

**MINUTES OF THE
EXECUTIVE APPROPRIATIONS COMMITTEE**
Thursday, February 5, 2015 – 6:10 p.m. – Room 445 State Capitol

Members Present:

Sen. Lyle W. Hillyard, Co-Chair
Rep. Dean Sanpei, Co-Chair
Sen. Jerry W. Stevenson, Vice Chair
Rep. Brad L. Dee, Vice Chair
Sen. J. Stuart Adams
Sen. Jim Dabakis
Sen. Gene Davis
Sen. Peter C. Knudson
Sen. Karen Mayne
President Wayne L. Niederhauser
Sen. Ralph Okerlund
Rep. Patrice M. Arent
Rep. Joel K. Briscoe
Rep. Rebecca Chavez-Houck

Rep. James A. Dunnigan
Rep. Francis D. Gibson
Speaker Gregory H. Hughes
Rep. Brian S. King
Rep. Brad R. Wilson

Members Excused:

Sen. Luz Escamilla

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.leg.utah.gov.

1. Call to Order/Approval of Minutes

Co-Chair Sanpei called the meeting to order at 6:28 p.m. There were no minutes to approve.

2. Subcommittee Base Budget Reports

Co-Chair Sanpei informed the committee that the Public Education Base Budget Report would be heard first followed by the remaining subcommittee reports outlined on the agenda.

Each of the committee members had at their disposal a committee binder containing base budget reports from each of the eight appropriations subcommittees and the Executive Appropriations Committee Agencies.

Mr. Ball gave a brief overview of the budget information included in the subcommittee reports. He also called attention to the document, “Budget Effectiveness Options – EAC – February 5, 2015,” a summary of the subcommittees’ proposed two percent reductions for FY 2016.

a. Public Education

Sen. Howard A. Stephenson, Co-Chair, and Rep. Steve Eliason, House Vice Chair (via mobile phone), presented the [Public Education Base Budget Report](#). Mr. Ben Leishman, Fiscal Analyst, LFA, and Ms. Angela Oh, Senior Statistician, LFA provided assistance.

Sen. Stephenson reported that the subcommittee reviewed each budgetary line-item, focusing particularly on the equalization of state funding allocated to local education agencies (LEAs). In addition, the

subcommittee reviewed and approved all federal funds and fees supporting statewide education programs and worked with the State Board of Education to identify programs for further review, reduction, or elimination in order to better use state resources.

The subcommittee also identified a series of “Budget Effectiveness Options” on page E-5 behind tab 7, totaling \$63.1 million (\$61.5 million in the Minimum School Program and \$1.6 million in the Education Agencies). Sen. Stephenson noted the subcommittee did not prioritize these items and that the base budget reduction is \$7.9 million more than the 2 percent target.

Sen. Stephenson indicated that the subcommittee would like to provide further input on how funding is restored to the budget. He noted that the subcommittee had discussed improving equity in the distribution of state funding, implementing performance standards LEAs would need to meet in order to continue to receive certain funds, and supporting State Board of Education priorities and local decision making. Sen. Stephenson also pointed out that the subcommittee did not want funding restored to artificially inflate the WPU Value. He mentioned that Rep. Eliason had suggested putting the funding in the Flexible Allocation line-item, which is distributed based on WPUs.

Rep. Eliason briefly discussed a concept on how to add back funding for charter schools.

Finally, Sen. Stephenson stated that the subcommittee passed a motion to fully fund enrollment growth in each school district at a cost of approximately \$55 million.

Rep. Gibson recognized the subcommittee’s efforts to look for ways to become more efficient.

Sen. Stephenson spoke in support of the base budget exercise. He was pleased that the State School Board Leadership regularly attended and participated in the subcommittee meetings. Sen. Stephenson suggested that a joint meeting with the Higher and Public Education committees, the State School Board, and the State Board of Regents during the Interim would be very constructive and helpful in planning for the next legislative session.

Sen. Stephenson and Rep. Eliason responded to committee member questions regarding the following budget effectiveness options: School Districts Contribute Higher Percent of Per Pupil Revenues, K-3 Reading Improvement, Year-Round Math and Science (USTAR Centers), and Concurrent Enrollment.

Sen. Davis expressed concern about changing the percentage of funding that follows a student who leaves the school district to attend a charter school.

Sen. Hillyard indicated that tonight’s meeting was for informational purposes only and that the committee would not be taking any motions on the base budgets until each of the subcommittees had presented their reports. He encouraged the subcommittees to continue prioritizing needs based on current appropriations. He further said that any adjustments to the budgets would be based on new revenue figures that will be available in February.

President Niederhauser applauded the Public Education Appropriations Subcommittee for the work they did to reprioritize money and identify efficiencies.

b. Executive Appropriations Committee Agencies

Mr. Ball presented the [Utah National Guard, Veterans’ Affairs, and Legislature Base Budget Report](#).

Mr. Ball briefly reviewed the base budget for the Executive Appropriations Committee (EAC) Agencies on page A-1 behind tab 10. The EAC Agencies include the Utah National Guard (UNG), Veterans' and Military Affairs (UDVA), Capitol Preservation Board (CPB), and the Legislature. He pointed out that subsequent pages of the report include a summary page for each line item in the Appropriations Act for these agencies.

Mr. Ball indicated that the committee had not taken any actions on building blocks or the following budget effectiveness options on lines 33 through 42 on page 2 of the Budget Effectiveness Options Summary Report.

Co-Chair Sanpei thanked Mr. Ball for his presentation.

c. Retirement and Independent Entities

Rep. Rich Cunningham, House Vice Chair, presented the [Retirement and Independent Entities Base Budget Report](#). Rep. Craig Powell, Co-Chair, had asked to be excused. Mr. Brian Fay, Fiscal Analyst, and Dr. Thomas Young, Senior Economist/Forecaster, LFA, provided assistance.

Rep. Cunningham reported that H.B. 5, Retirement and Independent Entities Base Budget, includes the Career Service Review Office (CSRO), the Department of Human Resource Management (DHRM), and the Utah Education Network (UEN). The bill appropriates approximately \$44.3 million for Operating and Capital budgets, of which \$22 million is from the General and Education Funds. H.B. 5 also approves \$12.0 million in dedicated credit collections and 142 FTE for the DHRM Internal Service Fund (ISF).

Rep. Cunningham discussed the "Budget Effectiveness Options" on page B-3 behind tab 8. The subcommittee recommended shifting the Administration, Policy, and Information Technology programs of DHRM into the department's ISF. Rep. Cunningham explained that the shift would streamline accounting and distribute costs across agencies that benefit from DHRM services. Rep. Cunningham indicated that the shift would result in a net General Fund savings of \$1,125,300, which is a 5 percent General and Education Fund reduction for the subcommittee.

The subcommittee also discussed two UEN budget efficiency options that included a shift to lower cost employees as employees turn over (\$112,500) and a shift to private providers (\$450,000). In regards to the shift to private providers, Rep. Cunningham explained that with the gradual move toward one-to-one devices, UEN's Interactive Video Conferencing equipment could become obsolete. In addition, with the rapidly growing businesses involved in helping teachers put interactive courses online, the trend could eliminate the need for UEN in this area.

Rep. Wilson asked how the DHRM Shift to ISF improves efficiency besides shifting costs. Mr. Ball responded that the DHRM Shift to ISF is basically a cost sharing mechanism. He pointed out that you gain some economies of scale by keeping DHRM centralized. The DHRM Shift to ISF doesn't reduce the overall costs, but it reduces the General Fund share of the cost to other revenue sources.

Rep. Sanpei thanked Rep. Cunningham for his work and the work of the subcommittee.

d. Natural Resources, Agriculture, and Environmental Quality

Sen. David P. Hinkins and Rep. Mike McKell, Co-Chairs, and Rep. Kay J. Christofferson, House Vice Chair, presented the [Natural Resources, Agriculture, and Environmental Quality Base Budget Report](#). LFA Fiscal Analysts, Mr. Ivan Djambov and Mr. Brian Wikle provided assistance.

Sen. Hinkins remarked that the subcommittee received input from all of the divisions to achieve a two percent reduction totaling \$1,295,200. He identified budget effectiveness options listed on page D-7 behind tab 6 of the subcommittee report.

Rep. Wilson inquired about the \$705,400 reduction to the DNR ISFs Pilot project. Rep. McKell and Mr. Djambov both commented on the increasing costs with different ISFs, particularly the Division of Fleet Operations and the Department of Technology Services. The Department of Natural Resources (DNR) felt that if some of those services could be brought in-house, the department could realize a substantial savings.

Rep. McKell pointed out that the subcommittee faces different challenges because less than 20 percent of its budget come from the General Fund and agencies rely heavily on funding from restricted accounts.

Sen. Okerlund spoke to the \$170,100 reduction to the Invasive Species Mitigation Program. He explained that the program is a relatively new appropriation. The Legislature appropriated \$2 million to the program two years ago, and thus far, the funds have not been used entirely. Sen. Okerlund suggested that timing may be an issue, noting that project commitment does not always line up with funding availability. He indicated that the Invasive Species Mitigation Program will probably need more rather than less funding.

Rep. McKell also addressed one other concern, the need to increase the number of customers on the ISF rate committees.

Rep. Briscoe inquired about the 10 percent reduction or \$300,000, to the Wildland Fire Suppression Fund on page D-6. Mr. Djambov explained that the Wildland Fire Suppression Fund is a Fiduciary Fund that is included in the base budget bill for information purposes and that the subcommittee does not appropriate this money.

Co-Chair Sanpei thanked the chairs for their presentation and the work of the subcommittee.

Sen. Hinkins thanked staff for their exceptional work. Rep. Christofferson expressed his appreciation for the base budget process.

e. Business, Economic Development, and Labor

Sen. Brian E. Shiozawa and Rep. Dixon M. Pitcher, Co-Chairs, presented the [Business, Economic Development, and Labor Base Budget Report](#). Dr. Andrea Wilko, Chief Economist, LFA, and Ms. Clare Tobin Lence, Fiscal Analyst, LFA, provided assistance.

Sen. Shiozawa reported that the component organizations in the subcommittee are functioning very efficiently. He referred to the subcommittee's base budget summary on pages C-1 and C-2 behind tab 2 that shows sources of financing, program allocations, and FTE/Other. The subcommittee's two percent prioritizations were listed on page C-5 under "Budget Effectiveness Options."

Sen. Shiozawa mentioned that on Friday, February 6, 2015, the Business, Economic Development, and Labor Appropriations Subcommittee would be hearing follow-up reports on two audits: USTAR and GOED. He invited interested committee members to attend the meeting.

Sen. Shiozawa also notified the EAC that during the week of February 9-13, 2015, the subcommittee would meet twice to hear 37 requests for appropriation. He asked permission to begin those meetings at 7:00 a.m. to give the subcommittee ample time to consider and prioritize all of the requests.

Rep. Pitcher stated that prior to the session, the chairs were able to meet with each of the department heads. He recognized a recurring theme among the departments, which is trying to keep good employees. Rep. Pitcher remarked that the State has an excellent training program, but too many employees are hired away for better wages.

Sen. Mayne agreed whole heartedly with Rep. Dixon's assessment on wages.

Rep. Sanpei informed the BEDL chairs that they could start next week's meetings at an earlier time to hear the requests for appropriation.

Sen. Shiozawa thanked BEDL's fiscal analysts for their excellent work as well as the department heads.

Sen. Davis was interested in knowing the return on investment based on fees brought into the General Fund by the various BEDL agencies. He also asked how the two percent reduction might affect the return on investment. The chairs gave two examples, the DABC and the Tax Commission, where the State has seen significant returns on investment. Sen. Shiozawa does not anticipate any reduction in FTE at the Tax Commission for that reason.

f. Social Services

Sen. Allen M. Christensen, and Rep. Paul Ray, Co-Chairs, addressed the committee. They presented the Social Services Base Budget Report found at <http://le.utah.gov/interim/2015/pdf/00001032.pdf> and <http://le.utah.gov/interim/2015/pdf/00001033.pdf>. LFA Fiscal Analysts, Mr. Russell Frandsen and Mr. Stephen Jardine, provided assistance.

Sen. Christensen reported that the Social Services budget amounts to \$4.5 billion. He stated that the subcommittee made some significant cuts to the budget two years ago, which made it difficult to find further efficiencies within the Social Services budget. However, the subcommittee was able to identify five items that total \$9.7 million ongoing or 1.1 percent for potential reduction without any significant impacts to services. They are listed under the "Budget Effectiveness Options" on page F-7 behind tab 9.

The subcommittee also prioritized 28 additional items for reduction and efficiencies in all areas of Social Services. In addition, due to caseloads coming in lower than forecasted, the subcommittee also approved reductions in the Children's Health Insurance Program, Medicaid caseload reduction for FY 2015 from the consensus report, and Medicaid Services in the Department of Health. Finally, the subcommittee proposed some intent language on pages F-9 through F-13 regarding performance measures that will reflect future intent and future savings.

Sen. Hillyard inquired about the private provider reimbursement rates and the lack of service providers. Sen. Christensen indicated that the private provider reimbursement rates were going to be one of his first priorities when the subcommittee addresses the building blocks. Last year, the Legislature appropriated \$1 million to fund the DSPD Waiting List. Currently, there is approximately \$600,000 remaining in that account. Sen. Christensen indicated that the providers have not been able to retain employees because the contracted reimbursement rate is low, \$8.00 per hour, given the amount of responsibility associated with this type of care.

Rep. Arent asked for more information about the Budget Effectiveness Option 22, Have Birth Certificate Fees Statewide Pay for Systems Costs, and Option 5, Two Zoos.

Rep. Gibson spoke in support of private provider rate increases.

Sen. Davis recommended that the Zoo line-item be moved to another budget, Economic Development, and perhaps in the Office of Tourism.

Mr. Jardine responded to a number of clarifying questions regarding the provider reimbursement rates posed by Rep. Dunnigan. Mr. Jardine established that last year's \$1 million appropriation was one-time funding. Rep. Ray pointed out that one-time funding is problematic for the private providers who are trying to meet ongoing needs.

Co-Chair Sanpei thanked the chairs for their presentation.

3. Other Business/Adjourn

MOTION: Sen. Hillyard moved to adjourn. The motion passed unanimously with Sen. Knudson absent for the vote.

Co-Chair Sanpei adjourned the meeting at 7:53 p.m.