Other Post Employment Benefits Actuarial Liability Report

The Division of Finance along with AON Consulting presented updated actuarial findings on the state’s liability for Other Post Employment Benefits (OPEB) under GASB 45 accounting standards. The report evaluated the state’s Annual Required Contribution for OPEB liabilities and determined that the ARC could be reduced by approximately $9 million. With this reduction, the state will continue to meet its OPEB obligations.

Staff Contact: Steve Allred

Executive Appropriations Committee

Meeting Summary - November 17, 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’s Office presented the Federal Funds report. The Committee approved both the applications.

Staff Contact: Danny Schoenfeld

Report: Other Post Employment Benefits Actuarial Liability Report

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Staff Contact: Steve Allred

Report: Governor’s Office of Planning and Budget In-Depth Budget Review

John Nixon, Director of the Governor’s Office of Planning and Budget, presented an overview of how agencies implemented budget reductions in FY 2010 and potential budgetary impacts in FY 2011 when one-time back-fill monies are no longer available. One-time funding from state and federal sources was used in FY 2010 to off-set the full impact of budget reductions. In addition to a state-wide review, the report focused on various agencies and their specific reductions, implementation plans, and best practices for implementing the FY 2010 and FY 2011 budgets.

Staff Contact: Jonathan Ball

Report: Public Education Implementation of FY 2010 Budget Reductions and FY 2011 Budget Preparations

Ben Leishman from the Legislative Fiscal Analyst’s Office, Larry Shumway, State Superintendent, and Debra Roberts, Chair of the State Board of Education, presented the report that highlighted changes made to the budgets of the Minimum School Program, School Building Program, and Education Agencies during the 2009 General Session. They reported that the Minimum School Program received ongoing cuts in FY 2010 that were partially backfilled with one-time funds; the full impact of these cuts will be realized during FY 2011. Ongoing cuts to other Public Education programs, namely, the School Building Program, Utah State Office of Education, Schools for the Deaf and the Blind, State Charter School Board, Child Nutrition Programs, Fine Arts Outreach, Science Outreach, and Education Contracts were fully implemented in FY 2010 without any one-time backfilling.

Staff Contact: Ben Leishman

Report: Factors Driving FY 2011 Budget Requests

Jonathan Ball presented four factors that will dominate budget requests, including: growth in demand for Medicaid; growth in student enrollment; increases in state employee benefits costs; and restoration of one-time “back-fill” provided for FY 2010. The Utah Department of Health projects that Medicaid caseloads will increase by 12% from FY 2010 to FY 2011. It has requested $30 million from the General Fund (GF) for such growth, $14 million for medical cost inflation, and $39 million for prior-year caseload growth, totaling $83 million in FY 2011.

(Continued on page 2)
The agency further estimates it will require $19 million from the General Fund in the current budget year (FY 2010) for similar expenses.

Public education’s Common Data Committee announced last week a projected 2% increase in student enrollment from FY 2010 to FY 2011 (11,044 children or 13,343 new Weighted Pupil Units). We estimate that such growth accompanied by related changes in local revenue will cost $75 million from the Education Fund (EF) and Uniform School Fund (USF).

The Utah Retirement Systems anticipate a nearly 15% increase in state retirement contributions (+2% of pay-roll). We estimate such an increase will cost $20 million GF/EF ($30 million from all sources) for state agency and higher education employees in FY 2011. The Public Employees Health Plan projects employee health insurance costs will increase by 12% from FY 2010 to FY 2011. We estimate such an increase would cost $23 million GF/EF ($37 million from all sources) for state and higher education employees. In past years, Legislators have approved WPU value increases in lieu of specific appropriations for benefit costs at school districts and charter schools. A 1% WPU value increase would cost between $20 million and $25 million EF/USF.

Finally, the FY 2010 budget includes about $460 million in one-time funding that will not reoccur in FY 2011. Much of this one-time money is “back-fill” provided by the Legislature in FY 2010 to ease state agency transitions to lower resource levels.

Staff Contact: Jonathan Ball

Planning, programming, testing, training, and implementing our new fiscal note program is more than half way done. But it’s time to get ready for session. Our focus has been to fix the broken things and implement time saving efficiencies.

The broken thing was our ability to assign more than three analysts to a bill: Fixed. To give us some elbow room within the 72 hours allowed: Fixed. Based on the sections of the code affected, the new software will:

- Assign bills to the affected analysts
- Choose the lead analyst
- Send copies to the affected agencies asking for response
- Amendments will be sent directly to the lead analyst

Previously the coordinator was notified of new bills by email. If he wasn’t in a committee or staff meeting or consulting with a legislator or analyst, he forwarded it to the Analyst, who was just as busy. The analyst then forwarded it to the affected agencies with a request for information. Now all those things are done in an instant, simultaneously. There are dozens of little changes that make things better, and you’d just as soon not read about each one. But taken together, it’s a big change for the better.

“Sometimes, when I consider what tremendous consequences come from little things, I am tempted to think that there are no little things.” – Bruce Barton

Internet Crimes Against Children (ICAC)

During the 2007 General Session, the Legislature passed H.B. 107, “Funding for Prosecution and Prevention of Child Pornography Offenses.” The bill carried an ongoing General Fund appropriation of $273,250 for the Attorney General (AG) to replace lost federal funds, provide training and grants, and hire an investigative technician. The bill also carried an ongoing General Fund appropriation of $1,000,000 for the Commission on Criminal and Juvenile Justice (CCJJ) for grants to approved education programs to prevent sexual exploitation of children.

During the 2008 General Session, the Legislature shifted the $1,000,000 in ongoing funds from the CCJJ to the AG for grants to approved education programs. Further, the Legislature added $70,500 to the AG’s office to hire a paralegal for prosecution of Internet crimes against children.

More shifting occurred during the 2008 Second Special Session (September), when the Legislature shifted $500,000 in ongoing funds from the AG back to the CCJJ for grants to approved education programs. Budget cuts in the same special session reduced the ongoing amount to $480,000 plus a one-time reduction of $10,000. As further reductions became necessary, during the 2009 General Session the Legislature reduced the ongoing amount to $353,800, offset by a $63,100 one-time FY09 add-back.

Medicaid Case Load Update

October 2009

- 203,300 October 2009 Medicaid caseloads
- 1,900 member increase over September 2009
- 18.0% increase over October 2008
**HUMAN SERVICES**

Staff Contact: Stephen Jardine

### DSPD Privatizes Regional Support Coordinators

The Division of Services for People with Disabilities (DSPD) is responsible for providing residential, day services, family support services, and attendant care for people with severe mental retardation and other related conditions, including brain injury and physical disabilities. The services provided range from limited family support to a full array of 24-hour services both in the community and at the Utah State Developmental Center (USDC).

Prior to the 2009 General Session, DSPD had 974.5 FTE: 35.9 FTE in its administrative office, 243.8 FTE in three service delivery regions, and 694.8 FTE at the USDC. Regional service delivery staff provide service coordination for recipients. The regions also serve as the point of entry for people seeking services. The state office and regions contract for services with private providers and oversee and evaluate the quality of services delivered.

Legislative action reduced the personnel budget for regional service delivery in DSPD in FY 2010. DSPD leadership, in response to this reduction, as well as in recognition that the state had entered a period of significant and sustained budget difficulty, determined that reorganization was the best way to meet the immediate budget reductions as well as to prepare for the future.

DSPD leadership met with a variety of stakeholders prior to implementing the reorganization. As a result of the implementation strategy, DSPD eliminated 66 positions, mostly by transition from public employees to private support coordinators. Eight offices were closed, regions collapsed, and leases not renewed. Transitioning from public to private caseworkers has been a significant change for DSPD. DSPD management has stated “our expected outcomes include, but are not limited to: 1) protecting the people we serve and direct services; 2) significant, on-going cost savings; 3) greater choice of support coordinators; 4) competition among private support coordinators driving higher quality; 5) greater uniformity since we are eliminating the regions; and 6) enhanced objectivity as state-employee support coordinators will no longer act as advocates for the people they serve.”

**CAPITOL FACILITIES**

Staff Contact: Rich Amon

### State Building Board Rankings

The Utah State Building Board oversees the state’s capital facility needs and projects. Each year the Building Board tours agency and higher education capital facilities throughout the state to gain insight into statewide facility needs. The Board then hears presentations from all agencies and institutions requesting new buildings for the coming budget year. Finally, the Board ranks the annual requests for new buildings based on five criteria – life safety, program growth, cost effectiveness, program effectiveness, and alternative funding. The following list contains the top ten projects prioritized by the Board (out of 27) with their associated costs in state funds (in rank order).

1. Human Services State Hospital building consolidation - $29,753,000
2. Utah Valley University Health Sciences addition - $49,767,000
3. Corrections Gunnison Prison 192-bed expansion - $33,694,000
4. Dixie State College Centennial Commons building - $35,000,000
5. Courts Ogden Juvenile Courthouse - $26,302,000
6. Agriculture Module #2 Unified State Laboratory - $24,228,000
7. National Guard upgrades and repairs to Armories - $4,000,000
8. Public Safety State Emergency Operations center - $12,285,000
9. University of Utah critical infrastructure replacement - $15,000,000
10. Weber State University Davis classroom building - $36,242,000

The Commission on Criminal and Juvenile Justice annually reports on DUI related information in the state to the Legislature. Information gathered from the Department of Public Safety and the State Courts reveals the latest trends in DUI-related statistics for calendar year 2009. DUI-related incidents show varied trends. DUI-related fatalities decreased from 42 in CY 2007 to 34 in CY 2008. According to the National Highway Transportation Safety Administration, in CY 2008 Utah had the second lowest of DUI-related fatalities at 16.7 percent, second only to Vermont’s 16.4 percent (national average is 32 percent). DUI-related fatality rates per 100 million vehicle miles traveled has reduced from .16 in 2007 to .13 in 2008. DUI arrests increased from 15,297 in FY 2008 to 15,683 in FY 2009. Males made up 76.3 percent of all DUI arrests while females made up the remaining 26.3 percent. The majority, or 59.6 percent of all DUI arrests were made in the 25-48 age range. The report is found at justice.utah.gov.
On November 1st, the Division of Fleet Operations (DFO) within the Department of Administrative Services released the 2009 Fleet Efficiency Report. The report and underlying research is part of the division’s statewide vehicle fleet cost efficiency plan to systematically promote overall reduction in state government vehicle costs. DFO reported the statistical information found in Table 1 with fiscal implications.

Although total vehicles slightly increased from FY 2008 to FY 2009, hours and miles driven declined. Fuel consumption also decreased by 389,817 gallons or 6.16 percent. Miles per gallon (MPG) improved by nearly 3 percent. Consumption of Compressed Natural Gas (CNG) and Ethanol (E85) substantially decreased; however, Biodiesel usage increased by more than 50 percent. Overall Cost Per Mile (CPM) declined by more than 11 percent and Carbon Output (CO2)—the amount of carbon dioxide, measured in metric tons, produced from the burning of fuel, declined more than 6 percent. Approximately 77 percent of FY 2009 fleet costs were divided among three categories: fuel, depreciation, and preventive maintenance. The division has examined each of these major cost classifications and has developed guidelines to improve efficiency and lower costs. These and other pertinent details can be found in the full report located at: http://fleet.utah.gov/reports/documents/2009FleetEfficiencyReport.pdf. The Analyst and the division will provide additional details concerning fleet efficiency performance and strategies for future improvement during the 2010 General Session.

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<th>Measure</th>
<th>FY 2007</th>
<th>FY 2008</th>
<th>Difference FYs 07/08</th>
<th>Percent Change FYs 07/08</th>
<th>FY 2009</th>
<th>Difference FYs 08/09</th>
<th>Percent Change FYs 08/09</th>
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<tr>
<td>Total Vehicles</td>
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<td>7,453</td>
<td>42</td>
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<td>Hours</td>
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<td>77,892</td>
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<td>Miles</td>
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<td>83,551,045</td>
<td>126,874</td>
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<td>80,559,745 (2,991,300)</td>
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<td>Fuel</td>
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<td>6,326,323</td>
<td>234,285</td>
<td>3.85</td>
<td>5,936,506 (389,817)</td>
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<tr>
<td>MPG</td>
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<td>13.5</td>
<td>(0.5)</td>
<td>(3.57)</td>
<td>13.9</td>
<td>0.4</td>
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<td>CNG</td>
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<td>35,519</td>
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<td>(35.10)</td>
<td>20,848</td>
<td>(14,671)</td>
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<td>Biodiesel</td>
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<td>CO2</td>
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**ENVIRONMENTAL QUALITY**

Staff Contacts: Mark Bleazard

**Challenges for the Environmental Quality Restricted Account**

The Environmental Quality Restricted account was created with enactment of Title 19-1-108 UCA in 1996 to provide revenue for regulation of solid, hazardous, and radioactive waste in the state. Currently established fees paid to the account are:

- Hazardous Waste Fees ($28/ton)
- Mixed Waste Fees ($28/ton)
- Solid Waste Fees ($0.05/ton to $2.50/ton depending on waste type)
- PCB Fees $4.75/ton
- Radioactive Waste Fees ($0.15/cubic foot and $1 per curie)
- Radioactive Waste Generator Access Permit ($2,500 to $7,500 annually)
- Uranium Mill Tailings Fees ($5,833 to $8,333/month +$90/hour review fees)

When the EQRA statute was enacted in 1996 the Legislature was aware that waste volumes at commercial facilities would fluctuate over time and included in Title 19-1-108(5) the following language: “In order to stabilize funding for the radiation program and the solid and hazardous waste control program, the Legislature shall in years of excess revenues reserve in the restricted account sufficient monies to meet departmental needs in years of projected shortages”. Receipts to the account since 1996 have in fact fluctuated, however sufficient revenue has been available to cover appropriations for required regulation through FY 2009. The commercial waste industries in Utah have been affected by the changes in the economy. Volumes of waste handled by those industries have decreased significantly in the past two years. The EQRA fund balance at the end of FY 2009 was $30,000, mostly because of $1.1 million fewer receipts than originally projected for the fiscal year. If the fee collection trend continues in FY 2010 and beyond the shortage to the account could exceed $2 million annually. In May 2009 the department formed a stakeholders group including legislators, governor representatives, local government leaders, and industry representatives. The group will present suggestions to the Legislature that include increased fees, modifications of uses of the revenue and efficiencies in expenditures during the upcoming session in January.

**ECONOMIC DEVELOPMENT & REVENUE**

Staff Contacts: Andrea Wilko & Thomas Young

**EAC Tax Commission**

During the October 20th Executive Appropriations Committee meeting, the Tax Commission was asked concerning ways to increase tax compliance. The Tax Commission reported on a few changes in recent years that have aided in its collection activities. For instance, the new tax systems implemented within the past two years have improved collection billing and case management by automating certain processes.

During the 2010 General Session, the Tax Commission is asking for legislation to enable data matching with financial institutions and the implementation of a levy process instead of garnishment actions. The fiscal side of this proposition is being evaluated. The Tax Commission was also asked regarding the budget adjustments enacted up to and including the 2009 General Session – specifically, with less enforcement personnel, how would the Tax Commission recommend changing the penalty structure to increase voluntary compliance. The Tax Commission did not recommend any penalty increases, but rather referred to the Revenue & Taxation Interim Committee’s Working Group on penalties effort to decrease the penalty structure. The final question posed to the Tax Commission during the meeting dealt with any benchmarks in place to compare performance of the Tax Commission’s activities with those of other states’ revenue agencies. Research on interstate comparisons on collection activity is limited and, as such, may be something worth studying in the interim.
Making a List and Checking it Twice

Each year during the holiday season we Spreadsheet Jockeys stand in awe of a certain someone’s ability to affect a detailed accounting and assure its internal integrity. It adds to the Yuletide cheer almost as much as a 5 a.m. Black Friday Walmart opening! I am, of course, referring to the Governor’s Office of Planning and Budget (GOPB) and its formulation of the Governor’s Budget Request.

This year I’m not so much wondering what will be on the list - or not - but whether the list will comply with certain list-making rules set out in Utah code.

Section 201 of the Budgetary Procedures Act (UCA 63J) is entitled "Governor to submit budget to Legislature -- Contents -- Preparation -- Appropriations based on current tax laws and not to exceed estimated revenues." It says, basically, two things: 1.) the Governor will recommend to the Legislature a balanced budget assuming no change in tax law; and, 2.) if the Governor so chooses, the Governor may submit a separate document reflecting recommended tax changes and associated spending.

It’s pretty clear that the Legislature in this section wished to preserve its policy options. It essentially required that, in certain cases, the Executive submit two balanced budgets. It directs the Executive to enumerate how he or she would manage anticipated revenue, status quo. It then asks how the Executive might change such revenue and how those changes would impact status quo spending. The Legislature can then weigh these options in its Constitutional appropriations role.

It is not widely known that in the last Huntsman budget, GOPB formulated only one balanced budget - one that included at least three tax law changes.

First, Huntsman’s FY 2009 supplemental budget included a $5 million Housing Tax Credit. Not such a big deal. One can presume that the credit itself is a self contained revenue loss and that without it the Governor’s budget would still balance.

Second and third, however, the FY 2010 Huntsman budget included $101 million from "Reduce Earmark for Critical Highway Needs" and $97 million from "Reduce Earmark for Centennial Highway". Such "earmarks" refer to sales tax revenue required in Title 59 to be deposited in transportation-related funds. Title 59 is "Revenue and Taxation" - or tax law. So to "Reduce Earmark(s)..." would require a change in tax law. Without tax law changes, Huntsman's FY 2010 budget would have been $200 million out of balance. That budget presented no alternative to changing tax law - no "status quo" option.

In the end this budget anomaly was inconsequential. The Legislature went its own way and balanced the FY 2010 budget without reducing sales tax revenue reserved for transportation. And to be fair, the omission of a status quo option was probably just an oversight by GOPB. But this year we expect they will be checking it twice!