EXECUTIVE APPROPRIATIONS COMMITTEE

MEETING SUMMARY - OCTOBER 19, 2010
SENATOR LYLE HILLYARD & REPRESENTATIVE RON BIGELOW, CO-chairs

Report: Federal Funds/ARRA/Non-Federal Funds Grants Report
Becky Bruso of the Governor’s Office of Planning and Budget presented the Federal and Non-Federal Grants applications that require legislative action. The committee accepted all 5 requests: two new and one reapplication for federal grants; one new ARRA (American Recovery and Reinvestment Act) application; and one reapplication for a non-federal grant.

Staff Contact: Patrick Lee

The 2010 Legislature made structural changes to the state retirement system, based on data provided by URS and its contracted actuary, Gabriel Roeder Smith (GRS). Because of the significance of the changes, the Legislature sought an independent audit of the data provided by GRS. The Legislature hired Cheiron, a national actuarial firm, to conduct the audit. Cheiron completed the audit and briefed the EAC on their key findings:

- They agreed with the substantive results produced by GRS.
- They observed that employee choice in the Tier II hybrid system could lead to extreme funding positions many years in the future depending on future investment returns.
- They cautioned that GRS’ models could make the Defined Contribution program appear more favorable.

Staff Contact : Steven Allred/Rich Amon

Bill: Performance Review Notes
Senator Niederhauser presented draft legislation entitled, "Joint Rules Resolution on Fiscal Note Process" which would require a performance note on bills creating a new program, agency, or an appropriation for new funding. A sponsor of such a bill would work with the applicable agency to provide a note stating the purposes, services, goals, resources, benchmarks, and performance measures of the new program or agency. If a new program or agency fails to meet these stated objectives, it would be reviewed by the EAC.

Action: EAC adopted the legislation as a committee bill.

Staff Contact: Steven Allred

Report: Build America Bonds
The State issued $1.25 billion of Build America Bonds with a federal subsidy of $224.6 million over the next 20 years. Bond rating agencies recently made a recommendation that entities using Build America Bonds budget the debt service for those bonds gross of the federal subsidy. This recommendation will require a change to our budgeting practice and indicates the risk that the federal government may not pay the subsidy.

Staff Contact: Rich Amon

Report: Water Resources Revenue Bonds
During the 2010 General Session the State Bonding Commission issued $65.8 million of “AA”-rated Water Resources revenue bonds without notifying the Legislature. Although this was not in violation of any law, it is important for the Legislature to be involved in this process. The Analyst recommended a change to the State Financing Consolidation Act to require legislative approval for all revenue bonds issued by revolving loan funds listed in the Act.

Action: EAC accepted the recommendation and directed staff to open a bill file.

Staff Contact: Ivan Djambov
GOVERNMENT OPERATIONS
Staff Contact: Rich Amon

Utah’s Triple-A Bond Rating

The State of Utah issued $1.2 billion of “AAA” rated General Obligation (GO) bonds in the last month. In addition, Salt Lake County recently issued $74.5 million of transportation tax revenue bonds based on an interlocal agreement between the County and the State as authorized in Senate Bill 215 (2010 GS). The following bullets detail the projects receiving funding from these issuances.

- **State Series 2010A - $412,990,000 GO Tax-Exempt with a $55.3 million premium:**
  1. $213.2 million for Transportation Investment Fund projects
  2. $159.5 million for Critical Highway Needs projects
  3. $94.1 million for Buildings
     A. $46 million to complete the USTAR buildings at the U of U and USU
     B. $43.1 million for the USU agricultural building
     C. $5 million to complete the U of U business building
  4. $1.4 million for underwriter’s discount and costs of issuance

- **State Series 2010B - $621,980,000 GO Taxable Build America Bonds:**
  1. $354.2 million for Transportation Investment Fund projects
  2. $265 million for Critical Highway Needs projects
  3. $2.7 million for underwriter’s discount and costs of issuance

- **State Series 2010C - $172,055,000 GO Refunding Bonds:** Refunds 2009A and 2004B GO bonds at lower interest rates ($10 million gross savings)

- **County Series 2010AB - $74,540,000 Transportation Tax Revenue bonds:** Salt Lake County highway projects in Senate Bill 215 (2010 GS)

GOVERNMENT OPERATIONS
Staff Contact: Gary Ricks

Certified Public Manager Training Program

The Certified Public Manager Training Program (CPM) is an educational program designed to increase the knowledge and enhance the professional expertise and performance of public managers. Organizations recently served include federal, state and local governments, education, the Public Employees Health Program (PEHP) and the Salt Lake Airport Authority. The program is administered by the Utah Department of Human Resource Management (DHRM) in partnership with the Utah System of Higher Education.

CPM is funded through tuition paid by the participants or their agencies. The fee is $650 per course in Salt Lake, Utah, Davis, Summit, Tooele and Weber Counties. Classes offered in other counties are $750 per course. The program is intended to be self-supporting. The program staff is composed of three full-time administrators and six contract instructors.

CPM is taught in three separate courses titled 1, 2 and 3. Each course is divided into modules. Course 1 includes Systems and Strategic Thinking, Personal Communication, and Performance Motivation Systems. Course 2 involves Group Dynamics and Team Development, Data Gathering and Decision-Making, Customer Relations and Public Budgeting and Finance. Course 3 consists of Project Management and Organizational Change and Transition. Participants are directed toward performance outcomes throughout the training.

A full schedule of classes is offered in Salt Lake City starting every January, April, and September. Classes are taught in other locations around the state and can be arranged anywhere in the state when there is adequate demand. For additional information, please visit: http://www.dhrm.utah.gov/training/cpm/

The following table provides the participation in the CPM program for calendar year 2009.

<table>
<thead>
<tr>
<th>Level</th>
<th>Female</th>
<th>%</th>
<th>Male</th>
<th>%</th>
<th>Total</th>
<th>Graduated</th>
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<tbody>
<tr>
<td>Course 1</td>
<td>50</td>
<td>45%</td>
<td>61</td>
<td>55%</td>
<td>111</td>
<td>98</td>
</tr>
<tr>
<td>Course 2</td>
<td>52</td>
<td>49%</td>
<td>54</td>
<td>51%</td>
<td>106</td>
<td>96</td>
</tr>
<tr>
<td>Course 3</td>
<td>54</td>
<td>51%</td>
<td>52</td>
<td>49%</td>
<td>106</td>
<td>106</td>
</tr>
<tr>
<td>Totals</td>
<td>156</td>
<td>48%</td>
<td>167</td>
<td>52%</td>
<td>323</td>
<td>300</td>
</tr>
</tbody>
</table>
Digitizing Archives

The Fiscal Analyst is required to keep copies of all fiscal notes FOREVER. We have a room that is almost floor to ceiling with document storage boxes. In the battle to keep our space usable, we are now scanning the fiscal note files. Our goal is to keep the records electronically and move the boxes to State Archives for storage.

In the process, we found that the digital copies of these files will also help us be more efficient as we prepare fiscal notes in the future. When we get a bill that is similar to one from a previous session, we can pull up the electronic file with the notes and use it to help prepare the fiscal note for the new bill.

So far, we have scanned the files for the bills from the 2009 Sessions and plan to complete the work for the bills from the 2010 General Session before the start of the 2011 General Session.

Student Enrollment

Each fall, on the first school day in October, public schools throughout Utah conduct a student enrollment count. This count is used to establish an enrollment baseline for the school year, and adjust funding levels based on where students enroll.

The actual student enrollment count for fall 2010 (2010-11 school year) is 576,335, an increase of 13,062 over fall 2009. Total student enrollment in fall 2010 is 2,018 higher than estimated during the General Session. Projections for next school year (fall 2011) indicate that there will be an additional 14,755 students, bringing the total to 591,090. This is an increase of 2.6%.

Actual birth statistics in Utah suggest that student enrollments will continue to increase. This increase is expected to maintain roughly the same annual growth rate for the next few years and then slowly taper off.

DABC Performance Audit

In the October 21 Audit Subcommittee meeting, auditors presented the report, “A Performance Audit of the Department of Alcoholic Beverage Control.” The auditors’ findings included two areas with impacts on DABC operations and State revenues: (1) changes in Utah’s population and consumption patterns indicate a clear need for expansion of retail services offered by the DABC, and (2) the statutory markup on retail products helps ensure the DABC’s profitability. The report discussed DABC’s construction of new stores and current expansion of some existing stores. The auditors recommended DABC fully consider all alternatives in their business planning and strategy. The auditors will also make a presentation in the next Commerce & Workforce Services Appropriations Subcommittee meeting.

State Elected Official and Judicial Compensation Commission

The Elected Official and Judicial Compensation Commission is comprised of members appointed by the Governor, Senate President, House Speaker, the State Bar Commission, and two other members appointed by the Commission members. Members serve for four-year terms and half of the members are appointed every two years.

Utah law requires the Elected Official and Judicial Compensation Commission to make recommendations for the salaries of Utah’s judges and the five statewide elected officials. As part of their activity the Commission considers the salaries of these positions in other states. The Commission recommendations are to be submitted to the Executive Appropriation Committee no later than 60 days prior to the beginning of the General Session.

The table below shows the salaries of elected offices in western states as of August 2010.

<table>
<thead>
<tr>
<th>State</th>
<th>Governor</th>
<th>Lieutenant Governor</th>
<th>Attorney General</th>
<th>Treasurer</th>
<th>Auditor</th>
<th>District Court Judges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska</td>
<td>$125,000</td>
<td>$100,000</td>
<td>$135,000</td>
<td>$123,500</td>
<td>$119,000</td>
<td>$132,200</td>
</tr>
<tr>
<td>Arizona</td>
<td>$95,000</td>
<td>$70,000</td>
<td>$90,000</td>
<td>$70,000</td>
<td>$70,000</td>
<td>$70,000</td>
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<tr>
<td>California</td>
<td>$174,000</td>
<td>$130,500</td>
<td>$151,100</td>
<td>$139,200</td>
<td>$175,000</td>
<td>$175,000</td>
</tr>
<tr>
<td>Colorado</td>
<td>$90,000</td>
<td>$68,500</td>
<td>$80,000</td>
<td>$68,500</td>
<td>$145,100</td>
<td>$145,100</td>
</tr>
<tr>
<td>Hawaii</td>
<td>$117,300</td>
<td>$114,400</td>
<td>$114,400</td>
<td>$109,000</td>
<td>$120,400</td>
<td>$136,100</td>
</tr>
<tr>
<td>Idaho</td>
<td>$115,300</td>
<td>$114,400</td>
<td>$114,400</td>
<td>$114,400</td>
<td>$120,400</td>
<td>$114,400</td>
</tr>
<tr>
<td>Montana</td>
<td>$100,100</td>
<td>$79,000</td>
<td>$89,600</td>
<td>$93,800</td>
<td>$106,900</td>
<td>$106,900</td>
</tr>
<tr>
<td>Nevada</td>
<td>$141,000</td>
<td>$60,000</td>
<td>$133,000</td>
<td>$97,000</td>
<td>$160,000</td>
<td>$160,000</td>
</tr>
<tr>
<td>New Mexico</td>
<td>$110,000</td>
<td>$85,000</td>
<td>$95,000</td>
<td>$85,000</td>
<td>$111,600</td>
<td>$111,600</td>
</tr>
<tr>
<td>Oregon</td>
<td>$93,600</td>
<td>$77,200</td>
<td>$92,000</td>
<td>$92,000</td>
<td>$120,400</td>
<td>$120,400</td>
</tr>
<tr>
<td>Utah</td>
<td>$109,900</td>
<td>$104,400</td>
<td>$104,400</td>
<td>$104,400</td>
<td>$132,200</td>
<td>$132,200</td>
</tr>
<tr>
<td>Washington</td>
<td>$166,900</td>
<td>$93,900</td>
<td>$117,000</td>
<td>$117,000</td>
<td>$148,800</td>
<td>$148,800</td>
</tr>
<tr>
<td>Wyoming</td>
<td>$105,000</td>
<td>$137,200</td>
<td>$92,000</td>
<td>$92,000</td>
<td>$120,400</td>
<td>$120,400</td>
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<tr>
<td>Average</td>
<td>$118,700</td>
<td>$86,610</td>
<td>$112,508</td>
<td>$97,617</td>
<td>$119,100</td>
<td>$135,546</td>
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</table>
Higher Education Subcommittee Met to Hear New Proposals

The Higher Education Appropriations Subcommittee met on September 22, 2010 to discuss several items of interest in preparation for the 2011 General Session.

Veterinary Science

Rep. Mathis explained to the Subcommittee that the practice of veterinary science has changed over the years. The state needs additional veterinarians, both in rural and urban areas. Currently, students wishing to pursue this degree must leave the state for their training. A limited number of Utah students are able to utilize the Western Interstate Commission on Higher Education (WICHE) program which will pay a portion of the cost of the student’s training. Utah State University, in cooperation with Washington State University, is proposing a cooperative veterinary program where students could complete the first two years of a veterinary degree at Utah State University and then finish their last two years of clinical work at Washington State University. The cost of the proposal the first year would be $1.7 million; the second year would require an additional $1.3 million.

"Utah’s 2020 Plan for Higher Education"

William Sederburg, Commissioner of Higher Education, presented a draft of "Utah’s 2020 Plan for Higher Education," a proposal to meet the needs of students and the demands of employers in the state. A study by the Georgetown University Center on Education and the Workforce states that by 2018, 66% of all jobs in the state will require some postsecondary education. The Board of Regents has set a goal to increase the percentage of Utah’s workforce that has an associate’s degree or higher from the current level of 39% to 55% by 2020. This will require increasing: the rate of student participation, the rate of student completion, and the level of economic innovation. Colleges and universities in the Utah System of Higher Education (USHE), the Utah College of Applied Technology, and private institutions will play a significant role in achieving this goal. Several strategies were identified as ways to achieve the proposed goals.

The Subcommittee also heard about a general change in how future funding requests will be presented. Mission-based funding will consider distinct institutional missions, including those where the mission is general education and where enrollments are increasing. While there has been some institution-specific funding in the past, often new funding is allocated on a pro-rata basis to the USHE institutions. This proposed methodology would emphasize the specific areas identified by each institution.

Scholarships

Information on scholarships was presented to the Subcommittee. With the implementation of S.B. 132, "Higher Education Scholarship Amendments", the Commissioner’s office has a better handle on both present and future scholarship costs. The Utah Higher Education Assistance Authority (UHEAA) had been originating student loans for 30 years. However, as a result of recently-passed federal legislation, that has come to a stop. UHEAA is currently servicing 150,000 student loans and is pursuing the opportunity of servicing additional loans that are now being originated by the federal government. It was also noted that while the national default rate of student loans has increased over the past few years to 7.0%, Utah’s default rate has dropped to its lowest at 1.9%.

Tuition Assistance

The Utah National Guard offers a tuition assistance program to its soldiers and airmen as an incentive to serve in the military. This educational assistance has been used to recruit and retain troops for the Utah National Guard. The Militia and Armories Act (Utah Code 39-1-63) provides for tuition assistance to members of the National Guard for study at postsecondary institutions of learning. The statute further states “that the adjutant general shall include a request each year for funds for this program”.

During the 2010 General Session, the Legislature appropriated $500,000 in one-time funding and $513,300 in ongoing funding from the General Fund for tuition assistance in FY 2010. The National Guard states that the above level of funding is helping educate over 600 soldiers in the current fiscal year. It is anticipated that the ongoing funding available for FY 2011 will be committed by March 1, 2011.

The National Guard will likely request an ongoing amount of $500,000 from the General Funds during the 2011 General Session of the Legislature for continued tuition assistance to Guard personnel.
**Update on the Medicaid Management Information System Replacement and DORA**

What is the Status of the $3 Million One-time General Fund appropriated to Replace Part of the Medicaid Management Information System?

The Department of Health intends to use the $3 million one-time General Fund from the Legislature to improve four parts of its Medicaid Management Information System. Below is a list of the four components and an update on the status:

1. **Pre-payment Editing System** – Bloodhound Technologies won the request for proposal process and will be in operation by January 2011. Bloodhound Technologies will review most professional and outpatient facility claims. The Department of Health plans to have the project started with a vendor in place by April 2011.

2. **Fraud and Abuse Detection System** – Based on the experiences learned from a spring 2010 request for proposal for this system, the Department of Health will provide a revised request for proposal for federal approval by November 2010. The Department plans to have the project started with a vendor in place by April 2011.

3. **Point of Sale and Drug Rebate System** – The Department of Health plans to submit a request for proposal for federal approval by November 2010. The Department plans to have the new system operational by January 2012.

4. **Data Warehouse Upgrade** – Ingeneix won the request for proposal process. The upgrade will be complete by February 2011.

What is the Current Status of the Drug Offender Reform Act (DORA)?

Approximately 75-80% 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 million, 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 its 2009 and 2010 General Sessions, the Legislature replaced most ongoing DORA funding with $2.9 million one-time funding. The one-time fund-
On October Interim day the Chairs of the EAC proposed a new appropriations subcommittee organization. Many of you asked important questions to aid in your consideration of the proposal. I have attempted to provide answers to some of those questions below.

What is the proposal to consolidate subcommittees?
The proposal would shrink the number of subcommittees from nine to seven. First, it would combine Commerce and Workforce Services with Economic Development and Revenue. Next, it moves Department of Workforce Services and State Office of Rehabilitation budgets from the new combined subcommittee into the Health and Human Services subcommittee. Finally, Transportation would move to Capital Facilities and Government Operations; Environmental Quality would go to the Natural Resources Subcommittee; and National Guard and Veterans’ Affairs would report directly to Executive Appropriations. The EAC Chairs also proposed holding meetings on an alternating “A”/”B” schedule.

How would the proposal impact membership?
Presuming Senators and Representatives served on only one subcommittee at a time, the proposal would add three Senators and 18 representatives to the remaining seven subcommittees. The new subcommittees would have, on average, three new members (0.5 new Senators; 2.5 new Representatives).

Will subcommittees meeting alternately have enough time to consider all material?
We have analyzed subcommittee time utilization for the past three years and found that, on average, scheduled meeting time equivalent to 26 meetings per session goes unused. The data, by year, is shown in the table below.

How will subcommittee consolidation impact staffing?
At first, it may increase overtime, as staff, when not in meetings, is busy writing fiscal notes, answering legislator questions and preparing appropriations bills. However, in the long-term, it will alleviate some pressure on a fiscal staff that is already down four positions (18%). Two fewer subcommittees may allow for fewer temporary session staff. Further, it will slightly reduce workload (planning meetings, drafting agendas, reviewing minutes, writing subcommittee reports).

### Subcommittee Shuffle

Staff Contact: Jonathan Ball

<table>
<thead>
<tr>
<th>Subcommittees</th>
<th>Time Utilization</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Meeting Length</td>
<td>3 Hrs 1 Hr 53 Min 1 Hr 54 Min</td>
<td>1 Hr 53 Min 1 Hr 54 Min</td>
<td>1 Hr 54 Min</td>
<td>1 Hr 55 Min</td>
</tr>
<tr>
<td>Cancelled Meetings</td>
<td>2 Mtgs 11 Mtgs 12 Mtgs</td>
<td>2 Mtgs 11 Mtgs 12 Mtgs</td>
<td>2 Mtgs 11 Mtgs 12 Mtgs</td>
<td>2 Mtgs 11 Mtgs 12 Mtgs</td>
</tr>
</tbody>
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