Executive Appropriations Committee
Senator Lyle Hillyard & Representative Mel Brown, Co-Chairs

Meeting Summary - May 15, 2011

Report: Federal/Non-Federal Funds
Staff Contact: Gary Syphus
The Executive Appropriations Committee recommended approval of eight new, two continuations, and five revisions of existing federal grants. The committee did not approve the state match for the renewal of the Heart Disease and Stroke Prevention Programs federal grant and asked the Social Services Appropriations Subcommittee to report on three health grants. The legislators also recommended approval of two new non-federal grants.

Report: URS Funded Liability
Staff Contact: Mark Bleazard
For details, please refer to p. 3.

Report: Turnover Savings
Staff Contact: Stephen Jardine
The report on turnover savings indicated that legislative staff lacks clear policy direction on treatment of vacant positions when calculating personnel cost changes, and included eight options for addressing this issue. The committee voted to have: 1) all agencies include funded vacant positions in their budget personnel lists; 2) the LFA calculate and apply a historical turnover savings rate for each agency when calculating personnel cost changes; and 3) exempt entities with fewer than 20 FTEs and local public education agencies.

Report: DOT Project Progress and Financing
Staff Contact: Mark Bleazard
For details, please refer to p. 3.

Report: Revenue Adoption
Staff Contact: Andrea Wilko
The Division of Finance is required to calculate a revenue surplus or deficit for the current fiscal year based on a final revenue estimate. The committee adopted $4,774,115,000 as the final General Fund/Education Fund revenue estimate for FY 2012, which is the February 2012 adopted revenue forecast adjusted for changes made by the 2012 Legislature.

LFA In-Depth Budget Review
Staff Contact: Steven Allred
Legislative rule requires an annual in-depth budget review carried out by the Legislative Fiscal Analyst’s Office. The Analyst proposed a five-year fiscal sustainability review focusing on the General and Education Funds to help legislators assess the state’s budget condition. The committee accepted the proposal.

GOPB In-Depth Budget Review
Staff Contact: Steven Allred
Statute directs the Legislative Management Committee, upon recommendation of an appropriations subcommittee, to request an in-depth budget review by the Governor’s Office. The Executive Appropriations Committee approved a recommendation that the Governor’s Office conduct an in-depth budget review of the Department of Agriculture and Food.

General Session Highlights
Staff Contact: Jonathan Ball
Staff reviewed new funding sources and uses from the 2012 General Session. Legislators had $450 million in revenue to appropriate after covering the structural deficit. Public and higher education, Medicaid, and CHIP garnered the lion’s share of new money. Staff also reviewed elements of successful budgeting employed in the 2012 General Session and talked about future budget trends.
Record-High Proceeds from an Auction of Seized Antlers and Hides

The auction of seized antlers and hides held by the Division of Wildlife Resources (DWR) on May 8, 2012 generated a record-high $136,200 in proceeds. The auction included hundreds of sets of forfeited deer and elk antlers, as well as dozens of bobcat hides and assorted cougars, fox, bear, and bison hides/skulls. DWR’s law enforcement section coordinates these auctions every 3-4 years, depending on the amount of confiscated materials and available storage space. The previous auction was in 2008 with total proceeds of less than $40,000.

DWR attributes the financial success of the auction this year to a better outreach campaign that actively sought the involvement of commercial buyers from the western United States for the first time. The 5.5-hour event was held at the Lee Kay Shooting Sports Center in Salt Lake City, and it was attended by hundreds of people. The division reported that 49 stretched and dried bobcat pelts sold at an average of $530, totaling $25,960. Elk antlers ranged from $8 to $11 per pound, and a single set of trophy deer antlers sold for $1,700.

DWR will retain 90% of the net auction proceeds, and 10% will go to the Division of State Surplus. Tony Wood, a captain with the DWR law enforcement section, stated: “Holding this auction allows our constituency to make use of the wildlife while generating additional revenue to bolster existing populations of wildlife and to assist in preventing these losses in the future. Though we recognize that this sale tends to be emotionally charged, we feel it is the fiscally responsible route to take.”

Lemonade for $39,000?

It’s not as bad as it sounds. The $39,000 was the cost for the programmer who created an ePayment system for the Courts. This system was developed in response to the budget reductions in 2008 and made the most out of a bad situation. In other words, budget lemonade out of revenue lemons.

In 2008, lawmakers reduced the budgets of most state agencies, including the Courts. The General Fund appropriation for the Courts went from $113 million to $108 million (4% reduction). Because the Courts employees constitute about 70% of the total budget, reducing staff was largely unavoidable. However, even though staff was reduced, service was mostly uninterrupted and in some aspects was improved. This was because the Courts implemented a paperless system that included a new ePayment system.

Traditionally, court payments, such as filing fees, fines, penalties etc., were made on location in the form of cash, check, or credit card. A court clerk processed the payments. If each of these transactions took four minutes at 1,200 transactions a day (statewide) that is 80 clerk hours per day, requiring about 10 clerks doing only transactions for their entire work day. Providing the court customers the option to pay online, allows the convenience to pay from anywhere and at any time, and also lowers the number of clerks needed.

The ePayment system kicked off in September 2009, and expanded to collect payments in all state courts and justice courts. Online payments currently constitute over 30% of total payments, and the Courts expect internet payments to eventually reach about 70%. Traditional forms of payment are still available.

The Courts report that while plans for a paperless system were in place (as well as several other electronic systems) for some time, the budget downturn sped up their implementation and enabled the agency to reduce staff.

While the budget downturn changed priorities for the state agencies, including the Courts, it was not all bad news. In the case of the Courts, the customers benefitted from the expedited implementation of the Courts online payment system, which makes payments more convenient to them and less costly to the state.
URS Funded Liability, Report to EAC

Prior to the 2008 downturn of the economy, the Utah State Retirement System (URS) had a funded liability ratio over 94%. Post downturn, the system has had a declining funding ratio. Robert Newman, URS Executive Director, appeared before the Executive Appropriations Committee (EAC) on May 15, 2012 to explain reasons for the decline and changes that have been implemented to correct the decline.

Mr. Newman stated that a few major adjustments to the system have been implemented and are reasons that the funding ratio decline is less than originally predicted by actuaries. One reason is the fact that the Legislature enacted the "Tier 2 Retirement Plan" that provides employees hired after July 1, 2011 a defined contribution rather than a defined benefit. Another reason is the adjustments to investment strategies implemented by the Utah State Retirement System’s staff. Additionally fewer people are retiring and salaries have not grown as result of the downturn.

Transfer of the Division of Housing and Community Development from DCC to DWS

During the 2012 General Session, the Legislature transferred the Division of Housing and Community Development from the Department of Community and Culture (DCC) to the Department of Workforce Services (DWS). This action was accomplished through the passage of HB 139, “Department of Community and Culture Amendments.” This legislation changed the name of the division to the Housing and Community Development Division. It also modified the powers and duties of the division and created an advisory council to advise the Department of Workforce Services during the transition.

The division move will transfer four line items and $171,532,900 ($5,266,000 General Fund) in annual funding beginning in FY 2013.

DOT Project Progress and Financing, Report to EAC

Carlos Braceras, Deputy Director of the Department of Transportation (DOT), reported to EAC about the progress of the Mountain View Corridor and the Utah County I-15 CORE projects. He stated that portions of each project will be opened before the end of June 2012. Both projects are at or under budget and should be completed by the contract date.

Original estimates to meet contract obligations in FY 2013 included a need to bond for $182 million. Through collaborative efforts of staff members of the Legislative Fiscal Analyst Office, the Department of Transportation, the Division of Finance, the State Treasurer, and the Governor’s Office of Planning and Budget it has been determined that DOT will not be issuing general obligation bonds this year for construction projects.

The department has made adjustments to payment schedules and project completion dates to be able to meet department cash flow needs. Not having to borrow the once expected $182 million from the bond market is estimated to save the state over $60 million in interest payments over the life of the bond. A no-bond position also is estimated to decrease the bond indebtedness as a percentage of the constitutional debt limit by approximately 2%.

Fiscal Highlights - May 2012
What is the Future of the Utah State Developmental Center in American Fork?

The Utah State Developmental Center (USDC) in American Fork is a 24-hour Intermediate Care Facility for the Intellectually Disabled (ICF/ID), operating under the administration of the Division of Services for People with Disabilities in the Department of Human Services. The USDC provides services for 206 individuals with acute and complex needs on a campus consisting of 525,000 square feet in 49 separate buildings and 250 acres of excess undeveloped farmland. The USDC is one part of a full array of Utah's state supports and services for individuals with disabilities. A summary of USDC space and its usage can be found on page 80 of the Human Services In-depth Budget Review (http://le.utah.gov/interim/2010/pdf/00001613.pdf).

In September 2011, Palmer DePaulis, Executive Director, Department of Human Services, initiated a strategic planning committee to develop recommendations for the future direction and mission at the USDC. The committee was made up of individuals representing various constituencies of the disability community along with representatives from the department, division, and the state Medicaid agency. The committee developed a set of draft master plan recommendations. The recommendations from the committee address the following areas:

1. What should the vision and mission be of the USDC? What role does it play in the continuum of services for Utah's population of individuals and families with disabilities?
2. Given the vision and mission of USDC, what programs or services are needed on campus? What are the trends in terms of unmet need?
3. What is the master plan for existing buildings given the recommendations to 1 and 2? Is the latest master plan for the existing buildings on campus still relevant?
4. What is the master plan for undeveloped USDC land? Along with developing a mission and vision statement, the recommended master plan addresses key areas including:
   1. Quality services,
   2. Planning and accountability,
   3. Buildings and land, and
   4. Funding priorities.

The Department of Human Services sought and received input on the future direction and mission of the USDC as it relates to the master plan through public hearings held on Saturday, May 5, 2012 at the Utah State Developmental Center in American Fork and Wednesday evening, May 9, 2012 in Salt Lake City as well as through an online survey. A copy of the draft recommended master plan can be found at: http://www.dspd.utah.gov/. The final master plan will be available by the 2013 General Session.
Weber County Ice Sheet, Weber State University
Weber County constructed the current 59,000 square foot Ice Sheet in 1994 on Weber State University’s campus.

The County, in coordination with the University, proposes expanding the facility approximately 73,000 square feet at a cost of $7.5 million: $3.5 million from Weber County, $2 million from County Recreation Arts Museums Parks (RAMP) and $2 million from Weber State University donated funds. Operation and maintenance will be funded from rental income and fees.

Wee Care Center, Utah Valley University
Utah Valley University (UVU) currently operates a child care facility on campus that services 130 children primarily from low income families (though it is also open to faculty and staff).

In April 2012, the Utah College of Applied Technology (UCAT) Board of Trustees approved increasing tuition on UCAT campuses from $1.55 per membership hour to $1.70, an increase of 9.7%. This increase is expected to generate about $700,000 for the UCAT campuses.

Non-State Funded Buildings Approved by the State Building Board
Utah Code (63A-5-104) allows the State Building Board to approve the design and construction of new facilities without legislative approval if the requesting agency provides assurance that it will not use state funds for the project, for additional operation and maintenance, or for capital improvements. The State Building Board approved the construction of two new non-state funded buildings during a meeting in May 2012 that were not previously heard by the Legislature: an expansion of the Weber County Ice Sheet at Weber State University and a new Utah Valley University Wee Care Center.

The University requested permission to build a new 12,000 square foot facility to accommodate 500 children at a cost of $2.2 million: $450,000 from the UVU Foundation, and $1.75 million from private donations. Operation and maintenance will be funded from day-care service revenue.

Tuition and Fee Increases
Following the 2012 General Session, the State Board of Regents met and approved a 4.5% first-tier tuition increase for the 2012-2013 academic year for the Utah System of Higher Education. In addition to the first-tier tuition, the Regents also approved second-tier tuition increases ranging from 0% to 2.5%. The tuition increases are projected to generate approximately $33.2 million. In addition, student fee changes were also approved. The following table shows the tuition and fee changes by institution.

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<tr>
<th>Institution</th>
<th>1st tier</th>
<th>2nd tier</th>
<th>Total</th>
<th>Fees</th>
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<td>University of Utah</td>
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<td>1.5%</td>
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<td>Utah State University</td>
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<td>1.5%</td>
<td>6.0%</td>
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</table>
I'm fond of repeating something I've heard several veteran Utah appropriators say – "Our success in getting through the Great Recession had more to do with what we did in 2003 than what we did in 2008." I like to quote it now because, believe it or not, we're in year 3 of recovery from the Great Recession. Looking back at what budgeters did after the penultimate recession seems like a reasonable course of action.

Utah's success weathering the Great Recession had a lot to do with budget reductions and sacrifices, and I don't mean to minimize that. But it also had a lot to do with foresight.

After the recession of 2001 – 2002, legislators began planning for next time. They built reserves by depositing surpluses in rainy day funds and by creating new reserves like the Disaster Recovery Fund and the Growth in Student Population Restricted Account. They paid cash for buildings and highways to avoid interest costs, but also to reduced debt and increase available bond capacity. They recognized previously "off budget" liabilities like preventative building maintenance and retiree sick leave. And they matched ongoing commitments with ongoing revenue sources to assure long-term financial viability.

All of these tools were necessary to balance budgets during the downturn from FY 2008 through FY 2011. I think it's encouraging that appropriators are returning to the same practices now that we're past the Great Recession.

In the 2012 General Session, Legislators put $11 million into Rainy Day Funds on top of automatic deposits of $28 million. They reduced authorized road debt by $130 million and used cash management to avoid General Obligation (G.O.) bonding altogether in FY 2013. They paid cash for capital development and increased capital improvements funding from 0.6% of asset value to 0.8%. They contributed what was required to keep the state's retirement system sound. When they left General Session, they did so with a small structural surplus.

These aren't the most exciting investments a state can make – but we'll be glad about it the next time budgets get tight.