Executive Appropriations Committee

Meeting Summary - October 20, 2009

Senator Lyle Hillyard & Representative Ron Bigelow, Co-chairs

Report: Federal Funds/ARRA/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 both the reapplications.

Staff Contact: Danny Schoenfeld

Report: Agency Plans for Implementing FY 2011 Base Budget Allocations

Department of Health
The Department reported on implementing the FY 2010 appropriated budget and preparations for the FY 2011 base budget. This presentation included a discussion of service impacts, employee impacts, and department strategies to meet both fiscal years’ reductions. The reductions for FY 2010 have seen the elimination of 34 full-time equivalent (FTE) staff for the entire department. See page 3 for more information.

Staff Contact: Russell Frandsen

Governor’s Office of Economic Development
The agency reported on implementation of reductions made for FY 2010 and FY 2011. Their approach evaluates Return on Investment, overall performance, and alignment with statutory mission and goals. Overall two programs were eliminated. Additionally travel and association memberships were reduced, and vacant positions were not filled, in order to get the agency to budget targets.

Staff Contact: Andrea Wilko

Department of Corrections
The Department employs 2,371 FTEs after budget implementation and has a General Fund budget of $232,974,200 for FY 2010. This includes a net General Fund reduction of $32,981,500 from their original FY 2009 appropriation and a net FTE reduction of 172 FTEs. An additional 15 positions will be reduced in FY 2011. Nearly all budget implementation strategies have been initiated for the 2010 fiscal year and are on schedule for FY 2011. Some significant changes to three major line items were affected as a result of the budget adjustments: Programs and Operations and Jail Contracting and Jail Reimbursement as reported in the October EAC meeting.

Staff Contact: Mark Bleazard
Constitutional Debt Limit

The Tax Commission recently reported that the tax year 2008 value of taxable property in Utah increased significantly over the previous year. As this number will dramatically affect the Constitutional debt limit, please note that the property value reported lags current property values by more than nine months. It does not include the reductions to property values related to the collapse of the housing market. Therefore, while this number will be used to calculate the most current Constitutional debt limit, we recommend taking a more conservative approach when making policy decisions on additional bonding.

The Utah State Constitution (Article XIV, Section 1) limits the amount of general obligation debt that the state may issue to 1.5 percent of the value of the state’s taxable property. The Utah State Code clarifies this to be “100% of the fair market value of the taxable property of the state as computed from the last assessment for state purposes (63B-1a-101 (5)).”

Each year in August the State Tax Commission publishes an annual statistical report on Utah Property Tax for the previous calendar year. This report contains the fair market value assessment of property in Utah mentioned in the Utah Code. The most recent report (tax year 2008) calculates the total market value of property in the State of Utah at $311.53 billion (including $12.78 billion of motor vehicles). This represents a 10.4 percent increase over the fair market value last year (2007) and marks the third straight year of double digit increases. Utah averaged a 16.2 percent increase in the fair market value of property each year for the last three years.

Calculating the new Constitutional debt limit at 1.5 percent of the fair market value of property yields a $4.67 billion limit on the amount of debt the state may issue. This is $720 million higher than the limit projected during the 2009 General Session. However, before the State issues more bonds based on these numbers, you should consider two things. First, previous debt limit estimates projected a reduction in the value of property resulting from declines in the housing market. This reduction has yet to be realized in tax values reported by the Tax Commission and the total fair market value of property will likely decline at some point in the future. Any decline in property value will correspond to a decline in the Constitutional debt limit. Second, any additional general obligation bonding will require new ongoing funds to service the debt; which should be appropriated at the time of bond authorization.

Behind the Scenes

Several members of Executive Appropriations have appreciated our Fiscal Note Follow-up and Building Block Follow-up reports so much that they have suggested that we make following-up on these appropriations a regular part of our interim activities.

Keeping track of a report written in stages by fourteen authors over a period of months with two levels of approvals and edits is messy. We decided to use our new programming skills, With Rich Amon as the primary programmer and Jon Ball consulting and formatting we have created a report database, software that forwards each mini-report to the right person at the right time, and will compile all of the pieces into one report.

The follow-up process results in better government. Agencies are more careful to produce accurate costs for building blocks and bills. One of the maxims of management is:

When performance is measured it improves.

Its corollary is:

When performance is measured and reported it improves dramatically.

These reports do that for the Legislature.

USTAR Annual Report

As required by S.B. 75 (2006 GS), the Utah Science Technology and Research Initiative (USTAR) gave a written report to members of the Executive Appropriations Committee. Since the enactment of USTAR, the agency has spent or committed $48 million in state general funds. As of July 2009, there were an estimated total of 128 FTE research positions directly related to USTAR research, and about 594 construction related workers building the University of Utah and Utah State University buildings. During the 2009 General Session, S.B. 240 allocated $33 million of ARRA funding to USTAR, partly to recruit and hire new university researchers, partly to help commercialize research findings into commercially viable companies, and partly as backfill for the technology outreach centers and current researchers. The total amount of the backfill that will be expenses before FY 2012 is $6 million, with half of that comprising the technology outreach centers. In addition to this structural issue, USTAR is continuing to evaluate the best use of $3 million ARRA funding allocated for “strategic initiatives.”
Department of Health report to Executive Appropriations Committee on Plans for Implementing FY 2011 Base Budget Allocations: Service Impacts, Employee Impacts, and Strategies

The Department of Health reported to the Executive Appropriations Committee on Tuesday, October 20, 2009 on the impacts of their budget reductions in FY 2010 and FY 2011. The agency reported a reduction of 34 FTEs with 12.5 through layoffs and the other 21.5 FTE through other means (vacancies, retirement, and attrition). Below is an overview of some of the impacts mentioned by the Department of Health by budget area:

- **Executive Director's Office** – anticipate longer wait times in their Vital Records area and lower quality because of fewer training opportunities for staff.
- **Community and Family Health Services** - 1,000 less children with special health care needs served in State-clinics.
- **Health Systems Improvement** – less grants to primary care providers of underinsured individuals resulting in less State-funded services to approximately 3,000 clients.
- **Epidemiology and Laboratory Services** – reduction in investigation services for cancer cluster, contaminated fish, and methamphetamine. Quantity testing for illegal substances is now limited to Medical Examiner cases.
- **Local Health Department** – 15% reduction in the State’s block grant to the 12 local health departments for complying with State standards for health.
- **Medicaid** – about 60,000 clients will no longer have access to the following services: speech therapy, hearing aids, eyeglasses, and chiropractic services. The FY 2011 impact of provider reductions will range from 0% to 17%. Inpatient hospital rates are scheduled for a 17% reduction, 8% for dentists, and 3% for pharmacists.


**Drug Offender Reform Act (DORA) Update**

Approximately 75 to 80 percent of Utah’s prison population has a drug abuse problem related to their criminal behavior. In an attempt to focus on the root cause of the crime, not the crime itself, the Utah Legislature approved the Drug Offender Reform Act (DORA). For FY 2009, the DORA program was appropriated $9,000,000 with the majority of the funding being distributed to the Department of Human Services ($5.4 million) to provide treatment services and to the Department of Corrections ($3.4 million) for supervision of clients. During its September 2008 Special Session and 2009 General Session, the Legislature replaced most ongoing DORA funding with $3,012,400 one-time funding. The one-time funding also provides mostly for treatment ($2 million) and supervision ($0.9 million). Realizing that the total funding for DORA has decreased and will only be in place for one year, the Utah Substance Abuse and Anti-Violence (USAAV) Coordinating Council (as outlined in the original DORA legislation) approved a redesign proposal for the FY 2010 DORA program that includes the following elements:

1. the one-time funding should provide for both rural and urban components,
2. the Department of Corrections will provide 10 agents to supervise DORA clients only along the Wasatch Front,
3. the Department of Human Services will issue two separate contract types to accommodate the fact that one contract includes a supervision component and one contract does not,
4. the maximum caseload to be carried by a DORA-specific Department of Corrections agent is 53 although 45 is optimal,
5. the one-time nature of the funding may result in clients being terminated from services before treatment is completed, and,
6. the current eligibility criteria will remain as presently being used with the exception that parolees will no longer be eligible for DORA-funded services. As a result, the following areas were awarded contracts to provide DORA services for FY 2010: Salt Lake, Davis, Weber, and Utah counties as well as the Bear River and Southwest regions of the state.
Elected Officials Budget Update

On average, the elected offices (Governor’s Office, State Auditor, State Treasurer, and Attorney General) took a 15 percent cut in ongoing General Funds in FY 2010 compared to original FY 2009 appropriations. Each office received some one-time funds in FY 2010 to ease the transition to full ongoing cuts in FY 2011. Table 4b displays budget information by office.

The 5% cut to the Governor’s Office needs further explanation. The reason for the appearance of a lesser cut is because this office received three program transfers from other agencies. First, the Internet Crimes Against Children (ICAC) came from the Attorney General to the Commission on Criminal and Juvenile Justice (CCJJ). This added $353,800 to the Governor’s Office budget. Second, the LeRay McAllister program budget came from the Division of Finance, adding $410,200 to the Governor’s Office budget. Third, CCJJ received responsibility to manage the Jail Reimbursement program. This resulted in a transfer of $55,000 from Corrections. Adjusting for these three program transfers, the Governor’s Office budget was reduced by 15%.

The offices are making preparations for the transition to the FY 2011 base budget. Other than grants, the single largest cost for these agencies is personnel services. Table 4a shows actual FTEs over the past two years.

During the 2009 General Session, agencies reported that approximately 70 FTE would be lost under proposed budget cuts. So far, position losses haven’t materialized as reported. Reasons include one-time money in FY10, cuts to vacant positions, and other non-General Fund revenue sources.

We will continue to watch FTE changes and other agency preparations for FY 2011, and will provide further information during the 2010 General Session.

Watershed’s Web-based Project Management Tool

Utah’s Watershed Restoration Initiative is led by DNR and implemented through a cooperative conservation approach under the Utah Partners for Conservation and Development. It involves state and federal agencies working together with conservation organizations, landowners, local officials and industry to address statewide watershed issues that cross ownership and administrative boundaries. The partnership launched in September 2009 its new web-based project management tool to allow participants to instantly convey and update information, plan and review projects, and allocate resources, such as seed and equipment (http://wri.utah.gov/WRI/).

The costs for the new tool consist of $77,000 one-time for the development and $1,200 per year for the maintenance. The new website-based tool allows for better quality work, a broader range of comments on proposals, and access to good scientific information. In addition, DNR has estimated that the new tool will result in 225 man-days per year of savings in personnel time.

<table>
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<tr>
<th>Office</th>
<th>FY 09 Orig. Ongoing</th>
<th>FY 09 FTE</th>
<th>FY 10 Ongoing</th>
<th>FY 10 One-Time</th>
<th>FY 11 Base</th>
<th>% Change FY 09-11</th>
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<tr>
<td>Governor’s Office</td>
<td>$8,440,900</td>
<td>157.6</td>
<td>$8,005,800</td>
<td>$1,176,200</td>
<td>$8,005,800</td>
<td>-5%</td>
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<td>State Auditor</td>
<td>3,895,900</td>
<td>42.3</td>
<td>3,234,000</td>
<td>427,100</td>
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<td>-17%</td>
</tr>
<tr>
<td>State Treasurer</td>
<td>1,053,900</td>
<td>19.6</td>
<td>875,300</td>
<td>115,500</td>
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<td>Attorney General</td>
<td>30,745,900</td>
<td>408.7</td>
<td>25,582,800</td>
<td>3,075,900</td>
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<tr>
<td>Total</td>
<td>$44,136,600</td>
<td>162.4</td>
<td>$37,697,900</td>
<td>$4,794,700</td>
<td>$37,697,900</td>
<td>-15%</td>
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</table>
**UPSTART Program Update**

In the 2008 General Session, the Legislature approved funding of $2,500,000 ongoing for the UPSTART Early Childhood Learning Program. These funds were appropriated to the State Board of Education and a request for proposals was issued by the Utah State Office of Education (USOE) during FY 2009. The Waterford Institute received the contract for the UPSTART program funds and has been conducting the program from March 2009. Since that time the Waterford Institute has implemented the UPSTART program including recruitment throughout the state with a complete enrollment of 1,300 students. Every school district in Utah is represented by the 1,300 homes.

Some key indicators on participants in the program include: 22% are from the southern portion of the state and 78% from the north; 12% of the 1,300 homes are in rural Utah, 44% are suburban, and 44% urban; 79% of the participants are Caucasian, 14% Hispanic, 1% African-American, 2% Native American, 3% Asian/Pacific Islander, and 1% who designate themselves as “other” ethnicity; 91% of the participating children have English as their primary language and 9% Spanish. Finally, 61% of the 1,300 children are from low-income families (defined as “at or below 200% of the Federal Poverty Level”).

**Utah State Interoperability Executive Committee and the Radio Interoperability Initiative**

The Utah State Interoperability Executive Committee (SIEC) was created by Executive Order on March 8, 2007. SIEC is commissioned to create a vision and strategy for the future of interoperable communications in the state. SIEC is comprised of state and local public safety officials and various government representatives as stipulated by the Executive Order. Committee members serve without per diem or expenses and SIEC activities impose no additional material costs to the state. There is an executive committee consisting of five members, one each from the Department of Public Safety, Department of Technology Services, Department of Health, the Utah Communication Agency Network, and a member representing rural local government. The State Chief Information Officer (CIO) serves as the Chair of SIEC and the executive committee. The Department of Technology Services is charged to provide staff support.

In fulfilling its duties and responsibilities to promote wireless technology information and interoperability among local, state, federal, and other agencies and develop and recommend short and long-term proposals for future communication needs, SIEC has developed the Radio Interoperability Initiative for Executive and Legislative review. The Radio Interoperability Initiative seeks to address state and local Public Safety communications issues and concerns in the face of rapidly changing technologies and federal mandate to migrate to narrowband.

The Federal Communications Commission has established January 1, 2013 as the deadline for migration to narrowband (see FCC Docket No. 99-87). This impacts all Public Safety agencies that operate in the VHF (150 MHz) and part of the UHF (450 MHz) spectrum. Most Public Safety agencies within Utah use 150 MHz or 800 MHz infrastructures. All agencies must make the step to narrowband simultaneously to ensure interoperability.

The SIEC Radio Interoperability Initiative proposes expanded VHF and 800 MHz radio coverage in the state with a minimum of 80 percent overlapping coverage. Large population centers and major transportation routes in the state will have high capacity 800 MHz trunked system coverage. State agencies will fully migrate to 800 MHz, while maintaining a VHF footprint for interoperability with federal and local government agencies. Funding alternatives include appropriations, grants, and or a surcharge on all phones (somewhat similar to the current 911 surcharge) to cover capital expenditures and ongoing maintenance requirements.
Last session amidst the furor of budget balancing the legislature also made some not-insignificant changes to budget policy. One such policy - called "non-lapsing authority" - relates to how and when state agencies and institutions get permission to "keep what they kill". Before, legislators were asked for non-lapsing authority without being told how big non-lapsing balances would be or on what they would be spent. Now, balance information is more accurate and legislators can work with agencies and institutions to decide how those balances are spent.

H.B. 391, "Budgetary Procedures Act Revisions" (Bigelow, 2009 General Session) closed a loophole that allowed "any other appropriation" excepted by intent language to remain in an entity's budget at the end of a fiscal year. In past years, agencies and institutions would use this provision to request non-lapsing authority fifteen months in advance of the close of a fiscal year. At the same time, though, many entities would report that they expected to have no balances for which the intent language would be necessary (the bottom line on the graph). Then, fifteen months later, the balances would prove significant (the top line).

Two years ago the chairs of the Executive Appropriations Committee limited the instances in which "advance" (end of next year) non-lapsing intent would be allowed, instead favoring non-lapsing intent that was granted in a supplemental (end of this year) appropriation. As a result, reporting improved (see the bottom line for FY 2009) and Legislators agreed with agencies to use non-lapsing balances to stave-off immediate budget reductions (see the top line for FY 2009). This same policy is now reflected in budget law.

Some agency managers claim that absent fifteen month advance notice of non-lapsing intent they will spend everything they are given just to avoid losing it. One would hope that those managers are talking about the "others" in government not as prudent with public funds as themselves. Not to worry either way. Agencies can still receive non-lapsing intent authority in advance of fiscal year end. But rather than it being fifteen months in advance, it will be three to five months in advance, when they have a much better idea about how much will be left-over.

We on staff will be diligent in monitoring agency needs for supplemental non-lapsing intent this next Session. We hope to provide you our bosses with the information you will need to reallocate funds in the best interest of your constituents while at the same time allowing agencies appropriate flexibility to manage resources responsibly.