



OFFICE OF ENERGY DEVELOPMENT, STATE FUNDS REDUCTION CONCEPTS

NATURAL RESOURCES, AGRICULTURE, & ENVIRONMENTAL QUALITY APPROPRIATIONS SUBCOMMITTEE
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ISSUE BRIEF

We have been asked to provide a list of suggestions that could potentially reduce the appropriations from the General Fund to agencies overseen by the Natural Resources, Agriculture, and Environmental Quality Appropriations Subcommittee. This list was intended to be used as a starting point for committee's discussions and potential legislative actions.

We used the assumption that although the agencies overseen by this appropriations subcommittee are generally very efficient, there are additional ways to reduce the state appropriations, while allowing the public to receive the needed services. For example, in some instances a portion of the state funds can be replaced with other funding sources, such as user fees. Also, some of the functions currently performed exclusively by state entities can be done by private companies or other government entities if the statute would allow and if proper oversight be put in place.

We identified the following general categories where such potential state fund reductions could be made. For additional explanations and examples of these categories, please see Appendix A.

1. **User fees:** replace a portion of the General Fund appropriations with user fees.
2. **Increase self-checking and self-reporting:** require a greater portion of the inspections and testing currently done by state employees to be transferred to the regulated industry/public, who may be required to self-report or to hire a third-party for verifications.
3. **Allow competition:** allow private or other government organizations to compete against each other and the state for services currently provided solely by state agencies.
4. **Outsource services:** contract with private or other government entities to take over the services currently provided by state agency.
5. **Eliminate government intervention:** some services can be provided through delegated standards without a formal structure of state government directly involved. This puts the burden on the industry to provide the services while still allowing the state to set the standards.

The following tables list the programs of the line item and show the funding mix, expenditure categories, and staff and vehicles count by program. In the first table, which shows the FY 2019 amounts by funding source (as included in the [Base Budget Bill, H.B. 5](#)), we have assigned in the first column (titled "Possible Actions") one or more of above categories to the programs where applicable.

Office of Energy Development

The mission of the Office of Energy Development is: *“To advance all forms of responsible energy and minerals for the provision affordable, reliable and sustainable energy through industry assistance, education and outreach, and policy to promote resource diversity and innovation.”*

Internal Programs

Line	Possible Action	Internal Programs
1	User Fees	Administration
2	Eliminate Government Intervention	Energy Research Triangle Initiative and Imperatives
3	Eliminate Government Intervention	State Energy Program Grant
4	User Fees	Tax Incentives
5	Outsource Services	Energy Education/Coordination

Administration: The Office of Energy Development provides value to many local entities by creating jobs, and improving energy development efforts in local areas. If counties and municipalities are receiving value from the work done by the Office, charging a fee for their services is reasonable.

Energy Research Triangle Initiative and Imperatives: There exists heavy discussion concerning the role of Government in regards to research. It is arguable that market factors contribute to more valuable research than do government grants.

State Energy Program Grant: The grant program is primarily for improving energy infrastructure though financing mechanisms. It is arguable that market factors contribute to necessary infrastructure more so than do government grants.

Tax Incentives: Tax incentives allow private businesses to enter the market or survive in the market at a discount in order to provide additional value to the state. Arguably, the state is not the only entity who benefits from the tax incentive and expenses for the incentive could be dispersed across those who receive value.

Energy Education/Coordination: The Office holds an annual Energy Summit, and provides various coordinating efforts to educate private entities and individuals about opportunities in the energy industry in Utah. Education and coordination could be done through a outsourcing process to introduce competition to the process.

Would the committee like to pursue any of these possibilities and direct staff to get more information?

Agency Detail

The following pages contain details about the expenditures, FTE and Vehicles counts by program, as well as descriptions for each program in order to provide a better understanding what is currently budgeted to be "purchased" with the appropriations.

Office of Energy Development

Programs by Line Item	State	Federal Funds	Ded. Credits	Restricted
Office of Energy Development	\$1,567,600	\$408,000	\$91,800	\$112,200

Expenditures

Expenditure Categories	Personnel Services	In-state Travel	Out-of-state Travel	Current Expense	DP Current Expense	Pass Thru
Office of Energy Development	\$1,659,400	\$19,100	\$53,600	\$355,300	\$66,100	\$54,100

Staff and Vehicles

	FTE	Vehicles
Office of Energy Development	13	1

Appendix A

- 1. User fees:** replace a portion or all the General Fund appropriations with user fees. This will allow the state entity to continue the same level of services and staffing, while reducing the general tax dollars. It may or may not mean increasing fees to generate more revenue with which to replace the General Fund. An example of this is the Division of Parks and Recreation shifting the majority of its finding from the General Fund to parks visitors' fees.
- 2. Increase self-checking and self-reporting:** require a greater portion of the inspections and testing currently done by state employees to be transferred to the regulated industry/public, who may be required to self-report or to hire a third-party for verifications. This would potentially reduce the workload of the state agency, which would result in reduction in state staff and travel expenses. This could be similar to reporting and paying income taxes. The individual or corporation self-reports, with the understanding that reports are enforced through audits. Another example of this is the elimination of the state-mandated vehicle safety inspections for vehicle registration.
- 3. Allow competition:** allow private or other government organizations to compete against each other and the state for services currently provided solely by state agencies. Competition could breed innovation and increase the quality of services and/or reduce the costs to the industry/public paying for the services. An example of this is the Organic certification process.
- 4. Outsource services:** contract with private or other government entities for the services currently provided by state agency. Initially, the costs may remain the same, but it could be reduced over time, as competition to provide the services increases. Many services in state government are provided through contracting, and perhaps more could be. Examples of this is UDOT and road construction and This Is The Place Foundation managing the heritage park.
- 5. Eliminate government intervention:** some services can be provided through delegated standards without being a formal structure of state government. This puts the burden on the industry to provide the services while still allowing the state to set the standards. An example of this is industry certifications and industry standards, such as the Certified Public Accountant (CPA) and the Governmental Accounting Standards Board (GASB).