-kind portion is provided by the GPS vendor, who would normally lease the GPS units at \$7.00 per day but is providing the state with a discount rate of \$6.00 per day, equivalent to \$37,440 in savings over the life of the project. The grant

Update on the Miller Public Safety Training Center

On July 11th 2005, ground was broken at the Miller Salt Lake Community College Campus in Sandy to construct the Miller Public Safety Training Center. The Legislature approved the building during the 2004 General Legislative Session. Mr. Larry H. Miller and his family donated the funds to build the center. The facility will become the centerpiece for the Peace Officers' Standards and Training (POST) Program.

The center includes a three-story, 73,200 plus-square-foot training facility supporting state of the art law enforcement instruction. The building will also house Salt Lake Community College's food services department and culinary arts program. A dormitory for cadets will also be constructed.

The Legislature funded the operations and maintenance (O&M) needs of the yet to be completed center during the 2006 General Legislative Session. The Legislature appropriated \$874,000 in ongoing funds beginning FY 2007. The facility is scheduled for completion in September 2006. The O&M funding was appropriated directly to Salt Lake Community College.

Staff Contact: Gary Ricks

requires a 0.75 full-time-equivalent temporary position, which will be abolished at the end of the project. This grant application is still pending.

The **Examining the Utah Sex Offender Management Program** grant annual award totals \$228,265 and requires \$107,674 in annual matching state funds. The purpose of this grant is to enable the **Department of Corrections** to assess current sex offender treatment and registration practices and to develop new approaches, techniques, policies, and procedures through ongoing research and reevaluation. Of the \$107,674 state match requirement, \$48,245 is General Fund and \$59,429 is in-kind (equal to project director and grant manager's time over the life of the 2-year project). The grant requires a 0.75 full-time-equivalent temporary position, which the department will fill with an intern and abolish once the grant ends. This grant application is still pending.

Staff Contacts: Juliette Tennert and Derek Byrne

Allocation of Capital Improvements Funding

On April 12, 2006 the State Building Board approved a list of Capital Improvement projects for FY 2007. During the 2006 General Session the Legislature appropriated \$62,921,300 to Capital Improvements as required by statutory formula. The Legislature also reallocated \$2,500,000 to Capital Improvements from the Division of Risk Management, with intent language requiring these funds be used specifically to reduce life safety hazards.

Total funding appropriated was \$65,421,300. The Division of Facilities Construction and Management (DFCM) carried over an additional \$172,000 from FY 2006, bringing the total FY 2007 amount to \$65,593,300.

The Building Board allocated 61 percent of the funding to higher education. This equals higher education's share of the replacement cost of existing facilities statewide, and is similar to allocations in the previous five years. The University of Utah and Utah State University, which have the highest concentration of state buildings, will receive 19 percent and 11 percent of available funds respectively.

For a complete listing of approved FY 2007 projects by agency/institution, please see http://buildingboard.utah.gov/agenda/currentmeeting/ta_b2.pdf or contact our office and we will provide you a copy.

Capital Improvements are sometimes referred to as "alterations, repair and improvements" (AR&I). They are defined as remodeling, alteration, replacement, site, utility

or repair projects costing \$1,500,000 or less; or new facilities with construction costs of \$250,000 or less (see UCA 63A-5-104). Capital Improvements are the state's primary funding source for building repairs and must be funded at 1.1% of the replacement value of existing facilities before any larger capital development projects may be funded. The Building Board's allocation of Capital Improvement funding is subject to legislative approval.

Staff Contact: Steve Allred

Update on the Capitol Restoration Project

The seismic upgrade is now 70% complete. Interior work is beginning to also take shape. Framing of stud walls, 'rough in' of new elevators, new doors, plumbing, mechanical, electrical conduits, and installation of data/communication cables, etc. have all contributed to accelerating the pace of the project. New windows are being installed in the dome and First Floor area. The interior dome painting is complete, and the scaffold will begin to come down on April 27, 2006. The project is still on target for the re-opening in January 2008.

Recently, an engineering class from the University of Utah suggested locating a 277 space underground parking garage on the southeast portion of Capitol Hill. This cost of this structure is estimated at \$10.9 million and the design will be presented to the Capitol Preservation Board during their April 26, 2006 meeting.

Staff Contact: Todd Wardrop



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