Executive Appropriations Committee

Senator Lyle Hillyard & Representative Ron Bigelow
Meeting Date: November 13, 2007

Report: Federal Funds

Tenielle Young of the Governor’s Office presented the list of federal fund grant applications since the November meeting. Only one reapplication of an existing grant required legislative action. There were no new grants requiring Legislative action in November. The Governor’s Office approved two new grants.

Committee Action:
The Committee approved the grant reapplication.

Staff Contact: Danny Schoenfeld

Report: Audit on the Transportation Prioritization Process

The Auditor General and representatives from local governments in Salt Lake County appeared before the Committee to discuss a report issued by the Auditor General. The report was related to the prioritization process of projects in Salt Lake County that will utilize funds realized by a .25% sales tax to be levied in Salt Lake County for transportation projects.

The Auditor General reported several concerns about how the local leaders weighted and assigned priorities to transportation projects in Salt Lake County. They reported the Council of Governments approved funding for a list of projects that erroneously assigned higher priorities to transit projects than highways had the formula been properly applied. Local government leaders reported that the Salt Lake Council of Governments will meet later this month to determine if they will revoke their approved priorities list of projects.

A discussion about the future use of the expected tax revenue for operations and maintenance of the transit projects was also a topic. It was stated by several members of the Committee that they firmly interpret state law to not allow sales tax to be used to fund operation and maintenance, and will propose a language adjustment to the statute to clarify the law during the next General Session of the Legislature if necessary.

Staff Contact: Mark Bleazard

Report: Legislative Compensation Commission

The Legislative Compensation Commission makes salary recommendations for the Utah State Legislature in order to maintain a citizen legislature and fairly compensate legislators for their service. The Commission’s recommendations are based on an analysis of comparative salary data from all fifty state legislatures as well as Utah-specific compensation issues.

The Commission found that Utah ranks thirty out of the fifty states in legislative compensa- (Continued on page 2)
Medicaid Interim Meeting

The Medicaid Interim Committee heard a presentation on Department of Health pricing options for pharmacy drugs for Medicaid clients. The department currently pays the lesser of four different pricing formulas for pharmacy drugs. The federal government is requiring that states not pay more than 250% of the average manufacturer’s price (AMP) effective January 1, 2008.

The department has plans to not pay more than 200% AMP effective January 1, 2008. For the top 45 drugs most prescribed, this may save about 2% or $300,000 annually. If the department were to not pay more than 115% AMP on these same drugs, this would result in savings of over 20% or $3.3 million.

Staff Contact: Russell Frandsen
Update of Department of Technology Service

The Department of Technology Services, created in 2005, has helped propel Utah to the top in digital government. The state's website, Utah.gov, received first place in the Best of the Web annual awards program sponsored by the Center for Digital Government.

This competition is the most popular government Web site competition and it awards state and local governments for the most innovative and user-friendly portals.

Utah.gov is now the only Web site to be recognized as the best state portal twice by the Center for Digital Government. The Web site features over 800 services to the public (100 of which are new this year).

Over 900,000 unique visitors visit the Web site each month and 90 percent of professional license renewals are renewed through this site. New search capabilities, through an innovative partnership with Google, help citizens quickly and efficiently access information.

Staff Contact: Rich Amon

Public Safety Bills Considered

The Retirement and Independent Entities Interim Committee met on November 13, 2007 to discuss various bills to be considered during the 2008 General Session. The committee took comment on an Enhanced Public Safety Systems Cost of Living Option. This would enable contributors to the Public Safety Retirement System to increase the cost of living percentage from 2.5 percent to 4 percent. This helps person’s retirement benefit keep up with inflation.

The committee also considered a change in the benefit amount a officer receives if they are killed in the line of duty. Currently the rate is 65 percent of their total salary, this bill would increase it to 75 percent. This would rate increase would bring the benefit amount a firefighter receives when if they are killed in the line of duty. Both bills were voted on and passed unanimously. They will be considered the 2008 General Session.

Staff Contact: Danny Schoenfeld

Report to the Legislative Management Committee: This Is The Place Heritage Park

In response to a request from the Legislative Management Committee, the Fiscal Analyst’s Office completed a report on This Is The Place Heritage Park. The report focused on the Park’s financial management and explored three options for obtaining a sustainable economic condition for the Park:

1. Remain under private management and increase its revenues from commercial enterprise and private donations.
2. Remain under private management and receive a similar percentage of General Funds as the State historic parks.
3. Be transferred back under State management.

The Analyst recommended option number one. The other two options will have significant costs to Utah’s taxpayers and are inconsistent with the intentions for the transfer of the Park’s management to a private foundation.

In the review of the Park’s programs and operations, the Analyst made the following recommendations. The Foundation board should reconcile the differences in its mission statements and include provisions reflecting the Legislative emphasis on historic preservation. In order to ensure the proper care of the artifacts at the Park, the Foundation should employ a qualified curator, on a full-time, part-time, or contractual basis, based on the actual needs. The Foundation should establish a mechanism to measure and evaluate the effectiveness of each of its programs.

Staff Contact: Ivan Djambov
Operations and Maintenance Costs of State Buildings

The state owns approximately 42 million square feet of facility space. All of this space requires proper operation and maintenance (O&M) for the facilities to serve their intended purpose and to extend their useful lives. With the state investing significant amounts of money in facilities O&M, often two questions are asked: 1) What is included in the definition of O&M? 2) How is O&M different than Capital Improvements?

Facilities O&M includes utility costs, routine corrective and preventive maintenance, custodial services, utility distribution systems, site maintenance, furnishings repair, maintenance personnel, administrative costs, security, and other planned or unscheduled maintenance.

Capital Improvements are defined in statute as a category of capital projects eligible for an annual appropriation by the Legislature equal to 1.1 percent of the replacement cost of existing state facilities. These funds are allocated to projects by the Building Board although the Legislature reserves the right to designate projects. Capital Improvement projects are limited to $2.5 million on existing facilities or $500,000 to construct new facilities. Capital improvements are meant for substantial projects, whereas O&M is meant for routine items.

According to the Building Owners and Managers Association (BOMA), annual O&M costs on private buildings in the Salt Lake City area average approximately $5 per square foot. The state’s costs are similar, but vary depending on the type of space and the level of utilization. DFCM’s O&M staff maintains typical office space for about $4 per square foot. Specialized laboratories or shops at higher education institutions can cost over $8 per square foot.

The Legislature has a policy of approving O&M funding at the same time it approves new state-funded buildings. The O&M appropriation is offset by negative one-time appropriations until construction is completed. Costs are calculated based on net new square footage and space type.

Staff: Steve Allred

Update on Utah’s K-12 Teacher Shortage

In a follow-up report to his original study on teacher supply and demand, Dr. David Sperry concludes that:

1. Teacher shortages in the State remain critical
2. Additional resources need to be approved for Utah's colleges and universities to recruit more students and to be able to train them
3. Teacher attrition needs to be reduced (through enhanced salaries, improved working conditions, and new mentoring programs)
4. More teachers must be attracted to areas experiencing critical shortages (through differential salaries, extended-year employment, more efficient scheduling, etc.)

Some of the findings of the report include:

The annual gap between teachers trained in the state and openings has stayed level at approximately 1,200. The percent of teachers leaving after two years of teaching has increased from 29.6 percent to 35 percent. The rate after five years of teaching has increased from 47.4 percent to 55.4 percent. The percentage of new teachers who received their education from Utah's colleges and universities dropped from 45.8 percent to 34.2 percent.

Staff Contact: Spencer Pratt

Upcoming Meetings

Public Education Appropriations
Date: December 4, 2007
Place: Granite School District Central Offices
2500 South State Street
Salt Lake City, Utah
Time: 8:30 a.m. to 3:00 p.m.

Staff Contact: Ben Leishman
Motorcycle Rider Education

The Motorcycle Rider Education program (UCA 53-3-901) is established within the Driver License Division of the Department of Public Safety. It is designed to provide rider training and information. The program is open to all residents of Utah and includes, but is not limited to, conducting rider training courses, enhancing public awareness, and promoting motorcycle safety.

The Drivers License Division contracts with various colleges as well as independent companies throughout Utah to provide rider training for novice and experienced riders. This approach has proven to best meet the needs of the demographic diversity of the state. A full-time program coordinator oversees the efforts of the providers. The coordinator also monitors motorcycle test ranges and procedures at Division field offices to ensure compliance with national testing standards.

Funding for the Motorcycle Rider Education program is from the Transportation Fund Restricted Motorcycle Education Account derived from Motorcycle Safety License Fees and Motorcycle Safety Registration Fees. The Department of Public Safety and the Drivers License Division specifically, have furnished and continue to provide the Fiscal Analyst with information concerning this program.

Staff Contact: Gary Ricks

Nursing Home Placement Prevention Pilot

The Medicaid Interim Committee (MIC) has met over the past two years with a focus on cost containment. The elderly and disabled Medicaid population comprises 25 percent of the total enrollees, while their expenditures make up about 70 percent of the total costs. The MIC discussed various options to control costs for long-term care including diverting more of the population from institutional care to the Medicaid Home and Community Based Services (HCBS) Waiver programs.

One proposal discussed was a Nursing Home Placement Prevention Pilot. DAAS believes that some seniors who could safely be served in their homes upon discharge from the hospital are placed in skilled nursing facilities rather than in the HCBS. Most hospital discharge planners are unaware of the HCBS programs or there are no slots available. DAAS proposes to eliminate the barriers in two ways: 1) Three hospitals in the Salt Lake area will be selected and receive training and coordination from DAAS; and 2) DAAS would dedicate a certain number of additional slots for this program. DAAS would have to receive permission from the federal government to provide these additional slots. By making available 36 slots, the potential savings could be over $300,000 in General Funds (cost of nursing homes $423,100 less cost of HCBS $106,500). The MIC voted to have this proposal brought before the Health and Human Services Appropriations Subcommittee during the 2008 General Session.

Staff: Debbie Headden

Educator Salary Adjustments (H.B. 382)

Legislators provided salary increases and bonuses for educators based on established qualifications outlined in House Bill 382 (2007 General Session). These increases were implemented in recognition of the need to attract and retain qualified & dedicated educators in the public education system.

An audit conducted by the Legislative Auditor General identified that the appropriation made to support the educator salary adjustments was insufficient to provide $2,500 per qualified educator, as intended by the Legislature.

The State Board of Education will report to the Public Education Appropriations Subcommittee how the revenue for the adjustments was spent by each school district and charter school, including the amount of the salary adjustments and the number of full/partial adjustments awarded.

A summary of awards prepared in August revealed that 10 districts provided a $2,500 adjustment to their qualifying educators. Four districts began paying $2,500 to each qualifying educator, but will re-adjust this amount if a supplemental appropriation is not provided. The remaining districts provided an adjustment ranging from $1,834 to $2,178 per qualifying educator and will provide a supplement if additional funds are appropriated by the Legislature. A more complete report will be available after December 4th.

Staff Contact: Ben Leishman
How Could Something So Wrong Feel So Right?

Every year in December, the Office of the Legislative Fiscal Analyst reports to the Executive Appropriations Committee a Consensus Revenue Estimate. And every December we are wrong. That's the way it should be. After all, we are attempting to see into the future. In each of the last five years we have followed our December estimate with a February update that offers more money. And that usually feels pretty good. But could it go the other way? The answer is a resounding yes.

The technicians on the Revenue Estimating Committee - those executive and legislative branch brainiacs that bring us Consensus Revenue Estimates - are very good at what they do. In fact, their February predictions for revenue to be collected sixteen months later have been on average within 5% of actual collections over the past ten years. And their February mid-year updates improve accuracy to within 2.5%. But predicting revenue collections more than a year in advance is not an exact science. Especially when the models used to forecast such revenue rely upon economic indicators like inflation, employment, wages, demographic shifts, and collections-to-date. The further into the future these models predict, the less accurate they are. Conversely, the closer they get to actual collections - even those few months between the December and February estimates - the better the predictions become.

Even one month can make a difference. Last month, Chief Economist Andrea Wilko reported to the Executive Appropriations Committee potential revenue growth for FY 2008 between $250 million and $400 million above previous estimates. Since then, economic indicators have slowed somewhat and our models are now more likely to predict collections at the lower end of that range.

As our economists get more timely data in February of each year they improve their accuracy over December predictions. They are often able to give us good news about revenue collections. But its not always good news. As one might recall from fiscal years 2001 through 2003, February does not always bring sunny skies - inversion or no. During that economic down-turn, projected revenue decreased between December and February. If economic indicators continue on their current trajectory, that could very well be the case again this February.

Staff Contact: Jonathan Ball