

MINUTES OF THE JOINT EXECUTIVE APPROPRIATIONS COMMITTEE
September 19, 2006 at 9:00 a.m.
Room W125, House Building, State Capitol Complex

Members Present: Sen. Lyle Hillyard, Co-chair
Rep. Ron Bigelow, Co-chair
Sen. Dan Eastman
Sen. Beverly Evans
Sen. Karen Hale
Sen. Peter Knudson
Pres. John Valentine
Rep. Jeff Alexander
Rep. Ralph Becker
Speaker Greg Curtis
Rep. Ben Ferry
Rep. Patricia Jones
Rep. Brad King
Rep. Roz McGee
Rep. Stephen Urquhart
Sen. Curtis Bramble, Vice Chair
Rep. David Clark, Vice Chair

Members Excused: Sen. Gene Davis
Sen. Mike Dmitrich
Sen. Ed Mayne

Staff Present: John Massey, Legislative Fiscal Analyst
Greta Rodebush, Secretary

Others Present: Stan Eckersley, LFA
Jonathan Ball, LFA
Rod Marrelli, Executive Director, State Tax Commission
Katie Rogerson, Governor's Office of Planning & Budget
Norma Matheson, Honorary Chair, Commission on Aging
Maureen Henry, Executive Director, Commission on Aging
Ben Leishman, LFA
Larry Newton, Director, School Finance & Statistic, USOE
Murrell J. Martin, Pupil Transportation Specialist, USOE
Ivan Djambov, LFA
Ellis Ivory, Chairman, This is the Place State Park
Matt Dahl, Executive Director, This is the Place State Park
Robyn Pearson, Deputy Director, Department of Natural Resources
Mary Tullius, Executive Director, Division of Parks & Recreation

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

1. Call to Order

Committee Co-chairman Lyle Hillyard called the meeting to order at 9:18 a.m.

2. Tax Commission Auditors and Collectors Report

Jonathan Ball, LFA, and Stan Eckersley, LFA, reported on the revenue impacts and performance measures of additional auditors and collectors to the Utah State Tax Commission.

The report concluded that the impact on total revenue of additional auditors and collectors cannot be detected or measured within the normal variance of revenue estimates. It further concludes that auditor and collector employment levels alone do not explain changes in audit assessments or delinquent collections and that other independent variables affect assessments and collections more than does the number of auditors and collectors.

Rep. Becker asked if there were any indirect effects on revenue from auditors and collectors. Mr. Eckersley responded that all revenues can be attributed to auditing and collecting enforcement and that audit penetration needs to be sufficient to create an expectation of enforcement.

Rod Marrelli, Executive Director, State Tax Commission, stated that his office has been asked many times if additional auditors and collectors would generate more revenue. He expressed his appreciation for the work done by the Office of the Legislative Auditor General and the Office of the Legislative Fiscal Analyst in preparing the report and supports its conclusions.

Approval of Minutes

MOTION: Rep. Bigelow moved to approved the minutes of June 20, 2006 and July 18, 2006. The motion passed unanimously with Pres. Valentine and Rep. King absent for the vote.

3. Federal Funds Report

Katie Rogerson, Governor's Office of Planning & Budget, presented the Federal Funds Report for the period July 1, 2006 through August 31, 2006. She briefly explained one new grant requiring legislative action with the Utah State Office of Education: Foreign Language Assistance Program with a federal annual award of \$206,706 and a state match of \$50,000 in-kind existing program expenses. In addition, Ms. Rogerson presented eight reapplications for existing grants requiring legislative action along with seven new grants approved by the Governor's Office and seven reapplications for existing grants approved by the Governor's Office.

MOTION: Rep. Bigelow moved to approve one new federal assistance grant application and the eight re-applications requiring legislative approval on the Federal Assistance Applications list, dated July 1, 2006 through August 31, 2006. The motion passed unanimously with Pres. Valentine, Rep. Becker, and Rep. King absent for the vote.

4. Report on SB 175, 2003 General Session - Revenue Procedures & Control Act Amendments

Jon Ball, LFA presented the report: "Statutory Review of Electronic Transaction Fee Processes".

Mr. Ball explained that S.B.175, 2003 General Session authorized state agencies to establish surcharges to cover the cost of electronic payments (credit cards, debit cards, and automatic clearinghouse transactions). These surcharges, where possible, were to be incorporated into established base fees which could be raised to cover the incremental cost of electronic payments.

S.B.175 also directed the state's Division of Finance to create new revenue and expenditure categories for electronic payment fees and costs, and required agencies to track electronic fee revenues and expenditures, whether the fees were separate from or a component of existing fees. Finally, a sunset provision for the repeal of S.B. 175 was set for July 1, 2007.

Mr. Ball noted a number of findings. While many agencies are processing electronic payments, not all agencies track electronic payment fees. Of the three agencies that do, non-lapsing balances show that electronic payment fees charged to citizens are in excess of the actual costs associated with those transactions. Growing balances in electronic payment fee accounts have prompted some agencies to reduce fees. Finally, he referenced one case study where the Department of Natural Resources includes electronic transaction costs within its base budget and requests from the Legislature under the Budgetary Procedures Act authority to charge fees based upon those total costs.

The report concludes that while this act provided a necessary and useful transition mechanism for enabling online transactions, the LFA recommends allowing the bill to sunset on July 1, 2007 whereby incorporating electronic fees into the regular budget process. Before the bill's repeal, the LFA believes that the Legislature should adjust existing electronic payment surcharges so that they break even, and that appropriators should take action to eliminate non-lapsing dedicated credit balances related to electronic payment fees.

Sen. Hillyard asked clarifying questions as to which of the recommendations would require legislature action and which could be handled by the appropriations subcommittees. Mr. Ball indicated that fund balances and fee reductions could be handled in the appropriations subcommittees. The exception would be the tax revenue for the "Electronic Payment Fee for Motor Vehicle Transactions" within the Transportation Fund. There are statutory limitations and this would require a bill.

Sen Hillyard directed the Fiscal Analyst's Office to prepare specific fee, appropriation, and statute changes to address the report's recommendations. These changes are to be presented to relevant appropriations subcommittees during the 2007 General Session.

5. Commission of Aging - Required Report under UCA 63-99-107

Debbie Headden, LFA, addressed the committee. The Utah Commission on Aging was created within the Governor's Office as a result of legislation in the 2005 General Session. The Commission is statutorily required to submit an annual report on issues related to aging and how it effects the state of Utah. Ms. Headden stated that the Commission is funded entirely by federal funds, the Social Service Block Grant.

Norma Matheson, Honorary Chair, Commission on Aging, commented that thus far, a remarkable effort has been made in setting up the Commission, recruiting individuals to staff it's Special Committees and Work Groups, coordinating with public and private entities concerned with the aging population, and preparing a comprehensive report on all phases of the aging process.

Maureen Henry, Executive Director, Commission on Aging, presented the 2005-2006 Annual Report "Aging in Utah: Avoid Crisis, Maximize Opportunity". She highlighted demographic trends that indicate Utah's 65+ population will more than double in the next 25 years as will the 85+ population. In addition, the state's dependency ratio (individuals age 0-18 and 65+) will increase from 65.5 in 2005 to 88.1 by 2050. Further, national data shows that 14 percent of individuals over the age of 65 currently remain in the workforce and that 70 percent of the baby boomers expressed the intent to remain in the workforce after age 65. Utah could see similar statistics as well.

In order to "maximize the benefits and minimize the burdens of Utah's aging population," the Commission has focused on four policy areas to mitigate the impacts associated with the expected growth in the aging population: financial security, healthy aging, quality information and referral services, and healthcare. Ms. Henry highlighted a number of projects: Utah 2030, Care Management Plus, Aging Smart, and a Financial Security Guide.

Norma Matheson concluded the presentation by emphasizing the importance of continuing the work of the Commission.

Rep. Jones, who is a member of the Commission on Aging, expressed her appreciation to Norma Matheson, Maureen Henry, and Administrative Assistant, Lorna Koci. She also recognized the work of the volunteers, many of whom are experts in their fields, for the energy and enthusiasm they have shown in coming up with concrete ways to address some of these pressing issues.

Sen. Hillyard commented that the aging population is an asset in our communities.

Rep. McGee noted the value of demographic studies and the support of the Governor's Office and the Legislature. She looks forward to more studies and recommendations in the future.

Sen. Knudson stated that he co-sponsored this legislation with Rep. Jones and that he is very pleased with the efforts and accomplishments of the Commission.

6. Public Education Transportation Study from the Utah State Office of Education - (USOE)

Ben Leishman, LFA, reviewed the recommendations set forth in the Pupil Transportation Report presented to the Executive Appropriations Committee on July 18, 2006.

Larry Newton, Director, School Finance & Statistics, USOE, expressed appreciation for the work done by the Office of the Legislative Fiscal Analyst and the opportunity to respond to the report.

Murrell J. Martin, Pupil Transportation Specialist, USOE, presented the response to the Pupil Transportation Report. He emphasized the vital role school buses and school bus drivers play in the education of school children. District transportation directors and business officials have had to make difficult decisions in order to stretch limited funding resources in order to meet increased costs of fuel and other resources and not compromise the excellent safety record of the Utah bus drivers. To date, district officials have chosen to take from other educational funds to support pupil transportation rather than cutting maintenance or training budgets.

Mr. Martin discussed changes in federal law. On January 1, 2007 new EPA requirements for school buses will add an additional \$6,000-10,000 to the purchase price of every new school bus. In 2010, the next level of EPA requirements on the cost of new school buses will be about double the 2007 requirements. It would be better to invest now in needed bus rotation than later.

Mr. Martin noted the need for a funding adjustment to cover the increase in fuel costs. He explained that the \$5 million supplemental appropriation for pupil transportation will be helpful but is one-time funding and will not address all of the continuing needs.

Mr. Martin commented on the statutory funding formula. Had adjustments to the funding formula been made, the actual costs associated with district transportation expenditures would have exceeded the amount of revenue allocated through the Minimum School Program. Estimates show an additional cost of \$147,000,000 in FY 2001 to FY 2005.

Mr. Martin clarified that the disparity in district funding levels can be attributed to differences in geography and demographics rather than the efficiency of individual school districts. In response to auditing and bus replacement, the USOE is investigating options to improve oversight of district transportation programs. Finally, the USOE will conduct a cost-benefit analysis of keeping a school bus over 200,000 miles of use.

Sen Hillyard referenced the report's statistic that states there are over 160,000 students that are transported to and from school each day. If Utah has 500, 000 students enrolled in school, this would indicate that less than half the students ride the bus. Mr. Martin stated that nationally there are 50 million school children, of which 25 million are transported on school buses. Utah's pupil transportation program is less than the national average; however, almost every student is impacted in some way in traveling to and from school activities.

Sen. Hillyard asked Sen. Hale if very many students at Highland High School ride the bus. Sen. Hale responded that there are several hundred who do.

Sen. Hillyard asked if the transportation of students involved in athletic programs is paid out of school funds or special athletic funds? Mr. Martin responded that they are paid out of school funds.

Rep. Ferry asked if there is a methodology in altering the funding formula that maintains an incentive for efficiency?

Mr. Leishman stated that the USOE is taking a look at incentives, especially in the area of school bus depreciation, whether or not there should there be an incentive for districts to make better use of buses that exceed 200,000 miles or an incentive for them to dispose of buses that are no longer safe.

Rep. Ferry asked about the cost of using GPS (Global Positioning Satellite) monitoring devices. Mr. Martin indicated that each device would cost about \$700. They are also looking at portable units as a means of enhancing auditing capabilities.

Rep. Ferry spoke in favor of offering incentives for efficiency in pupil transportation. Mr. Martin concurred that there should be rewards for efficiency.

MOTION: Rep. Bigelow moved that the Executive Appropriations Committee refer further action on the recommendations made in the Pupil Transportation Report to the Public Education Appropriations Subcommittee. The motion passed with Rep. Becker, and Speaker Curtis absent for the vote.

7. Report on This is the Place Heritage Park

Ivan Djambov, LFA, introduced Ellis Ivory, Chairman of the Board, and Matt Dahl, Executive Director, This is the Place Foundation.

Mr. Djambov, gave a brief history of This is The Place Heritage Park which was established in 1957 by a group of citizens who purchased the property and donated it to the state of Utah. The State Parks and Recreation Commission supervised, maintained, and improved the Park until

July 1, 1998 when the management of the Park was transferred to a non-profit foundation. The Park's operations are currently funded by entrance fees, private donations, and an ongoing \$700,000 appropriation of General Funds through the State Division of Parks and Recreation.

In the last few years, the Foundation experienced serious financial difficulties. The Foundation has had to borrow from its restricted funds to pay for its operations. This approach worked for a while, but the Foundation was not able to replenish its endowment funds.

During the 2006 General Session, the Foundation approached the legislature for financial assistance. The 2006 Legislature provided a \$2 million dollar supplemental appropriation to the Department of Natural Resources for This is the Place Foundation. In addition, legislative intent language required the Foundation to meet specific performance measures established by DNR prior to receiving new funding.

The Foundation indicated to DNR administration that they had met the performance measures, and in July 2006, the \$2 million was transferred. A review performed by the Office of the Legislative Fiscal Analyst found that one of the requirements had not been completely met: namely, the Division of Parks and Recreation did not have a representative on the Foundation's Executive Management Committee. The Foundation management has indicated that this was an oversight and has committed to comply.

Ellis Ivory, Chairman of the Board, This is the Place Foundation, commented on a number issues affecting the Foundation. He explained that the Foundation has worked closely with DNR and State Parks and Recreation over the past year.

Robyn Pearson, Deputy Director, DNR, and Board Member, This is the Place Foundation, spoke on the restructuring of the 18 member Board of Trustees. The Foundation's biggest challenge is getting people to come back a second time. Attention will be focused on activities and events that will generate additional income.

Mr. Ivory indicated that Mary Tullius, Director, State Parks and Recreation, is now a member of the Foundation's Board of Trustees and will serve on the Executive Management Committee. In reference to the \$2 million appropriation, \$890,000 has been placed in an endowment account to replenish endowment funds that were borrowed to cover operating costs. The additional \$1.1 million has been placed in an investment account to be used for capital improvements and maintenance over the next two years.

There is an expectation that the Foundation will operate in the black next year. The Park's annual budget is \$3 million. In addition to an ongoing appropriation of \$700,000 from the General Fund, they will need to raise an additional \$940,000 from private donors. He noted two potential revenue sources: leasing land to the University of Utah's Research Park for needed expansion, and building an event center that could accommodate a dinner theater and large functions such as

weddings. The Foundation has hired Matt Dahl, former Executive Director, American West Heritage Center to help bring about some of these changes.

Sen. Hillyard inquired as to how many acres comprise This is the Place Heritage Park. Mr. Ivory explained that there are 450 acres, 300 acres of mountain up the canyon, and 150 acres of useable land. A maximum of 12 acres has been set aside for leasing.

Sen. Hale offered positive remarks on the the expertise of Matt Dahl and Mr. Ivory and their commitment to maintain an open dialogue with neighboring communities.

Matt Dahl, Executive Director, summarized what the Board was going to do in the areas of entertainment, education, and accessibility to get the park operational. They look to enhance volunteer services, expand programming, and use small scale trains to provide entertainment and transportation.

Rep. Ferry asked about revenues generated from handcart treks. Mr. Dahl responded that last year the Park hosted six handcart treks. This is an area that needs to be further developed.

Rep. Bigelow asked if the Foundation efforts were not successful, what type of on-going funding would they need. Robyn Pearson responded by outlining anticipated revenues for the upcoming year. He noted that operation of a living history site is expensive. Additional gate receipts will not cover the cost of maintenance and capital improvements that are needed to bring many of the buildings up to acceptable standards. The proposed land lease may help the revenue dilemma. He expects that the Foundation will need an additional \$400,000 to \$500,000 to be successful.

Rep. McGee asked if the Foundation has had any discussion with Hogle Zoo. Sen. Hillyard commented on the success of the Festival of the American West in Cache Valley. Rep. Jones asked about their facilities for weddings.

Mr. Ivory said that he would be in favor of working out some kind of cooperative arrangement with Hogle Zoo that would include shared parking, dual memberships, and joint ticketing promotions. The Park can handle smaller weddings but it will need a larger facility such as an events center that will seat 250 people for dinner or 500 people for receptions.

8. Report on Parks and Recreation Capital Improvement Funding

Ivan Dambov reviewed the Division of State Parks and Recreation's capital expenditures for FY 2006. He outlined the major funding sources for the Division's capital needs and discussed various capital projects that benefitted park visitors and staff. In FY 2006, a total of \$6.2 million in construction costs was spent on more than 80 capital projects in 29 State Parks.

In the review of Parks' capital expenditures, the Fiscal Analyst concludes that the majority of the

capital improvement projects in FY 2006 directly benefitted the park visitors. He mentioned two projects that directly benefitted Parks' staff, Rockport State Park (\$96,000) and Dead Horse Point State Park (\$71,700).

Mr. Djambov discussed the Coast Guard account that has a growing nonlapsing balance. These funds are restricted to boating law enforcement but could be used for capital improvements on boating parks.

Sen. Hillyard asked if Coast Guard funds cross state boundaries. Mr. Djambov said that these funds were to be used for waters in the state of Utah.

Mr. Djambov pointed out that State Parks and Recreation receives capital funding from several different sources which they transfer to DFCM who supervises most of the construction work for Parks. Both Divisions keep track of the expenditures but on different systems. The Analyst recommends the two Divisions collaborate and find a unified approach to track each of the Parks' capital expenditures by project, funding source, and fiscal year.

Rep. Bigelow asked how much is being spent to maintain parks and to expand parks.

Mary Tullius, Director, State Parks and Recreation, stated that State Parks has over \$300 million in fixed assets and industry standards show that it would require \$6 million to maintain those assets. State Parks does not spend that much on maintenance but rather utilizes park operations staff to perform a number of maintenance duties. Ms. Tuillis added that the Division is also conscience about economic development and adding revenue to the State. A prioritization process is used in determining the merits of expanding parks.

9. Other Business

John Massey, Legislative Analyst, introduced Danny Schoenfeld who has joined the staff and will be working with Ben Leishman in Public Education.

MOTION: Rep. Bigelow moved to adjourn. The motion passed unanimously.

The meeting adjourned at 10:58 a.m.