

**MINUTES OF THE
EXECUTIVE APPROPRIATIONS COMMITTEE**

Tuesday, February 17, 2015 – 5:00 p.m. – Room 210, Senate Building

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. Luz Escamilla
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

Staff Present:

Mr. Jonathan Ball, Legislative Fiscal Analyst
Mr. Steven Allred, Deputy Director
Ms. Greta Rodebush, Legislative Secretary
Ms. Karen Mitchell, Committee 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 5:21 p.m. There were no minutes to approve.

Co-Chair Sanpei announced that due to some scheduling conflicts, the Social Services Appropriations Subcommittee would present its subcommittee report first.

2. Subcommittee Budget Reports

Mr. Ball reviewed the general layout of the subcommittee report binders. He also called attention to the summary report behind Tab 1, “Funding Option List – Subcommittee Priorities,” which lists all of the subcommittees’ priority budget requests.

Co-Chair Sanpei indicated that the EAC chairs did not expect to take any motions and that the purpose of tonight’s meeting would be to gather information from the subcommittee chairs. He also mentioned that the new revenue estimates should be available by tomorrow evening for the budget moving forward.

a. Social Services – Tab 9

Sen. Allen M. Christensen and Rep. Paul Ray, Co-Chairs, and Rep. Edward Redd, House Vice Chair presented the [Social Services Subcommittee Report](#). LFA Fiscal Analysts, Mr. Russell Frandsen and Mr. Stephen Jardine, provided assistance.

Sen. Christensen reported that the subcommittee had identified \$9.7 million ongoing and \$2.9 million one-time savings realized in S.B. 7, Social Services Base Budget. In addition to those amounts, the

subcommittee proposed an additional \$4.4 million ongoing and \$17.2 million one-time reductions or revenue offsets. He indicated that all but two reductions were included as the #1 items on the ongoing and one-time priority lists starting on page 9-1.

Sen. Christensen stated that with the savings from S.B. 7, the subcommittee internally funded all of the subcommittee's top five ongoing priorities, part of #6, (DHS) Disabilities Waiting List, and about half of the subcommittee's \$6.3 million first one-time priority, (USOR) Vocational Rehabilitation Structural Shortfall. He noted that if EAC approves the additional proposed savings, the subcommittee would be able to internally fund other ongoing and one-time items.

Sen. Christensen noted that the subcommittee internally funded \$8.3 million or 80 percent of its annual mandatory Medicaid building blocks, identified \$1.9 million in federal block grant funds that might be available for legislative priorities, and identified five additional alternative funding sources. Finally, the subcommittee gave careful consideration to more than 90 building blocks and prioritized seven bills that had fiscal impact.

Rep. Ray explained the issues surrounding the Utah State Office of Rehabilitation (USOR) structural imbalance of \$6.3 million: the USOR had access to time limited one-time federal money and kept using it to cover ongoing services. If the state cannot fund the \$6.3 million, USOR will stop paying services that benefit their 14,000 clients. The subcommittee requested a legislative audit of USOR.

The subcommittee also recommended shoring up ongoing programs that were funded last year with one-time money and passed motions to study the following issues during the interim: USOR fiscal status; implementation of (DSPD) direct care staff salary increases (if funding approved); review of each agency's highest cost individuals and possible efficiencies; and review of how funds are distributed within the state, reviewed, and altered for relevancy.

Rep. Redd reported that the subcommittee met 14 times for a total of more than 40 hours of meeting time. He also pointed out that the subcommittee proposed giving some one-time internal funding to two items on the ongoing priority list: 1) #27 Pilot Program for Assistance for Children with Disabilities and Complex Medical Conditions to #18 (same title), and 2) #28 Transfer of Nonlapsing Balance from General Assistance to Pamela Atkinson Fund to #16 Case Managers for Chronically Homeless.

Rep. Redd indicated that the "Good Samaritan Kidney Donor Program" was abandoned by the sponsor and should be removed from the priorities list by EAC. In addition, the subcommittee asked to strike intent language #41 on page 9-20 regarding zoos as this language was passed prior to the subcommittee transferring zoo funding to another subcommittee.

Sen. Hillyard inquired about the USOR \$6.3 million shortfall. Rep. Ray explained that the USOR continued to put people into a program providing services without any regard to the budget. Neither the State Office of Education nor the Board of Education, who provide support and have oversight, caught this problem.

Sen. Hillyard asked what the subcommittee recommended for provider rates. Sen. Christensen said that the long term plan is to increase the disability community provider rates by \$5 million per year for 3 years, which would bring the direct service provider rate up to \$11 an hour. If the Legislature were to

fund the \$5 million, the direct care staff hourly rate would be \$9 an hour instead of \$8 an hour. Sen. Christensen stated that some direct services providers are experiencing 100 percent annual turnover due to higher paying jobs in an improving economy. Rep. Ray noted that the (DHS) Direct Care Staff Salary Increase was ranked a “1” on the ongoing funding priority list.

Co-Chair Sanpei asked about the ongoing funding request, (USOR) Reduce Payment to the USOE Indirect Cost Pool. Rep. Ray clarified that this would mean USOR would not make a payment to USOE to cover the cost of administrative support. He cited USOE’s lack of oversight.

Co-Chair Sanpei asked about the intended use of \$6.6 million for (DHS) DSPD Nonlapsing Carryforward on the one-time priority list on page 9-4. Sen. Christensen explained that the subcommittee is proposing to fund a number of ongoing items for DSPD as opposed to one-time priorities.

Sen. Hillyard thanked the co-chairs and vice chair as well as staff for their dedication and hard work.

Sen. Christensen remarked that the subcommittee’s budget does not fund Medicaid expansion.

Rep. King was interested in knowing what the draw down in federal funds would be if the state opts into Medicaid expansion. Sen. Christensen stated that this information was not reflected in the subcommittee’s budget. He did point out that a federal draw down would not go directly to the State but to the direct providers.

Rep. Briscoe asked about the ongoing funding request for (DOH) Healthy Utah/S.B. 164 Access to Health Care Amendments (State Funds - \$52 million; Nonstate Funds - \$587 billion; Total Impact – \$640 billion). Mr. Frandsen explained that those figures represent an estimate of the State’s ongoing commitment for all Medicaid expansion- related bills. Mr. Ball offered further clarification using the referencing the “Funding Option List – Subcommittee Priorities” lines 354 and 355.

b. Public Education

Sen. Howard A. Stephenson and Rep. Steve Eliason, Co-Chairs, and Rep. Michael S. Kennedy, House Vice Chair, presented the [Public Education Subcommittee Report](#). Mr. Ben Leishman, Fiscal Analyst, LFA, and Ms. Angela Oh, Senior Statistician, LFA, provided assistance.

Sen. Stephenson expressed appreciation to the EAC and to the Senate and the House for respecting the recommendations the subcommittee made in the base budget. He stated that the subcommittee worked closely with the State School Board on those recommendations, and most of them reflect the State School Board’s recommendations on where the budget cuts should occur. He recognized Chair David Crandall and Vice Chair Jennifer Johnson who have been doing “a yeoman’s job as constitutional partners in allocating revenues for education.”

Sen. Stephenson pointed out that the intent language listed on pages 7-14 and 7-15 is integral to the subcommittee’s recommendations in restoring the funding. The subcommittee was able to repurpose money and to ensure that money spent on certain types of programs has greater accountability.

Rep. Eliason reported that the subcommittee allocated \$117.5 million ongoing and \$3.4 million one-time over the amount appropriated in its base budget. The subcommittee recommended that this allocation be used in two ways: 1) Fund student enrollment growth costs of approximately \$55 million ongoing and \$3.4 million one-time for Educator Salary Adjustments, and 2) Restore \$67.6 million in reductions taken during the Budget Effectiveness Review.

Concerning the budget restorations, the subcommittee recommended that the funding be returned to programs of origin with two exceptions: 1) Reduction in Charter School Local Replacement of \$20.5 million which was restored to the Flexible Allocation Program; and 2) Reduction in the Utah State Office of Education for Supplies, Materials, Travel, and Equipment which was restored to the USOE line item to help fund the Risk Mitigation plan approved by the State Board of Education.

Rep. Eliason concluded his remarks noting that the subcommittee passed intent language requiring the State Board of Education to study and recommend programmatic changes and directing the State Board of Education on how to use certain uncommitted Education Fund and nonlapsing balances in the Utah State Office of Education.

Rep. Kennedy discussed the ongoing and one-time funding requests on pages 7-1 through 7-3. He noted that the subcommittee did not prioritize these items. The subcommittee also voted to recommend that the WPU Value be increased by the highest percentage possible, but did not recommend a percentage. The State Board of Education recommended the WPU Value be increased by 2.5 percent and the Governor recommended that the WPU be increased by 6.25 percent.

Rep. Kennedy called attention to the memorandum at the end of the packet, dated February 17, 2015, which provides some additional information on recommendations of the subcommittee. Two examples include: 1) Allowing a one-year extension on the way charter school WPUs are calculated, and 2) How to implement the Charter School Local Replacement formula change.

Rep. Eliason stated that the subcommittee chairs were recommending one change to the “Ongoing Funding Request Priority List” on page 7-1. The chairs recommended increasing the funding for (USBE) Science Outreach – iSEE Provider Expansion by \$200,000, for a total of \$700,000 and directing the funding towards the Thanksgiving Point Outreach Programs. He explained that the funding would give greater coverage to the large student base in Utah County.

Rep. Eliason recognized Ben Leishman, Fiscal Analyst, for his work and depth of expertise.

Rep. Sanpei asked what the impact would be on the USOE if USOR were to not make payments to cover administrative costs. Rep. Eliason indicated that the subcommittee did not discuss this topic. However, he did not think that the USOE would have unrestricted funds to meet those obligations. Rep. Sanpei said that we will do some follow up.

Rep. Briscoe inquired about the prioritization of the one-time funding request list on page 7-3. Each item was listed as having a number 1 priority. Rep. Eliason confirmed the designation stating that the subcommittee had felt strongly about each of the recommendations and believed that there would be sufficient resources to fund all of them. He also clarified that the ongoing requests listed as Minimum

School Program (MSP) had equal priority. These items were cut in the base budget but the subcommittee recommended that they be fully restored.

Mr. Leishman and Sen. Stephenson responded to Rep. Briscoe's questions regarding the (USBE) Science Outreach – iSEE Provider Increase - \$710,000; (USBE) – Science iSEE Provider Expansion - \$700,000; and (MSP) Enrollment Growth - 1 Yr. Ext. on Pupil Accounting Methodology for Charter Schools - \$5,771,700.

Rep. Dee said that it would have been helpful for the subcommittee to recommend a WPU rather than having the EAC set a maximum possible WPU.

Sen. Hillyard asked about possibly restoring the funding for Charter School Local Replacement that was removed in the base budget. Mr. Leishman indicated that the funding could be restored in H.B. 119, Charter School Finance Amendments or H.B. 2, Public Education Budget Amendments. Rep. Eliason mentioned that the subcommittee approved intent language that addresses this issue as well.

Sen. Hillyard inquired about the intent language on page 7-15, which authorizes the State Board of Education to use any revenue or nonlapsing balances generated from the licensing of Student Assessment of Growth and Excellence (SAGE) to other states to develop additional assessment questions and provide professional learning for Utah educators. Sen. Hillyard requested that the State Board of Education report back to the EAC with an accounting of how this money is spent.

Sen. Hillyard also inquired about the capital outlay funding for school districts and the base budgets for the iSEE and POPS programs.

Rep. Briscoe asked for further clarification on the proposed intent language on page 7-15, which authorizes the State Board of Education to use \$6.3 million one-time funding allocated in the Formula Change Mitigation Program to reduce the net loss to school districts and charter schools due to formula changes made by the Legislature in the following programs: Charter School Local Replacement, Flexible Allocation, and Charter School Administration in FY 2016.

Rep. Eliason, Sen. Stephenson, and Co-Chair Sanpei commented on the funding allocated in the Formula Change Mitigation Program to reduce the net loss to school districts and charter schools due to formula changes.

Rep. Sanpei said the charter funding recommendation is a significant policy change to include in a budget bill. He suggested pulling it out of the budget and dealing with it in the statute process.

Rep. Gibson asked about the State Board of Education's funding request for \$30 million one-time General Fund.

Mr. Crandall, Chair, State Board of Education, stated that if the Legislature funds the \$30 million request, the State Board of Education would be much more likely to not extend the Elementary and Secondary Education Act (ESEA) waiver. He also indicated that the funding could come from the Education Fund or the General Fund.

c. Retirement and Independent Entities – Tab 8

Sen. Todd Weiler and Rep. Kraig Powell, Co-Chairs, presented the [Retirement and Independent Entities Subcommittee Report](#). Rep. Rich Cunningham had asked to be excused. Mr. Brian Fay, Fiscal Analyst, and Dr. Thomas Young, Senior Economist/Forecaster, LFA, provided assistance.

Sen. Weiler discussed the subcommittee's ongoing and one-time funding requests pertaining to the Utah Education Network (UEN) on pages 8-1 and 8-2. The ongoing requests included: (UEN) Statewide Data Alliance - \$300,000; (UEN) Sustainability - \$4.5 million; (UEN) Utah Telehealth Network (UTN) Operational Support - \$105,000; (UEN) UTN – Telecom Costs for Core Network - \$37,000; and (UEN) Utah Futures - \$1.4 million.

Sen. Weiler explained that the \$1.4 million ongoing request for Utah Futures would for pay annual vendor contracts, site hosting and maintenance, data breach insurance, training and site enhancements. He stated that if the Legislature funded this item, the subcommittee recommends intent language that would require performance measures from Utah Futures.

The UEN one-time requests included: (UEN) Equipment - \$6.2 million; (UEN) UTN – Upgrade Network Equipment - \$243,300; (UEN) UTN Reliability of Network - \$108,500; (UEN) UTN – Connect rural healthcare facilities - \$150,000; and (UEN) Utah Futures - \$1 million. On this last request, Utah Futures asked for an FY 2015 supplemental appropriation to cover the costs of developing and operating Utah Futures 2.0.

Sen. Weiler discussed the one-time request for The Leonardo - \$750,000 GF to fund 25 percent of the cost of the estimated \$3.1 million cost to develop a new major exhibit on flight with a prominent spotlight on Utah's Aerospace and Defense Industry. In addition, he reported on the one-time request for the Valley Behavioral Health Withdrawal from URS - \$3 million one-time GF. Valley Behavioral Health has asked the State to provide a 1:1 match for the estimated \$6 million cost. Sen. Weiler indicated that a withdrawal from URS would require a statute change.

Rep. Powell reviewed intent language for the Career Service Review Office to use \$30,000 in nonlapsing balances for grievance resolutions. The subcommittee also recommended that the \$250,000 appropriated to the Department of Human Resource Management (DHRM) for its IT Project Rebuild last session and the \$50,000 collected through dedicated credits for Statewide Management Training program not lapse at the end of FY 2015.

Finally, Rep. Powell explained the subcommittee recommendation to shift DHRM's Administration, Policy, and IT programs into the DHRM ISF.

d. Business, Economic Development, and Labor – Tab 2

Sen. Brian Shiozawa and Rep. Dixon Pitcher, Co-Chairs, and Rep. Stewart Barlow, House Vice Chair, presented the [Business, Economic Development, and Labor Subcommittee Report](#). Dr. Andrea Wilko, Chief Economist, LFA, and Ms. Clare Tobin Lence, Fiscal Analyst, LFA, provided assistance.

Sen. Shiozawa reported that the subcommittee authorized fees for 10 regulatory agencies and adopted nonlapsing intent language for FY 2015, which included authorizing the Department of Alcoholic Beverage Control (DABC) to retain a one-time savings to upgrade their IT systems. Sen. Shiozawa pointed out that several other agencies are also using their nonlapsing funds for IT projects.

The subcommittee recommended funding for the Tourism Marketing Performance Fund - \$18 million, which is a set-aside from sales tax growth, and funding for the Industrial Assistance Fund Replenishment - \$4.5 million, which is a set-aside from the budget surplus.

The subcommittee also designated statutory increases to Parents Empowered - \$122,400 and to the Tax Commission Liquor Profit Distribution Program - \$5,500, and approved restricted fund appropriations for Credit Card Processing Fees by authorizing \$300,000 one-time for the Tax Commission for FY 2015; \$600,000 ongoing for the Tax Commission, and \$724,000 ongoing for DABC.

Sen. Shiozawa concluded his remarks by recognizing the fiscal analysts for their excellent service during this year's budget process.

Rep. Pitcher stated that the subcommittee proposed using the closing balance from the Comprehensive Health Insurance Program to fund the BEDL one-time priorities list. The closing balance for this program is \$16,204,500. The subcommittee proposed using the Consumer Protection Education and Training Fund lapsing balance of \$1,973,000 to fund the BEDL one-time priorities list as well.

Rep. Pitcher reported that the subcommittee identified one-time savings by removing FY 2015 funding from the Antelope Island Stampede Festival in the amount of \$10,000 and returned \$49,900 for the Utah Digital Library and \$10,000 for the Arts Fellowship grants. Finally, the subcommittee made restricted fund adjustments related to the Insurance Department Restricted Account to reflect EAC actions.

Rep. Barlow stated that the subcommittee increased funding from the Captive Insurance Restricted account by \$225,000 to keep up with growth in the program, approved \$9,800 for the Insurance Department for growth and \$26,000 for the Department of Financial Institutions for increased lease expenses. He also reported that the subcommittee prioritized 50 one-time and 7 ongoing General Fund building block requests.

Rep. Barlow highlighted a number of one-time items the subcommittee would like EAC to consider making ongoing to include: Natural History Museum - \$150,000; Fine Arts Collection Maintenance - \$40,000; Utah Humanities Council - \$25,000; Local Museum Grants - \$120,000; the Hale Theatre - \$100,000; and Business Resource Centers - \$125,000.

Finally, Rep. Barlow reviewed intent language related to S.B. 51, Motor Vehicle Enforcement Division Account.

Rep. Sanpei pointed out that the \$4,525,000 from the Industrial Assistance Fund Replenishment and the \$16 million transfer closeout balances from the Comprehensive Health Insurance Fund are above the subcommittee's allocation and are theoretically General Fund dollars, which EAC could allocate anywhere.

Rep. Arent asked the chairs to comment on the cost of training state employees who move onto higher paying jobs in the private sector. Sen. Shiozawa said that employee retention is a big concern for these regulatory agencies. Rep. Pitcher made the comment that the state runs a great training program only to have people come in and offer employees more money. Consequently, the State loses good people who have expertise and knowledge because it does not have the funding to compete.

Sen. Davis remarked that we need to reinvest in these departments and maximize our return on investment by hiring the best people and offering them a sustainable wage in the marketplace.

Rep. Barlow recognized the fiscal analysts and each of the subcommittee members for their active participation in the budget process this year.

Sen. Shiozawa stated that there has been a request to move the Hogle Zoo oversight to Natural Resources.

e. Natural Resources, Agriculture, and Environmental Quality – Tab 6

Sen. Hinkins, Chair, presented the [Natural Resources, Agriculture, and Environmental Quality Subcommittee Report](#). LFA Fiscal Analysts, Mr. Ivan Djambov and Mr. Brian Wikle, provided assistance.

Sen. Hinkins called attention to the ongoing and one-time funding requests on pages 6-1 and 6-2. He briefly discussed the one-time request for (DNR) Dam Safety - \$11 million, which will address Utah's aging dams. He also referred to the large schedule of fees on pages 6-30 through 6-90.

Sen. Hinkins noted one change to Line 183, DNR – Assist with Geological Survey Shortfall for FY 2015 - \$300,000, listed on the “Funding Option List – Subcommittee Priorities.” If the funding request is appropriated, the subcommittee would like to include intent language that the \$300,000 one-time GF not lapse at the close of FY 2015.

Sen. Hinkins also reported that the subcommittee passed a motion unanimously on February 12, 2015 requesting changes in the make-up of each of the Internal Service Fund (ISF) rate committees. He stated that he would be sponsoring a bill this session to require all members of each rate committee to be from user agencies and to prohibit ISF directors/designees to be voting members on any of the rate committees. A memorandum for the EAC, dated February 16, 2015, reflects that action and was included in the report.

Sen. Hinkins responded to committee questions on (DNR) Dam Safety, (OPL) RS 2477 Lawsuits, (OPL) RS 2477 Projects, (OPL) Commission for the Stewardship of Public Lands, (DNR) Sage Grouse Nonlisting, (DNR) NEPA Fund, and (DNR) Colorado River Basin Conservation.

Sen. Adams commented on the need for additional infrastructure for water systems around the state and the need to expand a revolving loan fund and other sources to fund that infrastructure.

Rep. Arent noticed that the air quality requests were very low on both the ongoing and one-time funding request lists. Sen. Hinkins explained that the subcommittee prepared the lists primarily for the EAC to consider and did not spend a lot of time on prioritization.

Sen. Hinkins commended Commissioner Luann Adams, Department of Agriculture, who took on some big projects in her first year as the new commissioner of the department.

3. Other Business/Adjourn

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

Co-Chair Sanpei adjourned the meeting at 7:06 pm.