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**Report: Federal Funds/Non-Federal Funds Grants Reports**

Tenielle Young from the Governor’s Office of Planning and Budget and Danny Schoenfeld from the Legislative Fiscal Analyst Office presented the Federal Funds report. The Committee approved new applications.

**Staff Contact:** Danny Schoenfeld

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**Report: Interim Committee and Task Force Progress Reports**

The Executive Appropriations Subcommittee received reports from the Education Interim Committee, Revenue and Tax Interim Committee, Immigration Interim Committee, Higher Education and (Continued on page 2)

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**Executive Appropriations Committee**

**Meeting Summary - November 18, 2008**

**Senator Lyle Hillyard & Representative Ron Bigelow, Co-chairs**

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**Proprietary and Other Governmental Fund Types**

The purpose of this report is to examine and make recommendations regarding cash funds and accounting protocols. There are three major types of cash funds: petty cash funds, travel advance funds, and cash change funds. In FY 2008 the state had 452 cash funds totaling $477,000. Each fund had on average $1,000.

The Budgetary Procedures Act outlines the state’s budget process as well as several accounting practices related to budgeting. While most of the accounting protocols contained in this chapter are straightforward and reflect current practice, several sections could use clarification.

The report recommends that the Legislature:

- urge agencies operating petty cash funds to consider using a purchasing card (P-card) in lieu of cash when practical.
- consider revising the Budgetary Procedures Act to provide for the elimination or review of cash funds.
- consider revising the Budgetary Procedures Act to reflect the current role of the Division of Finance in establishing petty cash funds or clarify the role the Governor should play.
- replace the phrase “allotment or allotments in excess of regular monthly allotments” in Subsection (4a) of Section 405 of the Budgetary Procedures Act with the phrase “of funds.”
- consider rewriting Subsection (3) of Section 311 of the Budgetary Procedures Act and move it to a new Section.
- define the term “work program” and clarify the role the Governor plays in work program adjustments.
- consider deleting Subsection (8)(b) of Section 406 of the Budgetary Procedures Act or placing certain thresholds on the dollar amount of the requisitions that the Director shall approve and certify.

**Staff Contacts:** Richard Amon and Stephen Jardine
Report: CEU/USU Collaboration

Intent language passed earlier this year calls for a study to be conducted to look at increasing the collaboration and cooperation between the College of Eastern Utah and Utah State University to facilitate educational opportunities in eastern Utah, while retaining the traditional community college role, which includes career and technical education. The State Board of Regents engaged a trio of consultants to perform a facilitated study which would work with individuals at both institutions, develop a list of important issues, and develop a possible model for merging the two institutions. However, following the first set of meetings, the consultants determined that unbiased, objective responses were not coming forth and decided to conclude the study.

While the effort ended without a firm resolution, significant groundwork has been laid and could be used if further action is requested by the Legislature.

Staff Contact: Spencer Pratt


The Executive Appropriations Committee received a report from the Utah State Office of Education on the Utah Virtual Academy and its progress over the first year.

Staff Contacts: Ben Leishman and Patrick Lee

Discussion of ongoing budget reductions was mainly focused on the need to have a complete revenue forecast as well as understanding the effects of reductions on agency budgets. The subcommittee members concurred with the co-chairs on waiting to receive a finalized revenue forecast before proceeding on where and how much to reduce budgets. As part of this discussion, the subcommittee heard from the State Office of Education on how reductions would affect the state’s public education agencies and what effects there would be upon the Minimum School Program. Utah Schools for the Deaf and the Blind addressed specific questions from subcommittee members regarding the effects reductions would have on their services to districts and to their residential program. The committee will resume their discussions during the 2009 General Session.
Health System Reform in the Health and Human Services Appropriation Subcommittee

At the request of the chairs of the Health System Reform Task Force, the Health and Human Services Appropriation Subcommittee met to discuss health system reform in Medicaid on Wednesday, October 29, 2008. The agenda included 4 items: (1) expanding the use of the medical home in the Medicaid program, (2) use of health savings accounts in the Medicaid program, (3) episodes of care pricing in the Medicaid program, and (4) mental health. A brief summary of what the committee heard for each agenda item is included below:

Expanding the use of the medical home in the Medicaid Program – Michael Hales with Utah’s Medicaid Program suggested possible first steps towards Medicaid medical homes include: (1) an established relationship with a medical provider, (2) access to that provider via telephone, and (3) evening and weekend access to that provider. Staff provided materials showing that in FY 2008, of the 3,365 medical providers that saw any Medicaid clients, 101 providers saw 50% of all Medicaid clients. Additionally, 996 or 30% of all providers saw at least 1 Medicaid client per week (52 annually) with the other 70% seeing less than 1 Medicaid client per week.

Use of health savings accounts in the Medicaid Program – Michael Hales with Utah’s Medicaid Program indicated that health savings accounts in Medicaid can be used in 2 primary ways: (1) voluntary alternative option to traditional Medicaid for healthy individuals (like in South Carolina) or (2) coverage for a new, expanded eligibility group (like in Indiana).

Episodes of care pricing in the Medicaid Program – Doug Emery with Bridges to Excellence suggested that by changing reimbursement to include some reward for better medical outcomes you could save money and improve the quality of health care. Mr. Emery stated that 90% of all current medical reimbursement is based strictly on the quantity of services provided. Michael Hales with Utah’s Medicaid Program suggested that the contracted managed care organizations used by Medicaid may be in a position to implement some episode of care pricing.

Mental health - The Utah Association of Counties and the National Alliance on Mental Illness stated that the criminal justice system and the courts are currently overwhelmed with dealing with the mentally ill as the jails and prison have become the de facto public mental health system in Utah. The presenters referenced mental health court, one new development patterned after the model of drug courts in an effort to improve outcomes.

Fund (not Fun) Consolidation

Some 40 years ago, the Legislature went through a fund consolidation process in which the number of state funds was reduced to ten. Since then the number of funds has grown to the point where there are now over 130 restricted funds in the state. The Legislature created 31 new funds in the 2007 and 2008 General Sessions. Most growth comes because of legislation authorizing state entities to establish funds to capture specifically identified revenue sources. Such sources are usually donations, appropriations, new fees, or old sources that formerly were general revenue.

Each fund was created for a good reason. However, an expanding number of funds presents at least three problems. These problems are exacerbated during difficult economic times such as now. First, they divert revenue that might otherwise have been general revenue. Second, they reduce the Legislature’s flexibility by tying revenue to narrowly defined purposes. Third, they create complexity in understanding and managing the state budget.

Several states are reversing decisions from prior years that diverted general revenue to restricted funds. Utah has taken some early steps as well. For example, House 410, 2008 General Session, shifted approximately $1.6 million in annual interest earnings from a handful of restricted accounts back to the General Fund. This is a good time to consider taking bigger steps and consolidating large numbers of restricted funds back to their major fund type.

We’re not assuming that fund consolidation would be easy, nor would it create a windfall of money. A move to reclassify restricted or earmarked revenues as free revenues will in large measure be offset by a need for appropriations to the programs which the earmarked revenues previously financed. Still, it would be a valuable process that would enhance the Legislature’s flexibility. We’re working on some options and will present them to the Legislature in time for the upcoming session.
Zebra Mussels Found in Utah

The Division of Wildlife Resources (DWR) announced on November 18, 2008 that zebra mussel DNA has been found in water samples taken from Electric Lake, a high-mountain lake in Emery County. The lake is also the water source for Rocky Mountain Power’s Huntington electric generation plant and the primary source of water for the Huntington-Cleveland Irrigation Company. Division officials reported that the mussels will harm the fishery and have the potential to impact the electric generation plant and the irrigation systems by plugging up their pipes.

Through the early-detection monitoring program, the DWR sent 54 samples to an independent lab for microscopic analysis. Preliminary test results indicated several waters might contain microscopic veligers, which are the early-life stages of zebra and quagga mussels. Electric Lake is the first Utah water where results from tests done under a microscope have also been confirmed by two different DNA tests. The labs are still performing DNA tests on the other suspicious waters.

As previously mentioned, inmate counts are unpredictable due to the many factors that determine them. Sudden increases such as this recent increase are not unprecedented, however any sustained increase at this rate is cause for attention as the current state prison system is operating at an estimated 95% of capacity. Included is a graph of the state prison population since August.

![Prison Inmate Count Graph](image)

**Behind the Scenes**

We believe in improving our skills and products continuously. We follow a schedule of training during interim and application during session. Formal training this year consisted of:

- Editing and Writing
- Microsoft Office 2007
- Open and Public Meetings
- Retirement Options
- Finance Data Warehouse 101
- Unlawful Harassment Prevention
- Defensive Driving (motor pool required)
- How to evaluate large software projects
**Higher Education Update**

The 2008-09 Fall 3rd week enrollment figures for the nine colleges and universities in the Utah System of Higher Education show that an additional 2,717 FTE students are attending the institutions. This represents an increase of nearly three percent compared to the 2007-08 Fall enrollment. Utah Valley University showed the largest increase with 1,243 new FTE students (an increase on 8.6 percent). Other institutions with significant growth include Salt Lake Community College (484 FTE), Dixie State College (460 FTE), and Weber State University (273 FTE).

This increase is the first year enrollments have increased since they began a decline beginning in 2004-05. Enrollments often are counter-cyclical when compared to the state's economy. When the economy softens and employment opportunities decline, people often elect to begin or return to higher education to improve their skills for the marketplace.

**Building Energy Efficiency**

The State Building Energy Efficiency Program (SBEEP) promotes energy savings and efficiency in state buildings within the Division of Facilities, Construction and Management (DFCM). The program implements energy-saving projects within existing buildings and oversees the use of High Performance Building Design Standards to incorporate energy efficiency measures in new construction.

The standards are similar to the nationally recognized LEED™ (Leadership in Energy and Environmental Design) program and promote integrated building design to maximize building performance and provide better air quality, lighting and acoustics.

In 2007 DFCM completed five new construction projects using the new High Performance Building Design Standards with a cost of $594,640. SBEEP projects that this investment will produce the following long-term benefits:

- annual reductions in energy consumption of 1,224,425 kWh (24,488,500 kWh over 20 years)
- annual reductions in energy demand of 303.1 kW (6,062 kW over 20 years)
- annual reductions in carbon emissions of 209 metric tons (4,180 metric tons over 20 years)
- annual reductions in carbon dioxide emissions of 766 metric tons (15,320 metric tons over 20 years)
- the removal of the equivalent of 85 cars from the road for 20 years

**Property Tax Changes Being Tracked**

In calendar year 2007, $2.05 billion in property tax was collected on local and centrally assessed properties. Over the past few years, the amount of activity in the property markets has increased from $1.6 billion in value changing hands in the residential market in 2003 to about $12.0 billion in residential property value changing hands in 2007. In terms of wages, the amount of wages paid to individuals involved in real estate transactions has gone from $72.8 million in 2003 to $157.9 million in 2007 – an average annual growth rate of 22 percent. In 2006, individuals itemized $695.6 million in property taxes paid and $3.8 billion in mortgage interest or mortgage points. Any shifts in these markets affect state and local revenues.

During the interim, property tax has received the lion’s share of attention. The revenue and taxation interim committee has discussed consolidating property tax levies, increasing the minimum basic rate, swapping local property tax for sales tax, public hearings on property taxes, local district taxing authority, changes to the certified tax rate, an acquisition based property tax system, expanding the circuit breaker, and other property tax issues. All of these will have some kind of impact to the state, local taxing entities, businesses, and individuals. The office is working on the economic impact of these changes. Should you desire to see what impact property tax changes will have on your district, please let the fiscal analyst know.
### Major Tax Sources (In Millions of Dollars)

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<tr>
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</thead>
<tbody>
<tr>
<td>Sales &amp; Use Taxes</td>
<td>$1,739.38</td>
<td>$1,698.28</td>
<td>-2.4%</td>
<td>$639.67</td>
<td>$584.63</td>
<td>-8.6%</td>
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<tr>
<td>Individual Income Tax</td>
<td>2,602.70</td>
<td>2,613.69</td>
<td>0.4%</td>
<td>785.19</td>
<td>686.04</td>
<td>-12.6%</td>
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<tr>
<td>Corporate Franchise Tax</td>
<td>418.32</td>
<td>323.67</td>
<td>-22.6%</td>
<td>114.35</td>
<td>126.42</td>
<td>10.6%</td>
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<tr>
<td>Beer, Cigarette &amp; Tabacco</td>
<td>62.84</td>
<td>63.59</td>
<td>1.2%</td>
<td>22.35</td>
<td>21.29</td>
<td>-4.7%</td>
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<tr>
<td>Insurance Premium Taxes</td>
<td>77.20</td>
<td>80.06</td>
<td>3.7%</td>
<td>36.68</td>
<td>39.58</td>
<td>7.9%</td>
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<tr>
<td>Severance Taxes</td>
<td>92.06</td>
<td>91.47</td>
<td>-0.6%</td>
<td>23.00</td>
<td>45.04</td>
<td>95.8%</td>
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<td><strong>Total - General &amp; Education Funds</strong></td>
<td><strong>$4,992.50</strong></td>
<td><strong>$4,870.76</strong></td>
<td><strong>-2.4%</strong></td>
<td><strong>$1,621.24</strong></td>
<td><strong>$1,503.00</strong></td>
<td><strong>-7.3%</strong></td>
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<tr>
<td>Motor Fuel Tax</td>
<td>$244.68</td>
<td>$242.43</td>
<td>-0.9%</td>
<td>87.65</td>
<td>77.65</td>
<td>-11.4%</td>
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<td>Special Fuel Taxes</td>
<td>116.92</td>
<td>119.48</td>
<td>2.2%</td>
<td>44.16</td>
<td>42.60</td>
<td>-3.5%</td>
</tr>
<tr>
<td>Motor Vehicle Registration Fees</td>
<td>35.37</td>
<td>36.43</td>
<td>3.0%</td>
<td>12.69</td>
<td>12.63</td>
<td>-0.5%</td>
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<td><strong>Total - Transportation Fund</strong></td>
<td><strong>$396.97</strong></td>
<td><strong>$398.34</strong></td>
<td><strong>0.3%</strong></td>
<td><strong>$144.50</strong></td>
<td><strong>$132.88</strong></td>
<td><strong>-8.0%</strong></td>
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