

**MINUTES OF THE  
EXECUTIVE APPROPRIATIONS COMMITTEE**

Tuesday, December 13, 2016 – 2:30 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  
Sen. J. Stuart Adams  
Sen. Gene Davis  
Sen. Luz Escamilla  
Sen. Peter C. Knudson  
Sen. Karen Mayne  
President Wayne L. Niederhauser  
Sen. Ralph Okerlund  
Rep. Joel Briscoe  
Rep. Francis D. Gibson  
Speaker Gregory H. Hughes

Rep. Brad Wilson

**Members Excused:**

Sen. Jim Dabakis  
Rep. Patrice M. Arent  
Rep. Rebecca Chavez-Houck  
Rep. James A. Dunnigan  
Rep. Brian S. King

**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](http://www.leg.utah.gov).

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

Co-Chair Sanpei called the meeting to order at 2:54 p.m. The minutes were not approved at this time due to the lack of a quorum.

Co-Chair Sanpei made periodic adjustments to the order in which the agenda items were heard during the meeting.

**2. Strategic Workforce Investments Reallocation in FY 2018 Higher Ed Base Bill [Agenda Item 4]**

Sen. Ann Millner briefly discussed the purpose of S.B. 103, Strategic Workforce Initiative, 2016 General Session. The bill appropriated \$1.5 million ongoing to the Department of Administrative Services – Division of Finance Mandated to provide funding for stackable credentialing programs that serve regional industry workforce needs.

Sen. Millner reported that five partnership proposals were presented to the Higher Education Appropriations Subcommittee on October 20, 2016, where they were approved for advancement to the Executive Appropriations Committee (EAC). Since the initial appropriation was FY 2017 funding, EAC approval was needed so that the funding could be reallocated in an FY 2017 Current Fiscal Year Supplemental Appropriations bill or included in substitute base budget bills. For a brief description of each proposal see “[Strategic Workforce Initiative](#).”

The committee did not take any action at this time due to the lack of a quorum.

### 3. Subcommittee Reports on 2016 Interim Actions

#### *a. Social Services*

Sen. Allen M. Christensen and Rep. Paul Ray, Co-Chairs, and Rep. Edward H. Redd, House Vice Chair, presented the [Social Services 2016 Interim Actions Report](#). Mr. Russell Frandsen, Mr. Stephen Jardine, Ms. Clare Tobin Lence, and Mr. Hector Zumaeta Santiago, LFA Fiscal Analysts, provided assistance.

The Social Services Appropriations Subcommittee held interim meetings at the Salt Lake County Jail, Cornerstone Counseling Center in Salt Lake City, Cottage of Hope in Ogden, and Salt Lake Refugee Education and Training Center.

Sen. Allen M. Christensen reported that the subcommittee met three times during the interim to discuss budget-related issues covering five major topics: 1) Mental health/substance abuse and the criminal justice system, 2) Options for using the federal Temporary Assistance for Needy Families (TANF), 3) Strategies to assist families identified as part of intergenerational poverty, 4) Medicaid expansion, and 5) Coordination of mental health services with emergency room services. The subcommittee also discussed moving the Department of Workforce Services (DWS) to a different appropriations subcommittee. The subcommittee voted to keep DWS within Social Services.

Rep. Ray reviewed topics discussed in the June meeting that included: foster care, strategies to address high cost clients, opiate use, TANF, and block grants.

Rep. Redd highlighted September's meeting topics that included: increasing the wages for direct service providers to people with severe disabilities, and recovery services medical collections report.

In October, the subcommittee discussed various TANF, federal block grant, and managed care issues.

Co-Chair Sanpei recognized Sen. Hillyard for a motion on the minutes and Strategic Workforce Investments funding.

**MOTION:** Sen. Hillyard moved to adopt the minutes of November 15, 2016. The motion passed unanimously with Sen. Adams absent for the vote.

**MOTION:** Sen. Hillyard moved that the Executive Appropriations Committee approve the recommendation from the Higher Education Appropriations Subcommittee for the first round of funding for the Strategic Workforce Investments (S.B. 103, 2016 General Session), including recipients and award amounts, and recommend reallocating appropriations in an FY 2017 Current Fiscal Year Supplemental Appropriations bill or substitute base budget bills. The motion passed unanimously with Sen. Adams absent for the vote.

#### *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 2016 Interim Actions Report](#). Mr. Ben Leishman and Ms. Jill Curry, LFA Fiscal Analysts, provided assistance.

Rep. Eliason noted that the subcommittee met twice over the interim to discuss approximately 12 budget-related issues.

Rep. Eliason reported that in August the subcommittee determined that school community councils do not currently have the capacity nor consistency of operations statewide to manage additional state programs. The subcommittee also heard a detailed report from the Superintendent of the Utah Schools for the Deaf and the Blind on the budget, operations, and educational outcomes of the schools.

Rep. Kennedy reported that in September, the subcommittee discussed bills implementing several changes to categorical programs within the Minimum School Program that did not pass during the 2016 General Session. The subcommittee also heard from the Utah State Board of Education (USBE), the Governor's Office, private contractors, and the public on several educational programs that the Governor vetoed. The programs were reinstated during the May Special Session. Finally, the subcommittee discussed, but did not take any action, on holding one additional meeting in January to review budget requests.

*c. Natural Resources, Agriculture, and Environmental Quality*

Rep. Kay J. Christofferson, House Vice Chair, presented the [Natural Resources, Agriculture, and Environmental Quality 2016 Interim Actions Report](#). Mr. Ivan Djambov and Mr. Alex Wilson, LFA Fiscal Analysts, provided assistance.

Rep. Christofferson discussed the main highlights of three interim meetings that included an in-depth review of all fees and feedback from agencies and stakeholders; a report on the process, challenges, and results of bringing UACD employees under the Department of Agriculture; a two-day tour of the Great Salt Lake to better understand issues related to the lake; air quality research results, and better utilization of State Fairpark property and sustainability of operations.

**4. Federal/Non-federal Grants Review** [Agenda Item 2]

Mr. Ken Matthews, Federal Assistance Management Officer, Governor's Office of Management and Budget (GOMB), presented the "[Federal and Non-Federal Grants Report](#)" dated December 13, 2016. Mr. Gary Syphus, Fiscal Analyst, LFA, provided assistance.

**MOTION:** Sen. Hillyard moved to recommend acceptance of the 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, December 13, 2016. The motion passed unanimously with Sen. Adams absent for the vote.

*d. Executive Offices and Criminal Justice*

Sen. Daniel W. Thatcher, Co-Chair, presented the [Executive Offices and Criminal Justice 2016 Interim Actions Report](#). Mr. Gary Syphus and Mr. Alex Wilson, LFA Fiscal Analysts, provided assistance.

Sen. Thatcher reported that the subcommittee met on location at the Salt Lake Valley Emergency Communications Center in July. The subcommittee examined some of the challenges associated with the Utah Communications Authority, followed up on building blocks, and discussed the Justice Reinvestment Initiative (JRI), Juvenile Justice Services, and the new Behavioral Health Needs of At-Risk Youth Assessment. In the October meeting, which was held at the Salt Lake County Sheriff's Office, the

subcommittee heard testimony on various issues relating to the youth and adult correctional system, the CCJJ Utah Justice Reinvestment Initiative 2016 Annual Report, and state employee compensation and market comparability specific to positions within the state criminal justice system.

Sen. Okerlund stressed the importance of getting good data and information so that we can evaluate and address issues associated with JRI.

Sen. Escamilla asked about salary ranges for the Driver License Division.

*e. Infrastructure and General Government*

Rep. Gage Froerer, Co-Chair, presented the [Infrastructure and General Government 2016 Interim Actions Report](#). Mr. Brian Wikle and Mr. Sean Faherty, LFA Fiscal Analysts, provided assistance.

Rep. Froerer noted that Sen. Harper had asked to be excused. He reported that the subcommittee discussed the implementation of S.B. 156, State Facilities Amendments (2016 General Session), S.B. 80, Infrastructure Funding Amendments (2016 General Session), Division of Fleet Operations' General Fund borrowing, the State's ownership and leasing of buildings, and the handling of surplus properties.

*f. Higher Education*

Sen. Don L. Ipson, Co-Chair, presented the [Higher Education 2016 Interim Actions Report](#). Mr. Spencer Pratt, LFA Fiscal Manager, provided assistance.

Sen. Ipson reported that the subcommittee met twice during the interim in August and in October to discuss student loan debt, funding issues, keeping tuition rates low, Utah College of Applied Technology (UCAT) certificates awarded, and UCAT internal efficiencies. In its October meeting, the subcommittee followed up on the Strategic Workforce Initiative and voted unanimously to approve allocating previously approved funding for five partnership proposals.

Sen. Ipson stated that the subcommittee also reviewed an update on performance based funding for the Utah System of Higher Education (USHE) and discussed three bills involving free speech issues and due process rights on campuses.

**5. Higher Education Funding**

Mr. Ball offered some introductory remarks about the progress that is being made in higher education funding.

Mr. Pratt reported that state funding for higher education in Utah has increased in the 17 years from FY 1999 to FY 2016. He indicated that total appropriations, including tuition, have more than kept up with higher education inflation as measured by the Higher Education Price Index (HEPI).

Mr. Pratt reviewed a series of graphs that show the history of state funding, the state's share of total costs for higher education, how changes in FTE affect the state support per FTE, and tuition increases.

The Issue Brief, "[Higher Education Funding](#)," examines changes in costs for, and state spending on, higher education and answers questions posed by policymakers about the impact of state spending on tuition.

In response to Sen. Hillyard's question about the percentage of students who need student loans, Mr. Pratt responded that about 60 percent of college students graduate with some student debt.

## **6. Fiscal Health Check-up: FY 2017 and FY 2018 Revenue Estimates, Trends, and Business Cycle Management**

Mr. Hector Zumaeta Santiago, Fiscal Analyst, LFA, presented updates to the summary page of the [Fiscal Health Dashboard](#).

Dr. Andrea Wilko, Chief Economist, LFA, presented the green sheet titled, "[Revenue Estimates – December 2016](#)." She reported that after taking into account certain expenditure adjustments, available net General Fund and Education Fund (GF/EF) revenue will be short \$6 million one-time for FY 2017 and available net GF/EF will be \$273 million ongoing for FY 2018.

**MOTION:** Sen. Hillyard moved, under Joint Rule 302-402(2)(a)(i), to adopt the revised revenue estimates for Fiscal Year 2017 (Column c) and new estimates for Fiscal Year 2018 (Column e) as indicated on page 1 of the green sheet titled, "Revenue Estimates – December 2016" and dated today, December 13, 2016. The motion passed unanimously.

Dr. Thomas Young, Economist, LFA, discussed "[Revenue Business Cycle](#)." He reported that General Fund revenues are about \$31.8 million above trend and Education Fund revenues are about \$21.3 million above trend for a total of about \$53.1 million above trend. He explained additional charts that provided either a broader or more detailed look at the revenue picture.

Mr. Ball explained how year-over-year ongoing revenue growth of \$284 million this year is greater than last year's year-over-year ongoing revenue growth.

Mr. Ball discussed the PowerPoint presentation, "[Stress Testing the Utah State Budget](#)," and the role stress testing plays in managing the business cycle, setting and meeting sustainable expectations, and avoiding crisis-driven policy decisions. He discussed some new scenarios and timeframes on both the revenue and spending side that are used in making economic projections. Mr. Ball also reviewed an inventory of buffers or reserves that can be used to offset a decline in revenue.

## **7. Subcommittee Allocations and EAC Set-asides [Agenda Item 8]**

Mr. Allred, Deputy Director, LFA, presented the red sheet titled, "[Subcommittee Allocations – December 2016](#)." These allocations represent the base budgets for FY 2018 (FY 2017 ongoing GF/EF appropriations that carry forward to FY 2018). Mr. Allred noted that the allocation to Social Services includes two statutory Medicaid ACO increases of \$4.0 million GF One-time in FY 2017 and \$10.5 GF Ongoing in FY 2018.

**MOTION:** Sen. Hillyard moved, under Joint Rule 3-2-402(2)(v) and (vi), to allocate to subcommittees for the 2017 General Session the amounts shown on the red sheet titled "Subcommittee Allocations – December 2016" and dated today, December 13, 2016. The ongoing amounts represent the Fiscal Year 2017 budget's ongoing General and Education Fund appropriations. The motion passed unanimously with Sen. Stevenson absent for the vote.

Vice Chair Stevenson assumed the chair for Sen. Hillyard.

**8. FY 2017 and FY 2018 Appropriations Limit Estimates** [Agenda Item 9]

This agenda item was not heard.

**9. Medicaid ACO FY 2018 Base Funding** [Agenda Item 10]

Mr. Russell Frandsen, Fiscal Analyst, LFA, discussed the statutory changes to the Social Services base budget for FY 2018. By statute, the Legislature must include in the base budget \$4.0 million for FY 2017 and \$10.5 million for FY 2018 from the General Fund for mandatory program changes and accountable care organization costs. Further explanation of those changes are explained in the Issue Brief, "[Medicaid Consensus Forecasting](#)."

**10. O&M Funding Recommendations by Building Board** [Agenda Item 14]

Mr. Wikle, Fiscal Analyst, LFA, explained that S.B. 156 (2016 General Session) required that each agency build an operations and maintenance (O&M) program into their line items and required the State Building Board (SBB) to implement that by rule.

Mr. Wikle reported that the deadline for state agencies to implement the SBB rule was September 30, 2016. He noted that the SBB drafted rules in accordance with the legislation but the public comment period on the proposed rules runs through January 3, 2017. Mr. Wikle recommended that the SBB not be held to the timeline as written in statute for this year.

Mr. Wikle pointed out that the intent of the bill was to track O&M funding by building. However, in our current budget structure, the line item does not track O&M funding to a building but often tracks to a functional responsibility. Mr. Wikle suggested that there may be other ways to track O&M funding. He said that the SBB is currently implementing a database that tracks O&M funding by building.

**MOTION:** Sen. Stevenson moved to direct staff to pursue options for monitoring operations and maintenance expenditures within agency line items and not to include operations and maintenance programs within all agency line items in the base budget bills. The motion passed with Sen. Hillyard absent for the vote.

**11. Base Budget Bills and Fees/Internal Service Fund Rates Bill**

Mr. Ball called attention to copies of the draft base budget bills behind Tab 11. He noted that committee action was needed in order to include certain changes to the base budget bills before presentation to legislators on the first day of session.

**MOTION:** Sen. Stevenson moved, under Joint Rule 3-2-402(2)(a)(vii), to authorize legislative staff to include the following changes when drafting base budget bills:

1. **Business, Economic Development, and Labor:** To align program appropriations with revenue appropriations in the Tourism Marketing Performance Fund, shift \$3 million in appropriations from the Fund from one-time to ongoing.
2. **Executive Offices and Criminal Justice:** To align appropriations with estimated revenues, reduce discretionary appropriations from the General Fund Restricted – Tobacco Settlement as follows:
  - a) Attorney General, \$6,900

- b) Courts – Drug Court, \$174,700
  - c) Health: Medicaid, \$1,488,700; CHIP, \$1,043,100; Disease Control and Prevention, \$108,400; and Director’s Office, \$300.
3. **Infrastructure and General Government:** (1) Shift \$20 million from the Education Fund Ongoing for two higher education buildings to Education Fund One-time in FY 2018, preserving the ongoing amount in the Capital Development budget for FY 2019; and (2) Appropriate \$14.2 million from Debt Service Nonlapsing balances to the General Fund One-time; appropriate \$14.2 million from the General Fund One-time and -\$14.2 million from revenue transfers one-time to Debt Service; this has a net zero impact but shifts \$14.2 million of risk from Build America Bond subsidy payments to the General Fund.
  4. **Public Education:** As directed by statute, add \$9 million from TANF funds to the Student Access to High Quality School Readiness Program.
  5. **Social Services:** As required by statute, include \$4.0 million one-time for FY 2017 and \$10.5 million ongoing for FY 2018 from the General Fund for mandatory program changes and accountable care organization costs.

The motion passed unanimously with Sen. Hillyard absent for the vote.

**MOTION:** Sen. Stevenson moved, under Joint Rule 3-2-402(2)(vii), to authorize legislative staff to prepare and number base budget bills for each appropriations subcommittee and the Executive Appropriations Committee (EAC) as EAC bills to be introduced on the first day of the 2017 General Session. Staff shall include in these bills:

1. The changes adopted in the previous motion;
2. Ongoing General, Education and Uniform School Fund appropriations defined in the current year’s appropriations acts;
3. Restricted fund and account amounts that are the lesser of current year appropriations or agency budget requests;
4. Adjustments to dedicated credits and federal funds included in agency budget requests up to 125% of current appropriations as allowed under the Budgetary Procedures Act; and
5. Adjustments to nonlapsing balances, transfers, and other dependent amounts as calculated.

In consultation with the Co-Chairs of the Executive Appropriations Committee, staff may make any technical changes necessary. The motion passed unanimously with Sen. Hillyard absent for the vote.

**MOTION:** Sen. Stevenson moved to authorize legislative staff to prepare and number Senate Bill 8, “State Agency Fees and Internal Service Fund Rate Authorization and Appropriations” as an EAC bill to be introduced on the first day of the 2017 General Session for review by appropriations subcommittees. The motion passed unanimously with Sen. Hillyard absent for the vote.

## 12. Proposed Rules for Compensation Funding Mix

Ms. Clare Tobin Lence, Fiscal Analyst, LFA, discussed “[Funding Mix for State Employee Compensation Adjustments and ISF Impacts](#).” She explained that in September, the committee considered criteria for the determination of funding mixes for state employee compensation adjustments and internal service fund

rate impacts. The committee moved to open a bill file for a joint rules resolution that would set the criteria discussed in rule.

A copy of the proposed Joint Rules Resolution 2017FL-0626/003 and a list of statutory and federal regulatory exceptions included in draft compensation and internal service fund appropriations bills can be found behind Tab 12 in the committee binders.

Sen. Stevenson combined the following two motions into one motion.

**MOTION:** Sen. Stevenson moved to approve the exceptions listed in the document titled “Statutory and Federal Regulatory Exceptions Included in Draft Compensation and Internal Service Fund Appropriations Bills” and direct the Legislative Fiscal Analyst to include these items in the Compensation and ISF Appropriations Acts for the 2017 General Session.

**MOTION:** Sen. Stevenson also moved to approve the presented draft Joint Rules Resolution on Funding Mix Determinations as representative of EAC’s intended action on funding mixes for state employee compensation adjustments and internal service fund rate impacts.

The motion passed with Sen. Hillyard absent for the vote.

### **3. Subcommittee Reports on 2016 Interim Actions (continued)**

#### *b. Business, Economic Development, and Labor*

Rep. Dixon M. Pitcher, Co-Chair, presented the [Business, Economic Development, and Labor Appropriations Subcommittee 2016 Interim Report](#). Dr. Andrea Wilko, Chief Economist, LFA, and Mr. Sean Faherty, Fiscal Analyst, LFA, provided assistance.

Rep. Pitcher reported on 7 budget-related issues that included: 1) Utah Science, Technology and Research (USTAR) budget reorganization; 2) Report on the Lassonde Center for Innovation in Banking; 3) Update on the Sustainable Transportation and Energy Plan (STEP); 4) Creation of a public utility regulatory fees account; 5) DABC comprehensive budget review; 6) Fiscal Note and Building Block Follow-up Report; and 7) GOED Talent Recruitment.

### **13. Tax Policy Options and Impacts on Discretionary Revenue [Agenda Item 7]**

Mr. Ball demonstrated how to use a new tool created in Tableau, “[Tax Revenue Simulator](#),” that details the effect of tax policy decisions on discretionary revenue. He also called attention to an individual income tax simulator found on the secure legislative website, which allows the user to change various components of the individual tax system and see the overall impact on certain groups of individuals.

### **14. UDOT B&C Road Funding Distribution Report [Agenda Item 13]**

Mr. Brian Wikle, Fiscal Analyst, LFA, offered some introductory remarks.

Mr. Carlos Braceras, Executive Director, Utah Department of Transportation (UDOT), discussed UDOT’s proposed distribution of \$5.0 million in additional support monies for B&C roads that the Legislature appropriated in H.B. 4002 (2016 4<sup>th</sup> Special Session). UDOT’s proposed distribution is outlined in “[UDOT B and C Hold Harmless Entities Report](#).”

## **15. State Board of Education Federal Funds and Budget Reconciliation**

Ms. Jennifer Johnson, Second Vice-Chair, State Board of Education, and Chair, Finance Committee, introduced Mr. Mark Huntsman, In-coming Chair, State Board of Education, and Vice Chair, Finance Committee, and Mr. Scott Jones, Deputy Superintendent of Operations, State Board of Education. Ms. Johnson provided some background information about the uncertainty of closing balances prior to FY 2015 and identified a number of risks associated with the State Board of Education's system of managing federal funds and the budget reconciliation process as outlined in "[State Board of Education Red Flags Report](#)."

Mr. Huntsman spoke to the seriousness of the problem and the need for additional resources in reconciling appropriations and programs prior to FY 2015.

Rep. Gibson expressed his appreciation to Ms. Johnson, Mr. Huntsman, and Mr. Jones, for their efforts and commitment in resolving accounting issues. He felt that it would be important to have some assurances that the resources the Legislature allocates are being used properly.

Sen. Mayne inquired about the scope of a state audit.

Sen. Adams asked about the resources needed to conduct reconciliation for all programs prior to 2015.

Mr. Jones stated that he was confident that steps had been taken to mitigate against risk back to FY 2015. However, the cost of reconciling all programs prior to FY 2015 would be substantial, between \$350,000 to \$500,000 over a 12-month to 18-month period of time.

President Niederhauser talked briefly about the merits of investing in a cost accounting system, once FINET and other accounting systems are in place.

Mr. Huntsman reassured the committee that this issue will be a top priority for the new State Board.

## **16. Other Business/Adjourn**

Co-Chair Sanpei recognized the following individuals who will not be returning to the committee next year: Sen. Dabakis, Sen. Hillyard, Rep. Arent, Rep. Chavez-Houck, and Rep. Dee.

Four written reports were also available for committee review behind Tab 16:

- a. [Elected Official and Judicial Compensation Commission Report](#)
- b. [Division of Finance Federal Receipts Reporting](#)
- c. [Division of Finance Revenue Review of Contribution Dependent Accounts](#)
- d. [Legislative Auditor General Best Practices and Performance Notes Report](#)

**MOTION:** Sen. Stevenson moved to adjourn. The motion passed unanimously with Sen. Escamilla, Sen. Hillyard, Rep. Briscoe, and Speaker Hughes absent for the vote.

Co-Chair Sanpei adjourned the meeting at 4:33 p.m.