

**MINUTES OF THE  
EXECUTIVE APPROPRIATIONS COMMITTEE**  
Tuesday, July 15, 2014 - 1:00 p.m. - Room 210 Senate Building

**Members Present:**

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. Ralph Okerlund  
Rep. Joel K. Briscoe  
Rep. Rebecca Chavez-Houck  
Rep. Tim M. Cosgrove  
Rep. Brad L. Dee

Rep. Don L. Ipson  
Speaker Rebecca D. Lockhart

**Members Excused:**

Sen. Lyle W. Hillyard, Co-Chair  
Sen. Karen Mayne  
Sen. Luz Robles  
Rep. Gregory H. Hughes  
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](http://www.le.utah.gov).

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

Co-Chair Brown called the meeting to order at 1:12 p.m. Sen. Hillyard was excused from today's meeting. Sen. Stevenson, Vice Chair, assumed the Co-Chair.

**MOTION:** Sen. Stevenson moved to approve the minutes of June 17, 2014. The motion passed unanimously with Sen. Jones, Sen. Okerlund, Rep. Briscoe, and Rep. Cosgrove absent for the vote.

**2. Federal/Non-federal Grants**

Mr. Evan Curtis, Governor's Office of Management and Budget (GOMB), presented the Federal/Non-Federal Grants Report dated July 15, 2014. Under federal grants, there were two new grants and one continuation of an existing grant requiring legislative action. The Governor's Office approved eleven new grants and one continuation of an existing grant.

Under non-federal grants, there was one new grant requiring legislative action. The Governor's Office approved two new grants.

**MOTION:** Sen. Stevenson moved to recommend acceptance of the federal and non-federal grants 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, July 15, 2014. The motion passed unanimously with Sen. Jones absent for the vote.

**3. UDAF/UACD Legislative Audit**

Mr. Wayne Kidd, Supervisor, Office of the Legislative Auditor General (OLAG) presented the report, "A Performance Audit of the Governance of Conservation Districts," dated June 2014. The audit

examines the administrative governance and funding for conservation districts, the development and management of conservation projects, and the oversight and accountability of the districts.

Mr. Kidd explained that resource conservation management in Utah is a complicated system involving several organizations. Each year, the Legislature appropriates funding for resource conservation to the Utah Department of Agriculture and Food (UDAF). The department then distributes the funding to the Utah Association of Conservation Districts (UACD), the Utah Conservation Commission (UCC) that is within UDAF, and the state's 38 conservation districts. In fiscal year 2013, the Legislature appropriated \$1.6 million for resource conservation. The majority of that funding or 55 percent was allocated to the UACD.

Audit findings show the following:

- *The state contract with UACD is not cost effective and UACD could have done more to develop CDs' conservation capacity. The audit points out that UACD's financial reserves have increased 61 percent over the last 10 years because it retained some state and federal funding rather than using those funds to support conservation programs.*
- *Change in conservation funding will improve the function of CDs. As the state-level policy maker, the UCC needs to use its statutory authority to direct policy and funding for state conservation measures.*
- *The UCC needs to improve its oversight of CDs accountability reports. The audit found that CDs' financial reports contained inconsistencies and omission of income and expenses.*

The audit recommends that:

- *The UDAF clearly define allowable administrative charges, specify acceptable use of the funding, and require accountability of state funds in any future contracts with UACD.*
- *The UDAF eliminate or significantly reduce the contract with the UACD and provide those funds to the UCC, so UCC can implement a pooling model to fund resource conservation at the CD level.*
- *The UCC review all required conservation CD reports for completeness and accuracy and ensure that CDs meet independent financial review requirements and follow laws and UCC's policies regarding personnel and purchasing.*

Commissioner LuAnn Adams, UDAF, delivered the agency response commenting that there is enough blame to go around, that checks and balances need to be in place, and that we need to get back to how things were originally set up. The UCC was set up as the agency in state government to oversee the conservation districts, which are more important today than they were 77 years ago. The UCC was set up as the agency in state government to oversee the conservation districts. Because UCC was not fulfilling its role, the UACD stepped up, taking on a role that was out of their realm. The UDAF should have taken a closer look at the contracts.

Commissioner Adams stated that she was bringing in an outside facilitator on July 29-30, 2014 to help resolve these issues. She will be asking for input from all of the stakeholders including legislators and the Governor's Office. Prior to this meeting, she will be speaking with employees to get their input as well.

Sen. Okerlund stated that the local conservation districts are very important and have done a good job with limited staff and limited budgets. He felt that strengthening the role of the UCC in relationship to the CDs is a key recommendation.

Co-Chair Brown said that he had read the report in its entirety and that he had been deeply involved in this discussion for the last 3 or 4 years. He felt that the Commissioner's beginning statement was an important one, that there is enough blame to go around everywhere. The audit brought forward the structure that had been in place for years, but had not been used. Co-Chair Brown also felt that the process needs to be taken apart and put back together again.

Sen. Davis suggested engaging the Natural Resources, Agriculture, and Environmental Quality Appropriations Subcommittee, and corresponding Interim and Standing Committees in this discussion. He also thought that these concerns ought to be forwarded to the Legislative Management Committee.

Sen. Okerlund stated that the working group Commissioner Adams is putting together is very important to the process and that he is looking forward to the group's recommendations.

#### **4. Fiscal Note/Building Block Follow-up Report**

Mr. Stephen Jardine, Fiscal Analyst, LFA, presented the "Fiscal Note and Budget Item Follow-Up Report." The report follows up on 123 selected fiscal notes and budget actions from past legislative sessions. For each item, the report includes a stop light code (green, yellow, or red) for implementation, budget accuracy, and performance. Mr. Jardine stated that the report is intended to create a feedback loop to the Legislature regarding funded items.

Staff discussed the following fiscal notes and budget action items from the 2012, 2013, and 2014 General Sessions:

1. Disabilities Waiting List (page 75)
2. Mental Health Early Intervention for Children/Youth (page 76)
3. Pingree School Bus (page 56)
4. Savings from Higher Federal Match Rate for Certain Medicaid Eligibility Systems Maintenance and Operations (page 89).
5. H.B. 133 - Vehicle Registration Amendments (page 30)
6. Higher Education Performance Based Funding (page 95)
7. S.B. 72 - Prison Relocation and Development Amendments (page 123)

Rep. Wilson felt that it would be important for individuals who submitted requests for appropriation and bill sponsors to receive a copy of the Fiscal Note and Budget Item Follow-Up Report. Mr. Allred stated that the report proved valuable for the appropriations subcommittees during base budget week last session and that a motion would be made to refer today's report to the appropriations subcommittees' next base budget week.

Co-Chair Brown complimented the Fiscal Analyst Office on the report and encouraged every legislator who was involved in sponsoring a bill that had an appropriation or requested a direct appropriation to look at the report and see the results of what their actions were.

**MOTION:** Sen. Stevenson moved to refer the Fiscal Note and Budget Item Follow-up Report presented to us today to the relevant appropriations subcommittees for their further consideration. The motion passed unanimously with Rep. Brad Dee absent for the vote.

## **5. GOMB Report on SUCCESS**

Ms. Kristen Cox, Director, GOMB, gave a high level report on GOMB's efforts to improve state government and the work GOMB has done over the last year. She discussed trends in revenue growth compared to trends in demand, process improvement, and increasing internal capacity.

Ms. Cox highlighted the three elements of the SUCCESS Framework: maximize capacity, speed (work time vs elapsed time), and improve quality.

Ms. Cox provided some examples of where the SUCCESS Framework has helped achieved internal efficiencies in state government that included: Child Welfare, Adult Probation & Parole, Utah Correctional Industries, Department of Commerce - Real Estate Division, and the Utah National Guard - Tuition Reimbursement.

Ms. Cox stated that she is confident that every system has the capacity to get better. She concluded her remarks by discussing GOMB's new SUCCESS management information system.

Sen. Stevenson said that he has been very impressed with the SUCCESS process and the results speak for themselves. Ms. Cox responded that GOMB still has a long way to go, given that there are 156 systems in place. She stated that GOMB will go through each one of those systems.

## **6. Pilot Use of Performance Measures in Intent Language**

Mr. Russell Frandsen, Fiscal Analyst, LFA, briefly discussed the importance of performance measures and increasing accountability in the base budget.

Mr. Frandsen explained that during the 2014 General Session, the Social Services Appropriations Subcommittee approved up to three performance measures for each of its 32 principal line items as intent language in its base budget, S.B. 8 - *Social Services Base Budget*. He reviewed the process by which measures were introduced, reviewed by the subcommittee, and approved for the appropriations act. He cited one instance where the subcommittee requested changes to proposed performance measures for the Medicaid and Health Financing line item before it would take final action.

Mr. Frandsen stated that the subcommittee will receive reports on all performance measures by January 1, 2015. He expects that the subcommittee is likely to include the same performance measures, perhaps with some modifications, in next year's base budget.

**MOTION:** Sen. Stevenson moved to direct appropriations subcommittees to include performance measures for each significant line item in appropriations acts' intent language according to instructions to be provided by the Executive Appropriations Committee. The motion passed unanimously with Rep. Cosgrove, Rep. Brad Dee, and Speaker Lockhart absent for the vote.

## **7. USTAR Introduction of Executive Director**

Mr. Zackery King, Fiscal Analyst, LFA, introduced Dr. Ivy V. Estabrooke, the new executive director for the Utah Science and Technology Research Initiative (USTAR). Her biography was included behind Tab 7 in the committee binders.

Dr. Estabrooke expressed her appreciation for the warm welcome she had received here in Utah. She reviewed her biographical information and her goals for the USTAR organization.

Rep. Wilson asked Dr. Estabrooke to comment on how she views her role as executive director of USTAR, if USTAR is going to live up to expectations set 7 to 8 years ago, what her game plan is moving forward, and when she can report back to the committee with her assessment of the program.

Dr. Estabrooke stated that she would like to build upon the foundational work that has already been done in USTAR and implement the recommendations in last year's legislative audit. She wants to make sure that all the components in USTAR understand the intent of the legislation, that there is a unified goal and vision for the organization, and then, develop a strategy to implement that goal and vision.

Dr. Estabrooke plans on moving forward with a sustainability plan and realigning expectations using models of other organizations similar to USTAR. She expects to report back to the Committee with a plan and a strategy within the next 60 to 90 days.

Rep. Wilson appreciated Dr. Estabrooke's candor. He asked her to let the Committee know as soon as possible if she felt that the Legislature needed to redirect taxpayer resources and move the program in a different direction.

Sen. Jones asked Dr. Estabrooke to respond to the following question in laymen's terms, "What is USTAR and how does it benefit our citizens?" She also asked what USTAR was doing to help prepare the workforce to fill STEM jobs. Rep. Briscoe asked about USTAR's ability to commercialize technology.

Rep. Chavez-Houck said that she is looking forward to a new era for USTAR. She has been concerned with governance and would like to have more open dialogue with the Legislature in assuring the public's trust with those funds. Rep. Chavez-Houck was also interested in learning about what other states and institutions have been able to do in terms of governance, accountability, and transparency.

## **8. SITLA Budget Oversight**

Mr. Kim Christie, Deputy Director, School Institutional Trust Lands Administration (SITLA), addressed the Committee. He was joined by Mr. David Ure, Chairman, Board of Trustees, and Ms. Lisa Synder, Assistant Director, Financial Operations.

Mr. Christie discussed the challenges associated with the current budgeting process for the Trust Lands Administration (TLA). The TLA has the legislative charge to function more like private enterprise and less like government. Mr. Christie explained that because there is a 23-month delay between budget approval by the Board of Trustees and actual expenditure of funds, the TLA does not have the flexibility to address unanticipated costs and opportunities. .

Mr. Christie explained that the Board of Trustees and Administration discussed four possible options to address this concern. He felt that Option 3 - Amend Title 53C to allow for the transfer of money between "Line Items" and Option 4 - Amend Title 53C to allow for additional expenditure from revenues have more merit.

Chairman Ure talked about the importance of legislative oversight and having the ability to ask for permission to invest in projects and/or make plan changes during the interim.

Co-Chair Brown stated that legislative oversight and accountability are absolutely necessary to the process. He recognized that there are times when the TLA needs the flexibility to make investments in real estate or plan changes to earn money faster and better for the school children of the state. Co-Chair Brown recommended contacting legal counsel to find out if there were any statutes or process that would be violated if a supplemental increase was approved in an interim committee.

**MOTION:** Sen. Knudson moved to direct the co-chairs of the Executive Appropriations Committee to look into the request of SITLA on the process SITLA might have to achieve what their goal is in terms of not having to wait between sessions to act on important items and then report back to this body. The motion passed unanimously with Sen. Adams, Sen. Davis, and Rep. Dee absent for the vote.

## **9. DFCM Report on Capital Facilities Issues**

Mr. Mark Bleazard, Fiscal Analyst, LFA, reported on two capital development projects, University of Utah Infrastructure and the Utah State Fairpark.

Mr. Bleazard briefly discussed the funding history to update the infrastructure of the High Temperature Water (HTW) and electrical distribution process at the University of Utah, which was projected to cost in excess of \$125 million. To date, the Legislature has authorized cash expenditures of approximately \$73 million through either direct appropriations or the capital improvements process. During the 2014 General Session, the Legislature authorized a \$32 million revenue bond that the Board of Regents could issue on behalf of the University of Utah. The additional expenditures of \$24.5 million are expected to come from capital improvement funding.

Mr. Bleazard also provided some background information on Utah State Fairpark, an issue that has been of some concern to the Legislature for a number of years. The Utah State Fair was established in 1902. In 1995, the Legislature privatized the management of the Fairpark. The Utah State Fair Corporation, an independent public nonprofit corporation, currently runs the Fairpark. In FY 2014, the corporation ran into some considerable financial difficulties. The Legislature authorized a study to analyze the Fairpark and the Department of Administrative Services hired CRSA to implement the study and develop long-term options for the State Fair and the Fairground property. CRSA issued their final report on July 3, 2014, and made a presentation in today's EAC meeting.

Mr. Jim Russell, Division of Facilities and Construction Management (DFCM), spoke favorably about the progress being made on the infrastructure upgrade at the University of Utah. Phase I of infrastructure upgrade is 98 percent complete on the lower campus and 90 percent complete on the upper campus. Mr. Russell reported that Phase II is on budget and that DFCM is moving forward with the construction on the electrical distribution system and a second phase of high temperature water upgrade.

Mr. Joshua Haines, DFCM, called attention to the report, "Utah State Fairpark and White Ballpark Land Use Study," and opened the discussion up by asking for questions. He noted that representatives from CRSA were available to answer questions as well.

Co-Chair Brown indicated that the Committee may need more time to review the report.

President Niederhauser commented that we need to be looking at some type of multi-use situation for the Fairpark and using this asset in many different ways throughout the year. Mr. Haines agreed. He noted that the Fairpark is underutilized when comparing total number of days utilized with other fair parks across the county. Mr. Haines noted that the Fairpark has been ignored for about 20 years and that the situation needs to be corrected by making better use of the facilities or selling it.

Rep. Chavez-Houck said that she would be interested in finding out what other states have done to sustain their fair parks. She felt that the Fairpark plays an important role in the community.

Sen. Okerlund stated this is a real opportunity for us to be innovative in looking at the best uses for the Fairpark and that area. However, we are going to have to put some money in it, upwards of \$33 million over the next 20 years, according to the report. Sen. Okerlund stated that the Fairpark is an important part of our heritage.

Mr. Haines indicated that the \$33 million is over the next 20 years and that DFCM is currently working with the Fairpark to identify what needs to be done today to move forward. He said that they should have that number in the next three weeks.

Rep. Dee spoke on behalf of the Utah State Fair. He cautioned about not getting too caught up with the numbers but thinking of the fairs in terms of the quality of life these fairs bring to our society, our children, and to those who participate in the fairs.

Sen. Adams expressed his support for a multi-use facility that has some economic ability beyond what the fair offers.

Co-Chair Brown also expressed his support for the Utah State Fair. He pointed out however, that we have to be willing to pay for it. He said that our first challenge is to come up with a plan on how to move the Fairpark forward, which we have not had in the past.

## **10. Other Business/Adjourn**

**MOTION:** Vice Chair Stevenson moved to adjourn. The motion passed unanimously with Rep. Briscoe absent for the vote.

Co-Chair Brown adjourned the meeting at 3: 21 p.m.