

**MINUTES OF THE
EXECUTIVE APPROPRIATIONS COMMITTEE**
Monday, December 3, 2012 - 2:00 p.m. - Room 445 State Capitol

Members Present:

Sen. Lyle W. Hillyard, Co-Chair
Rep. Melvin R. Brown, Co-Chair
Sen. Kevin T. Van Tassell, Vice Chair
Rep. John Dougall, Vice Chair
Sen. Scott K. Jenkins
Sen. Peter C. Knudson
Sen. Karen W. Morgan
Sen. Wayne L. Niederhauser
Sen. Ross I. Romero
President Michael G. Waddoups
Rep. Brad L. Dee
Rep. Gregory H. Hughes
Rep. Brian King

Rep. David Litvack
Speaker Rebecca D. Lockhart
Rep. Ronda Rudd Menlove
Rep. Christine Watkins

Members Excused:

Sen. Patricia W. Jones
Rep. Jennifer M. Seelig

Staff Present:

Mr. Jonathan Ball, Legislative Fiscal Analyst
Mr. Steven Allred, Deputy Director
Ms. Greta Rodebush, Legislative Secretary

Note: A copy of related materials and an audio recording of the meeting can be found at www.le.utah.gov.

1. Call to Order/Approval of Minutes

Co-Chair Hillyard called the meeting to order at 2:16 p.m.

MOTION: Rep. Brown moved to approve the minutes of November 13, 2012. The motion passed unanimously with Sen. Niederhauser absent for the vote.

2. Non-federal Grant

Ms. Jill Flygare, Governor's Office of Planning and Budget (GOPB), presented "Federal/Non-Federal Grants Review and Approval" dated December 3, 2012. The Federal Funds Report listed no new grants and no reapplications/continuations or revisions of existing grants requiring legislative action. There was one new grant approved by the Governor's Office.

The Non-Federal Funds Report listed one reapplication/continuation of an existing grant requiring legislative action for the Department of Human Services, State Epidemiological Outcomes Workgroup Project. There were no new grants and no reapplications/continuations or revisions of existing grants approved by the Governor's Office.

President Waddoups relayed some concerns about taking federal funds with strings attached.

MOTION: Rep. Brown moved to recommend acceptance of the grant as outlined on page 1 of the handout entitled, "Federal/Non-federal Grants Review and Approval" under the heading, "Grants Requiring EAC Review and Recommendation" and dated today, December 3, 2012. The motion passed with President Waddoups and Rep. Dougall voting in opposition. Sen. Niederhauser and Speaker Lockhart were absent for the vote.

3. Revenue Estimates

Dr. Andrea Wilko, Chief Economist, LFA, presented "Revenue Estimates - November 2012."

Dr. Wilko reported on the revised revenue estimates for FY 2013 and the revenue estimates for FY 2014. She stated that the estimated General Fund/Education Fund revenue growth for FY 2013 is up \$77.6 million from the May 2012 estimate. She anticipates \$306 million in new revenue for FY 2014. The Transportation Fund and Mineral Lease revenue is projected down in both years.

Dr. Wilko discussed one-time adjustments and required set asides with the available one-time and ongoing revenues for FY 2014 as outlined in the table, "Crosswalk from Revenue Estimates to Available GF/EF Revenue - November 2012 (in millions of dollars)." Taking into account these adjustments, the table shows \$121 million in available one-time revenue and \$300 million in available ongoing revenue.

Co-Chair Hillyard asked if the revenue projections reflect a continuation of the Bush tax cuts and the payroll tax holiday. Dr. Wilko indicated that the consensus forecast is based on the status quo. She projected that if no compromise is made on the federal level and the full fiscal cliff goes into effect, Utah would see a \$500 million drop in ongoing revenue and a gain of \$15 million in one-time revenue. A repeal of the Bush tax cuts for those making more than \$250,000 and the payroll tax holiday would reduce the \$300 million in available ongoing revenue to \$105 million. One-time revenues would still realize a \$15 million gain, increasing to \$136 million.

Mr. Ball pointed out that the tax compromise also assumes that sequestration gets kicked down the road, and that there are no automatic spending cuts reflected in the \$105 million ongoing and \$136 million one-time scenario. Dr. Wilko stated that these revenues would be reduced even further if the automatic spending cuts are kept in place.

MOTION: Rep. Brown moved to adopt the revised revenue estimates for Fiscal Year 2013 and the revenue estimates for Fiscal Year 2014 as indicated on page 1 of the sheet entitled, "Revenue Estimates - November 2012" and dated today, December 3, 2012.

President Waddoups asked about the spending methodology for the new revenues. Rep. Brown stated that he did not think it would be appropriate for the Legislature to allocate any new money to the subcommittees until the February numbers come in and the Legislature determines what action is taken by the federal government. For now, the subcommittees would be looking at existing budgets, reviewing them, and determining if programs need to be changed or done away with.

Rep. Brown clarified that by rule, the EAC must adopt a November/December estimate.

A vote was taken on the motion. The motion passed with President Waddoups voting in opposition.

4. Appropriations Limit Estimates

Ms. Angela Oh, Economist, LFA, presented the "Appropriations Limit - December 3, 2012."

Ms. Oh explained that the Legislature adopted the State Appropriations and Tax Limitation Act in 1989 to limit state government spending. The Act restricts non-exempt General Fund and non-exempt Education Fund appropriations to a formula amount determined on a per-person basis. The appropriations limit changes as a certain measure of inflation and population estimates change.

Ms. Oh reported that base budget non-exempt appropriations are well below the appropriations limit. The estimated appropriations limit is approximately \$3.2 billion for FY 2013 and \$3.3 billion for FY 2014. When those numbers are offset against current non-exempt appropriations, the difference or "Cap Gap" is approximately \$772 million for FY 2013 and \$892 million for FY 2014.

Ms. Oh noted that these numbers are only estimates and will be finalized in February once the Bureau of Economic Analysis publishes inflation and population numbers.

MOTION: Rep. Brown moved to adopt the Fiscal Year 2013 and 2014 appropriations limit estimates as indicated on the sheet entitled, "Appropriations Limit - December 3, 2012." The motion passed unanimously with Rep. Dougall absent for the vote.

5. Subcommittee Allocations and EAC Set-asides

Mr. Jonathan Ball presented "Subcommittee Allocations - FY 2014 - Revised" dated December 3, 2012.

Mr. Ball explained that Joint Rule 3-2-402 requires the EAC to meet in December to adopt consensus revenue estimates and approve an appropriate amount (allocation) for each subcommittee to use in preparing its budget.

Co-Chair Hillyard stated that the EAC may need to adopt new revenue estimates if something significant happens at the federal level and/or final revenues change.

Mr. Ball noted that there were two sheets behind Tab 5, "Subcommittee Allocations - FY 2014" and "Subcommittee Allocations - FY 2014 - Revised." He indicated that at the request of the EAC co-chairs, LFA prepared the revised table. He also suggested the following change: in the heading, "From Ongoing FY 13 Base," strike "FY 13 Base" and replace with "Revenue" to read "From Ongoing Revenue." A second column was also added "From 1X FY12 Surplus," which breaks out an allocation of \$25 million from one-time revenue.

MOTION: Rep. Brown moved to allocate to appropriations subcommittees for Fiscal Year 2014 the General Fund, Education Fund, and Uniform School Funds totals listed on the sheet entitled, "Subcommittee Allocations - FY 2014 - Revised" and dated today, December 3, 2012. The motion passed unanimously.

Co-Chair Hillyard explained that the \$25 million one-time allocation to Public Education will come out of the \$121 million in one-time revenue. This action preserves last year's \$25 million one-time budget adjustment to Public Education for a corrected count on growth in enrollment. Mr. Ball clarified that the original motion would have reduced the \$300 million in available ongoing revenues to \$275 million. The revised motion however, reduces the \$121 million in available one-time revenues to \$96 million.

Sen. Morgan commented that the \$25 million added in takes care of last year's growth. Going into the new session, the Legislature will need to look at the additional growth of new students who will be starting in the fall of 2013. She stated that the \$25 million needs to be included in the base to cover next year's growth and future growth. She recognized that this is a challenge.

A vote was taken on the motion. The motion passed unanimously.

6. Drafting of Fiscal Year 2014 Base Budget Bills

Mr. Ball explained that Joint Rule 3-2-402 also requires the EAC to meet in December to direct the LFA to draft base appropriations bills. He stated that by rule, in years where revenue increases, the base budget bills are defined by last year's ongoing appropriations. Last year's ongoing appropriations included the \$25 million that was covered with one-time revenues in the base budget bills. In order to avoid a structural imbalance this year, the Legislature will need to use an ongoing funding source. Mr. Ball explained that today's motion would include the \$25 million in the base budget bills but that money is coming from a one-time source.

MOTION: Rep. Brown moved to authorize legislative staff to prepare and number base budget bills for state agencies, higher education, and the Minimum School Program, as Executive Appropriations Committee bills to be introduced on the first day of the 2013 General Session. Staff shall include in these bills:

1. Ongoing General, Education, and Uniform School Fund appropriations defined in the current year's appropriation acts;
2. Restricted fund reductions included in agency budget requests; and
3. Adjustments to dedicated credits, nonlapsing balances, and federal funds included in agency budget requests as allowed under the Budgetary Procedures Act.

In consultation with the Co-Chairs of the Executive Appropriations Committee, staff may make any technical changes necessary. The motion passed unanimously.

A vote was taken on the motion. The motion passed unanimously.

7. Elected Official and Judicial Compensation Commission Report

Mr. Roger O. Tew, Chair, Elected Official and Judicial Compensation Commission (EJCC) presented "Report of the Utah Elected Official and Judicial Compensation Commission" dated November 2012.

Mr. Tew reported that over the last two years, the EJCC has focused its primary study efforts on the salaries of Utah's five constitutionally established elected offices: Governor, Lt. Governor, Attorney

General, State Auditor and State Treasurer. In 2006, the EJCC recommended some significant increases in judicial salaries. However, the EJCC deferred taking any action on the elected official's salaries for close to a decade.

Mr. Tew outlined the EJCC's rationale for recommending substantial increases in the elected official's salaries. He noted that Utah's elected positions are among the lower-paid key professional positions in state government. The Commission also wanted to address the perception that individuals holding these offices are either independently wealthy or will be required to augment the position's salary with other financial resources.

Mr. Tew pointed out that current Utah law specifically sets only the salary of the Utah Governor. The remaining executive elected positions are based at 95 percent of the Governor's salary. In setting a more realistic salary level for these offices, the Commission decided to use the current salary for the Chief Justice of the Utah Supreme Court, who is the head of a branch of government, as a base. Ultimately, the Commission recommended that the elected official's salaries be increased by 36.5 percent.

Mr. Tew indicated that the Commission's recommendations were unanimous. The Commission did not discuss the recommendations with the elected officials and all discussions were held in open meetings. Mr. Tew stated that the Commission's assessment was professional, bipartisan, and honest.

Mr. David Bird, Vice Chair, EJCC, spoke in support of Mr. Tew's comments. He stated that this is the appropriate time to make salary changes, given that the Governor has now been elected for his first full term as Governor, there are new elected officials, and the economy seems to be turning around. Mr. Bird stated that as he studied this matter over the last two years, what concerned him the most, was the perception by some that we don't need to raise the Governor's or the other elected officials' salaries because they have other sources of income. He explained that with this kind of pernicious perception, we start to lose confidence in our public officials. He urged the committee to actively consider the Commission's recommendations.

Mr. Tew thanked the Commission and LFA staff member, Mr. Gary Syphus, for their support and public service. He mentioned that there was nearly full attendance at all of the meetings.

8. Other Business/Adjourn

Co-Chair Hillyard called attention to the GOPB's written report, "Department of Agriculture and Food In-depth Budget Review." Mr. Ball indicated that the report was included in the committee binders for the committee to read.

Co-Chair Hillyard recognized the following committee members who will not be returning next year: President Waddoups, Sen. Romero, Sen. Morgan, Sen. McAdams, Rep. Dougall, Rep. Litvack, and Rep. Watkins. On behalf of the EAC Co-chairs, he expressed his appreciation for the great work they have done for the State of Utah.

MOTION: Rep. Brown moved to adjourn. The motion passed unanimously.

Co-Chair Hillyard adjourned the meeting at 2:50 p.m.