

**MINUTES OF THE  
SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE**

Room 30 West House Building, State Capitol Complex

February 5, 2015

**Members Present:** Sen. Allen M. Christensen, Co-Chair  
Rep. Paul Ray, Co-Chair  
Rep. Edward H. Redd, House Vice Chair  
Sen. Deidre M. Henderson  
Sen. Luz Escamilla  
Sen. Brian E. Shiozawa  
Sen. Alvin B. Jackson  
Sen. Todd Weiler  
Rep. Rebecca Chavez-Houck  
Rep. Melvin R. Brown  
Rep. Bradley M. Daw  
Rep. Earl D. Tanner  
Rep. Sandra Hollins  
Rep. Robert Spendlove  
Rep. Raymond Ward

**Members Excused:**

**Members Absent:** President Wayne L. Niederhauser  
Sen. Mark B. Madsen

**Staff Present:** Mr. Russell T. Frandsen, Fiscal Analyst  
Mr. Stephen C. Jardine, Fiscal Analyst  
Ms. Paula Winter, 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).

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

Rep. Ray called the meeting to order at 8:23 AM

**1. Unfinished Items from the Previous Agenda**

None

**2. Public Input**

No public signed up to provide input.

**3. Annual Audit of the Department of Workforce Services by the State Auditor**

<http://le.utah.gov/interim/2015/pdf/00000907.pdf>

John Dougall, State Auditor, introduced the auditors that presented the audit information. Hollie Andrus, Audit Director, State Auditor, proceeded to share the information from the audit using the presentation information available. She stated that her team looked at Federal

Compliance in relation to 6 programs which were: (1) The Low Income Heating Assistance Program, (2) The Workforce Investment Act, (3) The Child Care Cluster, (4) The Supplemental Nutrition Assistance Program (SNAP), (5) Temporary Assistance for Needy Families (TANF), and the (6) Home Loan Program. She informed the Committee that Melanie Henderson, Audit Director, State Auditor, and her team focused on Medicaid Third Party Liability and Eligibility Determination and Children's Health Insurance Program (CHIP) Eligibility Determination. Ms. Andrus stated they compared 2014 information to 2013 findings and that the Audit team issued 12 findings and recommendations that spanned all 6 programs looked at as well as Medicaid and CHIP Eligibility programs. She continued to detail the findings by referring to the presentation material available and referring to unallowable costs.

Sen. Christensen questioned a zero on the Medicaid reporting and how that could be possible. Melanie Henderson, Auditor, reported on the zero information and stated that they did not find any eligibility errors on the 60 Medicaid cases they sampled. She continued to explain the findings. Sen. Christensen and Ms. Henderson continued to converse.

Ms. Andrus reported on the bigger findings in the audit. She mentioned one material weakness that may be important to stakeholders which is part of the Workforce Investment Act Program. She continued to expand on that concept and spoke about the policies and procedures of the Department. She shared that there were 2 policies that were concerning. She related those policies and concerns about the procedures used as well as the steps taken to solve the problems and update the policies. Ms. Andrus continued to speak about unallowable costs or questioned costs and about how that has jumped from \$3,900 in FY 2013 to almost \$390,000 in FY 2014. She explained that the bulk of that was related to the Low Income Heating Program and about the federal requirements to spend or commit the money by the end of the second year and as a result under committed or underspent about \$375,000 which does not meet federal requirements. She related some minor questioned costs.

Sen. Christensen asked where the fault lies because there was not enough money spent and Ms. Andrus explained the fault and the misunderstanding that caused the problem.

Melanie Henderson, Auditor, reported on the Breakdown of CHIP Eligibility Errors, identified information and the errors that cause that. She explained the graph in the information and Medicaid Third-Party Liability Errors for the past 5 years as well as the trends. She explained what third party liability is and looked at the error rates.

Sen. Christensen inquired about the numbers associated with the percentages reported. Ms. Henderson gave information about the numbers in 2014.

Ms. Henderson continued sharing findings.

Hollie Andrus continued discussing some Additional Findings included on the presentation. Ms. Andrus summarized that the DWS deals with a lot of federal programs and allocates costs between programs as well as estimating to identify how to allocate the costs and some reporting

errors. She also indicated some errors in the TANF program verifying wages and also with regard to employment counselors. She indicated that the information for all of the audit could be found on line at the audit website at [auditor.utah.gov](http://auditor.utah.gov).

Rep. Redd indicated that he thought the information presented was interesting and having a third party looking at information helps the Committee do a better job.

#### **4. Department of Workforce Services – Budget Effectiveness Review Options**

Stephen Jardine, Fiscal Analyst, presented this portion of the meeting covering recommendations made by the analyst:

a. Budget Effectiveness Review for 2%:

Mr. Jardine stated the following item is a technical issue.

#27 DWS – Administration – Women in the Economy Commission (H.B. 90, 2014 GS)

b. Additional Options

<http://le.utah.gov/interim/2015/pdf/00000339.pdf>

#6 DWS – Review, Approve and or Alter some of the Agency uses of the Special Administrative Expense Account – Penalty for unemployment contributions and use of those funds

c. Additional Options

<http://le.utah.gov/interim/2015/pdf/00000335.pdf>

#11 DWS General Assistance SOAR Program - reduce staff providing duplicate functions for disability determination - DWS and USOR have some duplicative functions

d. Additional Options

<http://le.utah.gov/interim/2015/pdf/00000335.pdf>

Russell Frandsen, Fiscal Analyst, shared information on 3 items for this portion of the presentation;

#3 DWS - Divert Interest from Olene Walker Housing Fund to the General Fund - \$1.7 million

#8 DWS - Divert Interest From Uintah Basin Revitalization Fund to the General Fund - \$140,000

#12 DWS - Divert Interest From Navajo Revitalization Fund to the General Fund -\$60,000 annually

Mr. Frandsen indicated each of the above would require a bill file and a statutory change to make anything happen with them.

Rep. Redd asked if there was anyone present who could share their opinion on the funds presented.

Kimberley Schmeling, Head of Finance, Housing and Community Development, Department of Workforce Services (DWS), spoke to the issue of the Olene Walker Housing Fund as well as the Navajo Revitalization Fund and the Uintah Basin Revitalization Fund. Ms. Schmeling indicated that the number for the Olene Walker fund is overstated on funds in trust. She said the \$1.7 million is money they are charging developers to complete projects. She stated taking the money and returning it to the General Fund may not sit well with the developers. She continued to speak about interest income on funds in trust. She stated that the funds for both revitalization projects are not General Fund dollars being placed in trust but are severance tax dollars and those funds are put back into a pool for additional projects.

Rep. Redd asked where the money comes from for the Navajo Revitalization Fund. Ms. Schmeling stated that it comes from oil and gas taxes. Rep. Redd inquired about the Olene Walker Funds. Ms. Schmeling continued to explain where those funds come from. Rep. Redd and Ms. Schmeling continued further discussion about the Olene Walker Fund.

Mr. Frandsen continued presentation of the next items including:

<http://le.utah.gov/interim/2015/pdf/00000331.pdf>

#3 DWS – Two Zoos - \$908,000 ongoing for Hogle Zoo and Willow Park Zoo in Logan. Mr. Frandsen shared more figures on the subsidies for the zoos.

Rep. Chavez-Houck asked why this is in the Social Services budget. Mr. Frandsen explained that when Housing and Community Development came over from Community and Culture the zoos was an attachment to that transfer.

#4 DWS – Eligibility costs associated with Mandatory Medicaid Expansion

Mr. Frandsen explained the enrollment increase was lower than anticipated so this is funding that has not been used for FTEs.

#1 DWS – Savings from Higher Federal Match Rate

<http://le.utah.gov/interim/2015/pdf/00000333.pdf>

Mr. Frandsen described the increased federal match rate to the Department for some of the eligibility costs associated with Medicaid expansion that began January 1, 2015 and gave the amount as \$7.1 million. He stated that this was a funding exchange rather than a funding reduction.

**MOTION:** Sen. Christensen moved to accept the proposed 2% cut list on the green sheet as the starting recommendations from the Social Services Appropriations Subcommittee. Final Recommendations will be based on the sum of all motions passed subsequent to this motion.

Rep. Chavez-Houck wanted to go on record in voicing her concern along with others on the Committee having concerns about the overall 2% cut in Social Services. She stated that they understand the importance of the stress test to look for efficiencies and programs that might need adjustments but that the options and recommendations presented are harsh cuts for a number of

the agencies. She suggested that during the interim there may be other opportunity to look for efficiencies so that in the future an overall cut may not have to be made.

Rep. Redd expressed his thought that the 2% cut exercise is a good exercise but not painless. He continued to share his opinion. He supported the ongoing exercise to continue the examination of the budget.

The motion passed with Sen. Henderson, Sen. Escamilla, Rep. Chavez-Houck, and Rep. Hollins voting against the motion and Rep. Brown absent for the vote.

#### **4. Input from Agencies on Chair Proposal - 2% Ongoing and One-time**

##### Department of Human Services (DHS)

Ann Silverberg Williamson, Executive Director, Department of Human Services (DHS), stated that the reductions have detrimental consequences to the services that meet real time needs of Utahns to prevent long term expense. She continued sharing the response from the agency. She requested that the consequences be understood. She offered an example of reducing staffing in the Department of Child and Family Services which would erode the work that has been guided and influenced by the Committee. She urged wise attention to the needs of children. Ms. Williamson presented several examples of possible outcomes if funding is cut.

##### Department of Health (DOH)

Dr. David Patton, Executive Director, Department of Health (DOH), concurred with Ms. Williamson. He explained that the cuts cause angst among those served and others performing the services. He referenced a total \$16 million return to the General Fund which has not been recognized by the Executive Appropriations Committee. He identified 3 areas that the DOH feels are unreasonable reductions and addressed items #21, 22, and 27 and continued to share information about each item and how they have been addressed. He offered up some other areas to reduce by 2%.

Sen. Christensen referred to previous sessions where reductions had to happen and commented on the areas that shouldn't be taken away and agreed with Dr. Patton that it does cause a lot of angst but the committee has been asked to do the exercise and it will be done. He introduced the acronym NIMBY (not in my back yard) effect.

##### Utah State Office of Rehabilitation (USOR)

Russell Thelin, Executive Director, Utah State Office of Rehabilitation, commented on the meeting yesterday, February 4, 2015, and stated there are some stringent methods being taken to realign the USOR in light of what has happened with funding. He referred to the handout excel sheet which the agency prepared. Mr. Thelin said that this was prepared when they first heard about the 2% cut exercise. He continued to explain that the plan is meaningful and consistent

with other activities the agency is taking to right itself and presented it as the Board's alternative. He also stated that there is much support from the Board of Education

Rep. Ray had a question about the number of people receiving services. Mr. Thelin clarified that the number presented is clients affected not the number of individuals losing services. He also explained that reducing the number of FTEs to meet the need of reduction will actually increase the workload for some and it will have an impact on timeliness of services.

#### Department of Workforce Services

Jon Pierpont, Executive Director, Department of Workforce Services (DWS), had 3 items to discuss on the Budget Effectiveness Review for 2% - Chair Proposal sheet. He stated that 2 of the items are associated with the mandatory ACA changes. Mr. Pierpont commented that the DWS is comfortable with the reduction of FTEs and also with the federal match changes and were not recommending cutting the appropriations for the zoos. He reported that Sen. Christensen has a proposal to put the zoos funding with Heritage and Arts as a motion.

### **5. FY 2015 and FY 2016 Budget Discussions and Voting**

Sen. Christensen commented that he hoped none on the sheet will have to be cut.

Mr. Frandsen gave instruction about meeting the 2% target and prioritizing the list. He reminded the Committee that if reductions are taken #1 will be the first to go #34 will be the last to go. The task of the Committee is to remove items from the list and put something else on or change its priority on the list.

**MOTION:** Rep Chavez-Houck proposed to move the following items from the reduction list: #21 DOH Data Security and Privacy Office, #22 DOH Have Birth Certificate Fees Statewide Pay for System Costs, and #27 Medicaid Administration Reduction to Match lapsing Funds in FY 2014 and to put in its place the following item on the reduction list as proposed by the Department DOH – Remove all Exclusion for Drugs on Medicaid's Preferred Drug List making it the new 21. Rep. Chavez-Houck spoke to the reasons for the change.

Mr. Frandsen asked for clarification of placement of the Preferred Drug List between #1 and 34. Mr. Frandsen and Rep. Chavez-Houck clarified the placement to put it as the new #21.

Co-Chair Ray put the motion up for discussion.

Rep. Tanner wondered how much Data Security would be impacted on item #21 and asked for clarification on that point.

Sen. Christensen commented on the proposal by Rep. Chavez-Houck stating that he assumed that she was endorsing enacting the Preferred Drug List additional cuts. She replied in the affirmative.

David Patton, Director, Department of Health (DOH), presented his understanding that currently the DOH receives \$300,000 for data security and they were to match that with \$150,000 which was used last year to pay for other services. Dr. Rolfs, Deputy Director, DOH, clarified about the use and indicated the change would cost them 2 positions. Rep. Tanner commented on the information and continued to question Dr. Rolfs.

Rep. Ray commented on the changes being made and the upcoming meeting with the Executive Appropriations Committee (EAC).

Rep. Chavez-Houck summarized her motion.

Rep. Redd asked in discussion with Rep. Ray for clarification if the Committee is allowed to use the potential income or savings from the Preferred Drug List (PDL). There was continuing conversation.

Rep. Tanner reserved the right to make a substitute proposal. He asked if we add the PDL to the list to give us a big buffer will that give some credibility to the EAC by giving them an opportunity to either take the cut or not take the cut. Sen. Christensen asked Rep. Brown who discussed the issue.

Rep. Ray reviewed the motion.

The motion failed with Sen. Escamilla, Rep. Chavez-Houck, and Rep. Hollins voting in favor of the motion.

**MOTION:** Rep. Tanner moved to delete item #34 and increase #9 by \$7,500 to make up the missing difference.

Rep. Tanner spoke to the motion.

Mark Brasher commented and expressed a concern about the rate increase. Rep. Tanner and Mr. Brasher continued discussion.

Sen. Christensen opposed the motion.

Sen. Henderson supported the motion and explained why.

Rep. Redd added support to the statement by Sen. Henderson.

Rep. Ward asked for clarification about what happens if the motion passes. Rep. Ray clarified.

Rep. Ray repeated the motion made by Rep. Tanner.

The motion passed with Sen. Christensen, Sen. Jackson, Rep. Ray, and Rep. Spendlove voting in opposition.

**MOTION:** Rep. Chavez-Houck made a motion to move #27 to the one-time state funds reduction list. Russell Frandsen commented on the proposal and the motion was withdrawn.

**MOTION:** Sen. Christensen moved to accept as a Committee the amended list.

The motion passed with Rep Chavez-Houck, Sen. Escamilla, and Rep. Hollins voting in opposition.

Sen. Christensen informed the Committee that he and Co-chair Ray would be presenting to the Executive Appropriations Committee tonight.

Russell Frandsen, Fiscal Analyst, explained what would happen with the blue sheet - Motions for Subcommittee Consideration.

**MOTION:** Sen. Christensen moved to approve the following motions from the sheet entitled "Social Services Subcommittee – Motions for Subcommittee Consideration" dated 1/23/2015 9:15 PM: #1A & 1B with the following correction – the correct bill number is SB 7.

The motion passed unanimously.

#### **6. Items from the Next Meeting's Agenda**

None

**MOTION:** Sen. Christensen moved to adjourn. The motion passed unanimously.

Co-Chair Ray adjourned the meeting at 10:51 a.m.

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Sen. Allen M. Christensen, Co-Chair

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Rep. Paul Ray, Co-Chair