

# FISCAL HIGHLIGHTS

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**The Utah State Office of Rehabilitation (USOR) pays 48% of its budget to others to help USOR accomplish its work. Where does it go?**

#### SOCIAL SERVICES

*Staff Contact: Stephen Jardine*

During the October 4, 2012 Social Services Appropriations interim meeting, the Utah State Office of Rehabilitation (USOR) explained where almost half of its budget goes when it is paid to others outside USOR. USOR operates programs designed to assist individuals with disabilities to prepare for, obtain, and maintain employment and increase their level of independence. In doing so, USOR partners with other agencies and community services and resource providers to offer services statewide. USOR is funded primarily by the federal government (75%). State funds (23%) and collections (2%) make up the remaining amount. In FY 2011, USOR passed through 48% of its budget to others.

The 48% paid to others in FY 2011 was \$36.8 million out of a total budget of \$76.1 million. The \$36.8 million was paid to others for the following purposes: 82% (\$30.2 million) for individual case service budgets, 8% (2.9 million) passed through to 6 independent living centers, 5% (\$1.8 million) to the Utah State Office of Education (USOE) to cover overhead costs for office space and other administrative functions provided by USOE, and 5% (1.7 million) for the Blind Center Residential Training Facility. Of just the case services budget, \$26.1 million of it goes to vocational rehabilitation services in general. The remainder goes for vocational rehabilitation services for the blind (\$1.0 million) and for disability determination services (\$3.1 million).

A significant part of helping individuals prepare for, obtain, and maintain employment is accomplished through public and private colleges and universities. Thirty percent of the vocational rehabilitation services budget passed through to others (\$9,137,100) goes to public and private colleges and universities. State

colleges and universities receive \$7.6 million to assist in the work of USOR. USOR has an emphasis on short term training and has focused its efforts on programs that are two years or less in assisting individuals with disabilities. USOR has pointed out that while only 16% of jobs in Utah require a 4 year degree, 55% require at least some kind of post-secondary education. As a result of this narrowed criteria, 57 percent of funds going to state institutions goes to just three: 1) Utah State University (USU), Salt Lake Community College, and Utah Valley University. USU, in particular, has a number of regional campuses (Brigham City, Moab, Vernal, Price, and Tooele sites). The amount of money that goes to any particular higher education institution is based on the needs of each client and which school can best meet those needs and meet the emphasis on short term training of two years or less.

The remaining funds are used to purchase goods and services needed by eligible individuals to obtain employment or remediate their disability. On average, 35% of USOR's case service dollars are passed through to psychiatric and/or medical providers for acute (short term, limited) restorative services, such as therapy, medication management, or medical care not available from comparable sources like personal or public insurance. USOR also funds the costs of assistive technology required to enable an individual to engage fully in employment. USOR partners with community rehabilitation programs by funding job coaching and job placement activities. Other services funded include transportation costs, microenterprise development, or the purchase of tools required for employment.



## EXECUTIVE APPROPRIATIONS COMMITTEE

SENATOR LYLE HILLYARD & REPRESENTATIVE MEL BROWN, CO-CHAIRS

### MEETING SUMMARY - NOVEMBER 13, 2012

#### **Report: Federal/Non-Federal Funds**

Staff Contact: Gary Syphus

<http://le.utah.gov/interim/2012/pdf/00002724.pdf>

The EAC recommended approval of one continuation of an existing federal grant within the Department of Health – Epidemiology and Laboratory Capacity for Infectious Diseases: Program Components.

#### **Report: Performance Note Resolution**

Staff Contact: Stan Eckersley

<http://le.utah.gov/interim/2012/pdf/00002726.pdf>

There is a great difference between rule language “attached to the bill” and “printed with the bill.” For example, if a bill has a Constitutional Review Note, the bill may not be printed until the note is attached to the bill. Performance note rules have similar construction. This could lead to delays as long as nine days and with Utah’s short sessions that’s a problem.

Sen. Niederhauser is sponsoring an Executive Appropriations Committee resolution that will make technical changes in the performance note rules. This will make it so that bills will not be held up waiting for a Performance Note before they can be published.

#### **Report: Turnover Savings on Compensation Package**

Staff Contact: Stephen Jardine

<http://le.utah.gov/interim/2012/pdf/00002727.pdf>

On May 15, 2012 EAC approved the following motion regarding how to treat vacant positions when calculating personnel cost changes:

1. All agencies include funded vacant positions in their budgeted personnel lists;
2. The LFA calculate a historical turnover rate for each agency and apply this calculated rate to all agency personnel lists, including higher education, when calculating personnel cost changes;
3. The LFA exempt line items with fewer than 20 full-time equivalent (FTE) employees from recommendation. Local school districts and charter schools are also excluded from the calculation.

Staff reported the completed turnover savings factor calculations in compliance with the EAC May 15 motion. In making the calculations, the LFA used fiscal years 2011 and 2012 and compared revised appropriated to actual expenditures for salary and benefits. The two years were then averaged to determine an agency’s turnover savings factor. In instances where an agency spent more for salary and benefits than was appropriated, a turnover savings factor of zero was entered.

#### **Reports: Significant Budget Factors**

##### **Public Employees Health Plan (PEHP)**

Staff Contact: Mark Bleazard

<http://le.utah.gov/interim/2012/pdf/00002728.pdf>

The director of PEHP submitted rate requests for the upcoming fiscal year. These requests are considered by the Legislature during its annual general session.

The Legislature directed PEHP to adjust benefits and use reserves to avoid a cost increase for FY 2013. PEHP estimates rate increases over the next three fiscal years will exceed 28%. They presented several options to handle those increases that included further adjustments to reserves and variable annual increases to the paid rates.

##### **Utah Retirement Systems (URS)**

Staff Contact: Mark Bleazard

<http://le.utah.gov/interim/2012/pdf/00002729.pdf>

URS management presented preliminary retirement rate requests for the upcoming fiscal year. These requests are considered by the Legislature during its annual general session.

Due to decreases in URS’ assets compared to liabilities brought on by the economic downturn of 2008, URS has been requesting rate increases each year. Preliminary requests for rate increases in the Noncontributory Tier 1 plan will be from 18.76% to 20.46% (an increase of 1.7 percentage points). The Public Safety Noncontributory rate increase is projected to increase from 37.29% to 39.31% (an increase of 2.02 percentage points). Other plans covering state employees are expected to have similar increases.

##### **Medicaid Enrollment**

Staff Contact: Russell Frandsen

<http://le.utah.gov/interim/2012/pdf/00002730.pdf>

The Medicaid consensus forecast team estimates surplus General Fund in FY 2013 of \$40.9 million and \$1.8 million in FY 2014. For the Children’s Health Insurance Program, consensus forecast estimates General Fund surplus in FY 2013 of \$3.8 million and a cost of \$1.5 million in FY 2014. These estimates do not include any funding for state administration or any optional provider inflation.

Please see **EAC Meeting** on p. 3.

*EAC Meeting, continued from page 2.*

### **Capital Improvement Funding**

*Staff Contact: Mark Bleazard*

<http://le.utah.gov/interim/2012/pdf/00002732.pdf>

An issue brief was presented to the committee about the required appropriations to the Capital Improvements Program.

Utah State statute 63A-5-104 states an appropriation to the Capital Improvements Program at a rate of 1.1% of the replacement value of existing state buildings is required before the Legislature may approve new capital development projects.

An estimated appropriation of \$95 million will be required to meet statutory requirements in FY 2014. The FY 2013 appropriation included \$41.7 million ongoing and \$30 million of one-time funding. Legislative options to be within the law include appropriating an additional \$55 million or change the statute before new capital development projects can be approved.

### **Growth in Public Education Enrollment**

*Staff Contact: Ben Leishman*

<http://le.utah.gov/interim/2012/pdf/00002731.pdf>

Utah public schools currently enroll 600,970 students. This represents an increase of 2.3%, or 13,225 students, over fall 2011. Fall 2012 student enrollment forms the basis of projecting student enrollment for next year (fall 2013) and the cost of student enrollment growth for the coming fiscal year (FY 2014).

The Common Data Committee (CDC), a group that consists of the Legislative Fiscal Analyst, Governor's Office of Planning and Budget, and the Utah State Office of Education develop a consensus enrollment projection. CDC projections show an estimated increase of 13,254 students in fall 2013, for a total of 614,224. This represents an increase of 2.2%.

Projections show that the 614,224 estimated student enrollment in fall 2013 will generate approximately 802,015 Weighted Pupil Units (WPU's). This is an increase of 19,998 WPU's over the 782,017 WPU's funded in the FY 2013 budget. Preliminary cost estimates indicate that student enrollment growth may cost an additional \$75 million in FY 2014. This amount includes the increased cost associated with additional WPU's and other program adjustments specified by statute. An additional \$30 million is required to fund a statutory rate change for the Voted and Board Leeway programs.

### **Jail Contracting and Jail Reimbursement**

*Staff Contact: Gary Syphus*

<http://le.utah.gov/interim/2012/pdf/00002735.pdf>

Legislative staff reported the estimated cost of jail con-

tracting and jail reimbursement programs if the legislature were to adopt the updated 2012 "average state daily incarceration rate" (\$77.94). This is calculated annually and informs the Legislature of the estimated cost of housing a state prisoner in a state facility. The Legislature adopts a "final rate" that can be more or less than this value from which a percentage is paid to counties for both of these programs. If adopted at the calculated rate, and fully funded, the cost would be \$8.9 million for jail Contracting and \$4.7 million for Jail Reimbursement.

### **Jury, Witness and Interpreter Funding**

*Staff Contact: Gary Syphus*

Legislative staff reported that appropriations in the Juror/Witness/Interpreter Line Item pay jurors, witnesses and interpreter costs. Recently this line item has run a deficit, due largely to increased interpreter expenses. The deficit for FY 2012 was \$114,700 and will show as a negative carry-forward amount until the Legislature takes action to resolve the deficit.

### **Report: Proposed Reorganization of Appropriations Acts**

<http://le.utah.gov/interim/2012/pdf/00002738.pdf>

*Staff Contact: Jonathan Ball*

In past years the Legislative Fiscal Analyst, the Governor's Office of Planning and Budget, and the Division of Finance have reported budget information in different ways, depending upon their audiences. The varying budget displays often made it difficult for readers to compare documents from different sources. Over the summer, LFA, GOPB, and Finance agreed upon a common set of reporting criteria that the three offices will use when presenting certain budget reports. LFA proposed and EAC approved modifications to appropriations acts so that they use the agreed upon reporting format.

### **Report: Funds Expended on Services to Low Income Individuals**

<http://le.utah.gov/interim/2012/pdf/00002740.pdf>

*Staff Contact: Mark Bleazard*

To fulfill requirements of UCA 36-12-13 the Legislative Fiscal Analyst's Office submitted a report to the Executive Appropriations Committee showing funds expended by the state during the preceding fiscal year to provide financial assistance or services to low-income individuals and families.

The report showed that \$3.5 billion was spent for low-income individuals and families in FY 2012. The General Fund and Education Funds portion of the \$3.5 billion was \$561 million and Federal Funds were \$2.5 billion.



## How Federal Reforms Could Impact Medicaid

### SOCIAL SERVICES

*Staff Contact: Steven Allred*

During last month's Executive Appropriations Committee meeting, Russell Frandsen, our Health Analyst, reported that provisions of federal health care reform (Patient Protection and Affordable Care Act, or PPACA) are estimated to add \$19 million in costs to the state General Fund in FY 2014, with provisions of the law starting on January 1, 2014. Much of this cost increase comes from people who are currently eligible but not enrolled in Medicaid. These people will be more likely to enroll in Medicaid under conditions of the PPACA. This cost estimate does not include possible cost increases associated with Medicaid expansion. This is an example of how changes in federal policy can translate to major funding impacts for states.

Medicaid is exempt from federal sequestration, so in the short term it should not experience federal funding cuts regardless of whether Congress finds a solution to avoid the "fiscal cliff." However, Medicaid reform is often mentioned in other deficit reduction scenarios. Whether, when, and how Medicaid would be reformed is unknown. Some proposals suggest small changes that shift costs to states, while other proposals suggest converting Medicaid from an open-ended entitlement to a block grant.

We still don't know if Congress will be able to solve the issues behind the "fiscal cliff," let alone agree on Medicaid reforms. However, any such reforms could have a large impact on Utah's budget. At the moment, proposals to convert Medicaid to a block grant appear to have many opponents, but it wouldn't be the first time an entitlement became a block grant. During the mid 1990s welfare reform brought about the Temporary Assistance for Needy Families (TANF) block grant.



## New Century and Regents' Scholarship Annual Report

### HIGHER EDUCATION

*Staff Contact: Spencer Pratt*

The Board of Regents presented its annual report of the New Century and Regents' Scholarships to the October Education Interim Committee.

**The New Century Scholarship** is awarded to high school students who earn an associate's degree with a 3.0 GPA by their high school graduation date. The award is \$1,250 per semester and is renewable for up to 60 credits or four semesters.

In 2012, 347 students earned the New Century Scholarship, up slightly from the 332 scholarships awarded the

year before. Of the 347 recipients, 345 came from 25 of the state's school districts, while 2 were home schooled.

**The Regents' Scholarship** was created to encourage high school students to take a rigorous curriculum to prepare themselves for college.

**The Base Award** is a one-time \$1,000 award for students who complete the core course of study, meet the minimum GPA and ACT score.

**The Exemplary Award** requires a 3.5 GPA, no grade lower than a B in the required classes, and an ACT score of 26. The Exemplary Award is \$1,250 per semester and is renewable for up to 65 credits or four semesters.

**The Utah Educational Savings Plan (UESP) Supplemental Award** is available to any student who receives a Base Award and had contributions made to their UESP account during ages 14 to 17. This Supplemental Award is up to \$100 for each of the four eligible years.

In 2012, Regents' Scholarships were awarded to 1,348 students. This compares to 1,002 scholarships awarded in 2011. Recipients for these scholarships attend school in 33 school districts.



## New Campus President of the Uintah Basin Applied Technology College

### HIGHER EDUCATION

*Staff Contact: Angela Oh*

The Utah College of Applied Technology (UCAT) announced earlier this month the selection of David R. Woolstenhulme as campus president of the Uintah Basin Applied Technology College (UBATC). UBATC is one of eight regional campuses of the Utah College of Applied Technology. The ATCs provide market-driven career and technical education to both secondary and adult students.

Woolstenhulme is currently the Associate Director for the Utah State University Uintah Basin Regional Campus, where he began serving in 1997. "President Woolstenhulme has demonstrated positive relationships with the citizens of the Uintah Basin and is well-prepared to assume the UBATC presidency," said UCAT president Rob Brems. "He has a proven track record as an excellent administrator and will serve the technical education needs of students, business and industry well."

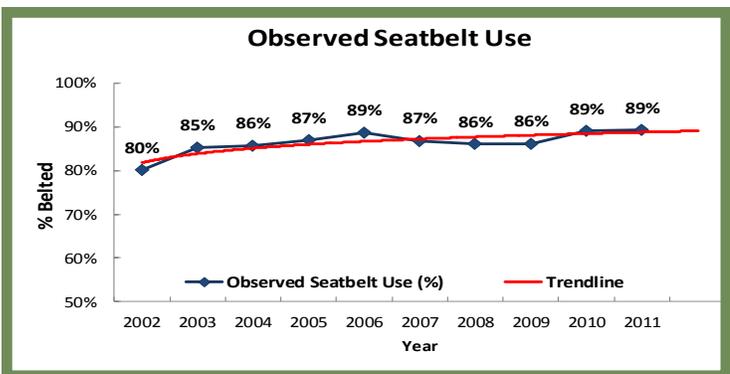
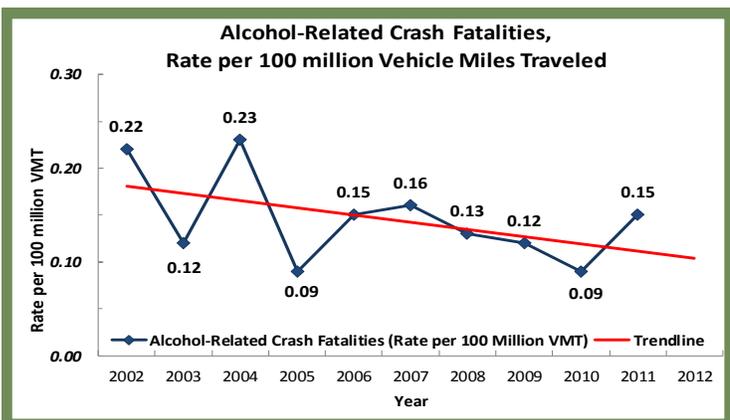
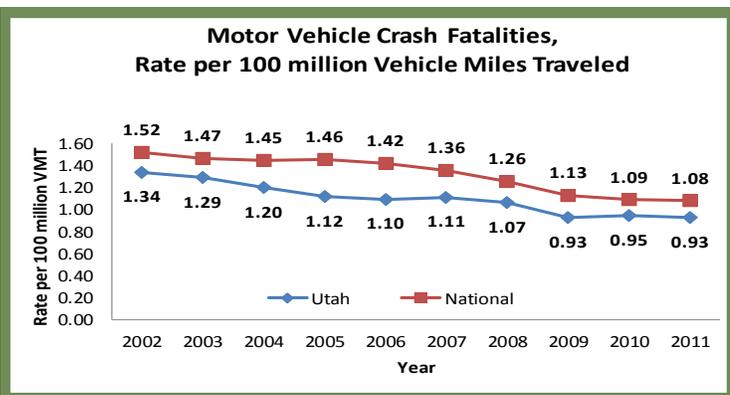


## Highway Safety Performance Over Time

### EXECUTIVE OFFICES AND CRIMINAL JUSTICE

Staff Contact: Gary Syphus

The mission of the Utah Highway Patrol is to “protect life and property by preventing traffic accidents and to facilitate the traffic flow on the highways of the state.” For FY 2013, the Legislature appropriated \$53.5 million to carry out this mission. Included below are primary performance metrics that the Highway Patrol program uses to monitor performance: (1) motor vehicle crash fatality rates, (2) DUI related crashes and (3) seatbelt usage. Over time motor vehicle crash fatalities have declined, in part because of fewer alcohol-related fatalities and higher seatbelt usage. While both national and Utah crash fatality rates have declined over time, the Utah fatality rate has been consistently and significantly lower.



## Audit Findings for the Department of Workforce Services

### SOCIAL SERVICES

Staff Contact: Russell Frandsen

The FY 2012 Annual Financial Audit (<http://www.sao.utah.gov/finAudit/rpts/2012/12-23.pdf>) of the Department of Workforce Services by the Utah State Auditor reported the following error rates from its random samples of cases or payments:

- **Workforce Investment Act 59% error rate for payments** –The problems ranged from incorrect eligibility determinations, incomplete documentation for justifying expenses, and insufficient verification of client compliance with program requirements.
- **Child Care 22% error rate for payments** –The problems ranged from not verifying provider charges, incorrect income determination, to not verifying the age of a child.
- **Children’s Health Insurance Program 20% eligibility error rate** –The errors ranged from incorrect eligibility determinations to improper calculations of client income.
- **Low-income Home Energy Assistance Program 15% eligibility error rate** –The problems ranged from verifying household members to income verification.
- **Medicaid 3% eligibility error rate** –The errors did not have any material impact as a client was placed on the wrong Medicaid program, but still qualified for Medicaid.
- **Temporary Assistance for Needy Families 3% compliance error rate** –The State Auditor found some problems for failing to deny Temporary Assistance for Needy Families to clients who do not cooperate in the child support collection process.
- **Medicaid Third Party Liability Information 2% error rate** –In the one sample case with an error, a newborn child had other coverage and the Office of Recovery Services worked to obtain \$236,200 for federal costs.



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## RETURN SERVICE REQUESTED



### *A More Perfect Budget*

*Staff Contact: Jonathan Ball*

You all know that legislative appropriations are more than just direct expenditures. There are transfers, internal service funds, and trust funds included in appropriations acts. In order to calculate the “budget” from past appropriation acts, one had to know which appropriations items to include and which to eliminate.

We’ve been working with our colleagues in the Governor’s Office and the Division of Finance to make it easier to follow the budget via appropriations bills. We’ve defined six categories for appropriations items – the first two authorize direct expenditures. They constitute what most think of as “the budget.” The remaining categories give the executive branch the permission it needs to make certain transactions. The categories are as follows.

***Operating and Capital Budgets*** – These appropriations items authorize direct expenditure of state resources on things like personnel, office supplies, computers, travel, buildings, roads, and large pieces of equipment.

***Transfers to Self-spending Funds*** – These appropriations items direct state accountants to move money from one fund or account to funds that can be spent without further appropriation by the Legislature.

***Transfers to Free Revenue*** – These line items authorize the Division of Finance to move money from a restricted account or fund into the unrestricted General Fund or Education Fund.

***Transfers among Restricted Funds or Accounts*** – These items of appropriation authorize the accountants to move resources from one restricted account or fund to another.

***Business-like Activities*** – These items allow operation of Internal Service Funds and Enterprise Funds - spending from which is already largely reflected in categories one and two, above.

***Fiduciary Funds*** – These appropriations items cover instances in which the state has responsibility for another entity’s money – like Unemployment Insurance.

Future appropriations acts will be organized into these categories. We intend that the categories will become the basis for budget reporting from request through appropriation to execution.