

**MINUTES OF THE  
EXECUTIVE APPROPRIATIONS COMMITTEE**

Monday, February 3, 2014 - 5:15 p.m. - Room 210 Senate Building

**Members Present:**

Sen. Lyle W. Hillyard, Co-Chair  
Rep. Melvin R. Brown, Co-Chair  
Sen. Jerry W. Stevenson, Vice Chair  
Rep. Brad R. Wilson, Vice Chair  
Sen. J. Stuart Adams  
Sen. Gene Davis  
Sen. Patricia W. Jones  
Sen. Peter C. Knudson  
President Wayne L. Niederhauser  
Sen. Karen Mayne  
Sen. Ralph Okerlund  
Sen. Luz Robles  
Rep. Joel K. Briscoe

Rep. Rebecca Chavez-Houck  
Rep. Tim M. Cosgrove  
Rep. Brad L. Dee  
Rep. Gregory H. Hughes  
Speaker Rebecca D. Lockhart  
Rep. Don L. Ipson  
Rep. Jennifer M. Seelig

**Staff Present:**

Mr. Jonathan Ball, Legislative Fiscal Analyst  
Mr. Steven Allred, Deputy Director  
Ms. Linda Black, Committee Secretary  
Ms. Karen Mitchell, Committee Secretary

**Note:** A copy of related materials and an audio recording of the meeting can be found at [www.le.utah.gov](http://www.le.utah.gov).

**1. Call to Order/Approval of Minutes**

Co-Chair Hillyard called the meeting to order at 5:35 p.m. There were no minutes to approve.

**2. Appropriations Subcommittee Reports**

**a. Business, Economic Development, and Labor**

Sen. Brian E. Shiozawa and Rep. Jim Bird, Co-Chairs, and Rep. Stewart Barlow, House Vice Chair, presented "Changes to Base Budgets - Report to Executive Appropriations Committee from Business, Economic Development, and Labor." Dr. Andrea Wilko, Chief Economist, LFA, and Mr. Zackery King, Fiscal Analyst, LFA, provided assistance.

This report is available on the legislative website at <http://le.utah.gov/interim/2014/pdf/00001742.pdf>

Rep. Bird offered some introductory remarks followed by Sen. Shiozawa who outlined the following subcommittee actions:

- *Eliminated \$8,083,500 General Fund for the Comprehensive Health Insurance Pool. With the Affordable Care Act going into effect, the federal government will take over the high risk pool clientele.*
- *Used \$2,000,000 revenue reduced from the Comprehensive Health Insurance Pool to fund a salary compression problem in the Insurance Department.*
- *The remaining revenues, \$6,083,500 ongoing and potentially \$13.7 million one-time, are being considered to help fund subsequent requests for appropriation and agency building blocks.*

- *Shifted Markup Holding Fund revenues into the Liquor Control Fund to simplify the appropriations to the Department of Alcoholic Beverage Control (Net zero impact).*
- *Reduced the nonlapsing balances in the Tax Commission by \$3 million to be appropriated and spent later by the committee.*
- *Asked specifically for better accountability for the USTAR Initiative.*

President Niederhauser asked for more detail on the salary compression problem in the Insurance Department. Rep. Bird explained that according to the Insurance Commissioner many highly qualified employees were leaving the department to work in other state agencies for higher salaries. In order to maintain some continuity in the department, the Commissioner suggested increasing fees to bring salaries up to where they needed to be. Rep. Bird stated that the subcommittee preferred using some of the revenue reduction from the Comprehensive Health Insurance Pool to fund the salary compression problem.

**MOTION:** Rep. Brown moved to approve 1<sup>st</sup> Substitute Senate Bill 4 and forward it to the Senate for consideration tomorrow morning. The motion passed unanimously with Speaker Lockhart and Sen. Mayne absent for the vote.

Sen. Shiozawa thanked the LFA analysts for their invaluable service. He also expressed his appreciation to Co-Chair Bird, House Vice Chair Barlow and the other members of the Senate and House who served diligently on this subcommittee.

Co-Chair Hillyard pointed out that there were three appropriations subcommittees that did not make any changes to their base budgets. Consequently, no materials were placed behind Tab 3 (Natural Resources, Agriculture, and Environmental Quality), Tab 7 (Higher Education), and Tab 8 (Infrastructure and Government Operations).

#### **b. Natural Resources, Agriculture and Environmental Quality**

Sen. David P. Hinkins and Rep. John G. Mathis, Co-Chairs, presented the subcommittee report. Mr. Ivan Djambov, Fiscal Analyst, LFA, and Ms. Angela Oh, Economist/Statistician, LFA, provided assistance.

Sen. Hinkins stated that the subcommittee reviewed the base budgets of Natural Resources, SITLA, Agriculture, the Department of Environmental Quality, Public Lands Office, and the Office of Energy Development. During the first five meetings, the co-chairs encouraged the subcommittee to ask questions that would help evaluate each line item within the base budget bill.

Sen. Hinkins reported that the committee had identified areas for further review and committee actions but felt that it needed more time and additional information. The committee felt that it would be best to leave the base budget as it is and make the changes in the supplemental bill.

Rep. Mathis felt that reviewing the base budget during the first week was a worthwhile exercise and gave the subcommittee a little more time to get acquainted with the agency base budgets and programs. The

subcommittee would like to continue with this process in the future with some refinements. Rep. Mathis had some concern with the Department of Technology Services and a trend that seems to be increasing fairly rapidly across all agencies within the subcommittee.

Co-Chair Hillyard reassured Rep. Mathis that the chairs of the Infrastructure and Government Operations Appropriations Subcommittee would get the subcommittee's input.

Rep. Wilson inquired about the balances in the Sovereign Lands Account. Sen. Hinkins responded he would like to keep the funds in the Sovereign Lands Account exactly where they are. Those funds are set aside for emergency purposes and were used most recently to keep the national parks open. Rep. Mathis pointed out that there are some significant needs in state lands and in other areas in the subcommittee. He mentioned the Phragmites problem around the Great Salt Lake, Bear Lake, and Utah Lake that will take tremendous reserves to address. He also stated that Sovereign Lands funds may be needed to fight fires in the near future given current water levels.

### **c. Public Education**

Sen. Howard A. Stephenson and Rep. Bradley G. Last, Co-Chairs, presented "Changes to Base Budgets - Report to Executive Appropriations Committee from Public Education." Mr. Ben Leishman, Fiscal Analyst, LFA, and Dr. Thomas Young, Economist, LFA provided assistance.

This report is available on the legislative website at <http://le.utah.gov/interim/2014/pdf/00001754.pdf>

Sen. Stephenson reported that the subcommittee reviewed each budgetary line-item, paying particular attention to Weighted Pupil Unit (WPU) formulas, Career & Technical Education, and the Charter School Local Replacement program. The subcommittee also looked at program level formulas and funding allocations in the Minimum School Program and each of the education agency budgets.

The subcommittee also heard an update from the State Charter School Board on issues facing charter schools and the progress on new charter schools authorized under H.B. 344 (2013 General Session). The subcommittee assured the State Charter School Board that the new charter schools that are planned for the coming fall would have sufficient funding if student growth is funded.

Sen. Stephenson also mentioned that other than potential nonlapsing balances, the subcommittee did not reallocate funding within the education budget. He concluded his remarks stating that the co-chairs felt that the base budget process would be more meaningful during the Interim, when there would be more time to delve more deeply than in the pressure of the session.

Rep. Last reported that the subcommittee took the following actions:

- *Voted to hold \$35.1 million in nonlapsing balances from the MSP, Voted & Board Local Levy Programs, Utah State Office of Education, State Charter School Board, and the Utah Schools for the Deaf and Blind.*

- *Voted to increase transparency in the appropriation of programs previously contained in the “Contracts & Grants” program of the USOE - Initiative Programs line-item by individually listing these programs in the appropriations bill.*

Rep. Last stated that the subcommittee intends to review the nonlapsing balances in the remaining meetings and provide recommendations on the use of these funds.

**MOTION:** Rep. Brown moved to approve 2<sup>nd</sup> Substitute House Bill 1 and forward it to the House for consideration tomorrow morning. The motion passed unanimously with Speaker Lockhart absent for the vote.

Co-Chair Hillyard said that he would include the co-chairs’ comment about having more time during the Interim to review base budgets in fine tuning the base budget process. He encouraged committee members to look at the Compendium of Budget Information (COBI). He stated that staff had done a remarkable job.

#### **d. Social Services**

Sen. Allen M. Christensen and Rep. Ronda Rudd Menlove, Co-Chairs, and Rep. Daniel McCay, House Vice Chair, presented “Changes to the Base Budgets - Report to the Executive Appropriations Committee from Social Services.” Mr. Russell Frandsen, Fiscal Analyst, LFA, and Mr. Stephen Jardine, Fiscal Analyst, LFA, provided assistance.

This report is available on the legislative website at <http://le.utah.gov/interim/2014/pdf/00001741.pdf>

Sen. Christensen reported that the subcommittee met for six hours each day for five days to review the base budgets of the departments of Health, Human Services, Workforce Services, and Utah State Office of Rehabilitation. He noted that there are more than 350 programs operating within those departments and while there was not enough time to review each one of those programs, the fiscal analysts did a tremendous job of providing the subcommittee with valuable budget information.

Sen. Christensen stated that the subcommittee took public comment at each meeting and dedicated a three hour meeting solely to taking public comment. He mentioned that subcommittee passed a base budget bill (1<sup>st</sup> Sub S.B. 8) with a unanimous vote.

Rep. Menlove reported on the following subcommittee actions:

- *Passed an ongoing base budget bill as carried forward from the FY 2014 budget of more than \$4 billion.*
- *Made some consensus General Fund adjustments to the base budget (primarily funding reductions or other revenue options) totaling \$1.6 million ongoing and \$0.7 million one-time.*
- *Added Expendable Special Revenue Funds to the Base Budget Bill following recommendations from the In-depth Budget Review.*

- *Adopted performance measures for 31 line items via intent language.*
- *Adopted nonlapsing authority via 28 pieces of intent language.*

Rep. Menlove noted that during the remaining meetings, the subcommittee will look at some additional funding reductions of \$2.4 million ongoing and \$7.6 million one-time and some revenue exchanges of \$4.1 million ongoing and \$240.1 million one-time.

Co-Chair Hillyard asked for input on the new process. Sen. Christensen responded. Rep. Menlove said that the subcommittee members provided positive feedback.

**MOTION:** Rep. Brown moved to approve 1<sup>st</sup> Substitute Senate Bill 8, including the amendment proposed by Senator Christensen, and forward it to the Senate for consideration tomorrow morning. The motion passed unanimously with Speaker Lockhart absent for the vote.

#### **e. Executive Offices and Criminal Justice**

Sen. Daniel W. Thatcher and Rep. Eric K. Hutchings, Co-Chairs, and Rep. Keven Stratton, House Vice Chair, presented “Changes to Base Budgets - Report to the Executive Appropriations Committee from Executive Offices and Criminal Justice.” LFA staff fiscal analysts, Mr. Gary Syphus and Mr. Zackery King, provided assistance.

This report is available on the legislative website at <http://le.utah.gov/interim/2014/pdf/00001757.pdf>

Rep. Stratton reported that the subcommittee identified several issues related to both one-time and ongoing budget items. Changes to the base budget include \$22,389,000 GF one-time and \$839,400 GF ongoing.

Rep. Wilson asked for more information about the \$20 million one-time reallocation from Corrections. Sen. Thatcher explained that the majority of that reallocation would go toward building the West Pod at the Gunnison Correctional Facility to meet a long time need. Rep. Stratton clarified that \$12 million was reallocated to West Pod and the remaining monies would be used to meet other funding requests.

Rep. Seelig asked how CCJJ’s emergency supplemental request related to the handling of rape cases was going to be addressed. Rep. Stratton said that CCJJ’s Emergency Supplemental request for \$877,000 could be addressed in the Supplemental Appropriations Act. Rep. Seelig asked if the Legislature had the capability of funding this request with current fiscal year monies. Rep. Stratton confirmed that this was the subcommittee’s understanding.

Mr. Ball responded to Rep. Seelig’s question as well. He explained that in this particular case and in general, subcommittees have multiple opportunities to adjust the amounts in the base budget bills to address funding requests through either the base budget process, the Current Fiscal Year Supplemental Appropriations Act (usually passed on the 40<sup>th</sup> day of Session), or the Bill of Bills (passed on the last day of Session).

Sen. Mayne asked if the Gunnison Correctional Facility could sustain more growth and if the facility's role would change if a new prison were to be built. Rep. Hutchings clarified that Gunnison's master plan includes one additional expansion, West One, and there is enough funding in the Corrections budget to build the first pod. Expanding beyond West One would require increasing Gunnison's infrastructure which would impact the larger community. Rep. Hutchings stated that if we don't start construction on the pod this year we will run out of bed space even with jail contracting. If a new prison were to be built, having additional capacity at Gunnison would be critical when moving prisoners around.

Rep. Dee asked about the subcommittee's intentions in removing the funding for the Weber Valley Detention Center. Rep. Hutchings explained that there has been some very intensive work done on receiving centers and detention centers during the Interim. He believed that Juvenile Justice Services has come up with an excellent model that could keep those funds there and make Weber the model.

**MOTION:** Rep. Brown moved to approve 1<sup>st</sup> Substitute Senate Bill 5 as written and forward it to the Senate for consideration tomorrow morning. The motion passed unanimously with Speaker Lockhart absent for the vote.

Co-Chair Hillyard reiterated that when the EAC met in December, the committee approved the base budget bills. If a subcommittee did not make any changes to its base budget bill, the EAC would not need to take further action.

#### **f. Higher Education**

Sen. Stephen H. Urquhart and Rep. Keith Grover, Co-Chairs, and Rep. Jon Stanard, House Vice Chair, addressed the committee. Mr. Spencer Pratt, Fiscal Manager, LFA, and Ms. Angela Oh, Economist/Statistician, LFA, provided assistance.

Rep. Grover stated that Senate Bill 1 appropriates approximately \$782 million from the General Fund/Education Fund, \$657 million from dedicated credits (predominantly tuition), and \$27 million from various other sources including restricted funds and transfers.

Rep. Grover indicated that the subcommittee heard from all of the applied technology colleges and institutions of higher learning during base budget week. The subcommittee asked thorough questions during and after the appropriations hearings and even prior to the Session.

Rep. Grover mentioned that during the 2013 General Session, the subcommittee allocated \$3 million one-time to Utah State University for their advanced degree, PhD programs. USU reported that the PhD programs have been very successful and meaningful. USU has spent over 80 percent of the funding, to bring in new students in keeping with the university's mission to become a stellar research university. In addition, the Legislature appropriated \$10 million for the University of Utah School of Medicine, which has now admitted 20 students. Many of these students are from Utah and the School of Medicine expects more students will enroll over the next three years.

#### **g. Infrastructure and General Government**

Sen. Wayne Harper and Rep. Gage Froerer, Co-Chairs, and Rep. Jake Anderegg, House Vice Chair,

presented the subcommittee report. LFA staff fiscal analysts, Mr. Mark Bleazard and Mr. Gary Ricks provided assistance.

Sen. Harper reported that the subcommittee adopted the base budget for S. B. 6 as originally drafted. This bill appropriates \$2.1 billion in operating and capital budgets for FY 2015 for the Department of Transportation, Department of Administrative Services (DAS), Department of Technology Services (DTS), Capital Improvements, Debt Service, DAS Internal Service Funds, and DTS Internal Service Funds.

Sen. Harper stated that the subcommittee decided to hold back at least \$10 million for reallocation because the subcommittee wants to hear all of the requests for capital projects before it makes its final recommendations.

Rep. Froerer explained that the subcommittee had discussed whether or not phased funding should continue, the disproportionate use of general funds for the O&M of capital improvement projects that should be paid for with Higher Education funds, and developing a metric for analyzing the return on investment for capital projects.

In response to Rep. Wilson's inquiry about the \$10 million in cuts to the IGG base budget, Rep. Harper said that cuts were made from bid savings, retained earnings and purchasing, debt service, UDOT construction management, and other line items in UDOT. He explained that the subcommittee would consider reallocating this money to address costs associated with phased funding and to meet the 1.1 percent statutory requirement for capital improvements.

Rep. Wilson asked about the concerns with the DTS. Rep. Anderegg explained while DTS is the service arm for technical services in the State, there is a tendency for departments to silo their IT services, which results in a duplication of services. He also mentioned problems with overcharging and not servicing on a regular basis. Rep. Anderegg felt that DTS needs to work on communication and sales and providing better service to the departments. He thought that there could be some real cost savings.

Sen. Adams pointed out that some departments often use specialized software that they want to maintain themselves. In addition, the departments prefer to manage their own IT budgets.

Co-Chair Hillyard said that the base budget process helped the subcommittee identify the \$10 million. Rep. Froerer commented that the base budget process has been a welcome change. The subcommittee felt that the process provided new insight into the agencies' budgets and that from an agency standpoint, it was a positive exercise in budgeting.

Rep. Harper commented that it might be more beneficial to go through COBI line by line in advance of the Session, which would eliminate some of the activities that go along with Session.

#### **h. Retirement and Independent Entities**

Rep. Kraig Powell, Co-Chair, presented "Changes to Base Budgets - Report to Executive Appropriations Committee from Retirement and Independent Entities." Mr. Brian Fay, Fiscal Analyst, LFA, and Ms. Angela Oh, Economist/Statistician, provided assistance. Sen. Weiler was asked to be excused.

The report is available on the legislative website at <http://le.utah.gov/interim/2014/pdf/00001739.pdf>

Rep. Powell discussed changes made to 1<sup>st</sup> Substitute H.B. 6 - Retirement and Independent Entities Base Budget, which includes the budgets for the Career Service Review Office, the Department of Human Resource Management (DHRM), and the Utah Education Network (UEN). He pointed out that the fiscal analysts and agency personnel were very helpful in identifying cuts to the base budget. Rep. Powell highlighted the following changes to the base budget:

- *For the Career Service Review Office, reduced ongoing budget to match historical trend (\$33,000 GF) or 11.5 percent, and increased nonlapsing authority to cover fluctuations in claims (\$30,000 GF).*
- *For DHRM, reduced ongoing budget to match historical trend (\$382,300 GF) through efficiencies in lower than expected IT costs, consolidation of operations, and reductions in workforce; Attorney General Service fees now captured entirely through ISF rate (\$96,500 GF); reduction in nonlapsing balances (\$500,000 GF one-time).*
- *For UEN, approved the appropriation shift of \$250,000 from General Fund to Education Fund.*

Rep. Powell spoke favorably about base budget week, stating that without this exercise, we would not have made these cuts in the overall state budget. From his view, base budget week was a success.

Rep. Dee observed that DHRM's budget was not a large budget but managed to make a 15.5 percent General Fund reduction. Rep. Powell said that he had taken the opportunity to compliment Ms. Debbie Cragun for her work in this area. Rep. Dee asked Rep. Powell to relay his respects to her and her willingness to find efficiencies even that small of a department.

**MOTION:** Rep. Brown moved to approve 1<sup>st</sup> Substitute House Bill 6 as written and forward it to the House for consideration tomorrow morning. The motion passed unanimously with Sen. Jones absent for the vote.

## **I. Executive Appropriations Committee**

Mr. Brian Fay presented "Changes to the Base Budget - Executive Appropriations Committee." He explained that the Executive Appropriations Committee oversees the budgets the Utah National Guard (UNG), the Utah Department of Veterans' and Military Affairs (UDVMA), the Capitol Preservation Board, and the Legislature. Mr. Fay stated that each of these budgets have different challenges and different opportunities.

Mr. Fay outlined the following changes to the base budget:

- *For the UNG, shifted \$1,000,000 ongoing General Fund appropriation ongoing from the Administration program to the Tuition Reimbursement program within the Utah National Guard line item.*

*For the UDMVA:*

- *Consolidated the Veterans' Nursing Home appropriation with the Veterans' Nursing Home Fund to free up \$467,400 General Funds.*
- *Broke out Military Affairs as a distinct program and reallocated \$84,000 in consolidated savings to this program.*
- *Broke out Outreach Services as a distinct program and reallocated \$308,800 in consolidated savings to this program.*
- *Broke out State Approving Agency as a distinct program and reallocated \$131,000 federal funds from Administration.*

The net impact to the UDMVA base budget is a \$74,600 reduction. Mr. Fay indicated that the department would be coming back in subsequent meetings to discuss growth and present building blocks in anticipation that some of this reduction would be reallocated back through the budget process.

Finally, Mr. Fay stated that there were no changes for the budgets of the Capitol Preservation Board and the Legislature.

**MOTION:** Rep. Brown moved to approve the shift of \$1,000,000 from the Administration program to the Tuition Reimbursement program within the Utah National Guard line item as written in Item 1 of the 1<sup>st</sup> Substitute Senate Bill 7. The motion passed unanimously.

**MOTION:** Rep. Brown moved to approve the base budget for the Department of Veterans' and Military Affairs as detailed in the 1<sup>st</sup> Substitute Senate Bill 7. The motion passed unanimously.

**MOTION:** Rep. Brown moved to approve 1<sup>st</sup> Substitute Senate Bill 7 as written and forward it to the Senate for consideration tomorrow morning. The motion passed unanimously.

Rep. Wilson thanked the LFA staff for the extra work they had done. He asked for a running tally on the changes that were made to the base budgets. Mr. Ball stated that based on what had been discussed tonight, General Fund/Education Fund changes equal \$8.4 million ongoing and \$58.7 million one-time, for a total of \$67 million or 1.5 percent of the base budget.

### **3. Other Business/Adjourn**

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

Co-Chair Hillyard adjourned the meeting at 6:34 p.m.

Minutes recorded by Greta Rodebush, Legislative Secretary.