

**OFFICE OF THE LEGISLATIVE FISCAL ANALYST
 MAJOR POLICIES AND FUNDING ISSUES
 1999 GENERAL SESSION
 December 16, 1998**

**Estimate or
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**MAJOR POLICIES AND FUNDING ISSUES
1999 GENERAL SESSION**

INFORMATION TECHNOLOGY

- The Millennium Bug** **What level of resources are required to assure that mission critical operations will continue through the Year 2000 (Y2K) date change?**
State entities face the possibility that information systems containing two-digit date fields will not properly process date dependent functions which include the year 2000. Many entities will be forced to repair or replace these systems in the next twelve months, as well as prepare business contingency plans. Executive agencies have requested \$5 million for these purposes, while higher education requested \$20 million, and public education seeks an FY 1999 supplemental of \$12 million. The Courts and the Legislature are either currently compliant, or will address Year 2000 needs with base resources.
- Scheduled Equipment Replacement** **Should state agencies treat standard computing equipment (clients, mail/file servers, routers/switches, peripherals) as one-time capital costs or as ongoing expenses?**
On average, executive agencies replaced only 15 percent of their PC inventories in FY 1998, compared with industry standards of between 25 and 33 percent. In FY 2000, Utah executive agencies have requested \$11 million for hardware and software under \$5,000 per unit. However, agencies typically spend much more on data processing current expenses than originally budgeted at the beginning of the year. For instance, in FY 1998, the agencies were authorized to spend about \$10 million for hardware and software under \$5,000 per unit. They spent almost twice that much, \$18 million. Forty-two percent of all expenditures in that category took place in the last two months of the fiscal year, presumably as excess funding in other areas became available. Assuming that the cost of replacing 15 percent of the inventory is \$18 million, and that agencies typically spend twice as much as authorized on these activities, the incremental cost of accelerating the cycle to replace 30 percent of executive agency PCs could cost as much as an additional \$16 million in FY 2000. As for other state entities, Courts recently replaced much of its IT infrastructure through the CORIS program. Public and higher education cannot accurately account for IT costs, but more than 50 percent of their installed base consists of computers two years old or older, and one-time treatment of IT costs has been blamed for the education communities Year 2000 situation.
- UCAN 800 MHz Radio Upgrade** **Given implementation delays, should further resources be provided for 800 MHz conversion in FY 2000?**
In 1997, House Bill 187 created the Utah Communications Agency Network (UCAN) to coordinate state and local government construction of a new law enforcement radio system operating in the 800 MHz bandwidth. The

Departments of Administrative Services, Corrections, Natural Resources, Public Safety, and Transportation were appropriated about \$1.5 million to purchase radios and pay service fees in FY 1999. It now appears that the new system will not be operational until after January 1, 2000. Therefore, agencies will likely carry-over FY 1999 funds into FY 2000. Only the Department of Corrections included additional FY 2000 funding (\$1,287,800) in its budget request.

UTAX

What level of resources should be provided for the continuation of the UTAX program?

The Tax Commission is replacing its current automated tracking and collections systems with a commercial product -- dubbed "UTAX" -- from American Management Systems (AMS). In Fall of 1998, AMS and management consultant Deloitte and Touche recommended postponing implementation of the integration component of UTAX ("Advantage Revenue") until October 2000, effectively delaying the system completion date by one year. The delay will also impact UTAX's cost, increasing it from the target of \$34 million to AMS's original bid of about \$40 million. \$8.5 million of that total will be requested in FY 2000, bringing total expenditures through FY 2000 to \$34.8 million. Also, the higher education requirements should be considered.

Digital Television Conversion

Should the Utah Education Network (UEN) convert both channels seven and nine to digital broadcasting, committing the Legislature to spending approximately \$2 million from state revenue annually for the next three years?

Under the Federal Telecommunications Act of 1996, television broadcasters, including public television stations, are required to transition to digital signal transmission by 2006. Utah's public TV stations, KUED-7 and KULC-9, have joined forces with commercial broadcasters to construct a joint digital transmission station on Farnsworth Peak. DTV would allow UEN to broadcast the equivalent of four standard definition programs or datacasts on a single frequency, one high-definition program per frequency, or some combination of multiple programs, data, and increased definition. The total cost of the transition for both stations will be more than \$15 million, \$6 million of which will be sought in state funding over three years. However, at standard definition, both KUED and KULC programming could be broadcast on a single DTV channel, with room for two more standard definition programs or datacasts, presumably at half the cost. For the approaching Session, the Utah Education Network will seek \$1 million in FY 1999 supplemental funding, and \$875,551 in one-time FY 2000 resources.

EXECUTIVE OFFICES, CRIMINAL JUSTICE AND LEGISLATURE

Creation of a Western Primary Election

Should Utah create a Western Primary Election?

There is a request for \$500,000 from the General Fund to create a Western States primary. This request involves taking the elections functions out of the Governor's Office and making a separate department. This would require a statutory change. There is also some concern as to how this would affect the role and functions of the Lieutenant Governor. Currently the elections responsibilities are under the supervision of the Lieutenant Governor.

Children's Issues in the Attorney General's Office

Does the Legislature want to keep up with growth in Child Welfare caseload?

Children's issues continue to be a priority throughout the state. The Attorney General's Office has requested two additional attorneys to keep up with caseload growth. This ties in with growth in Human Services. The cost would be \$203,400.

State Growth Affecting the Attorney General's Office

Should the Legislature fund growth affecting the Attorney General's Office?

Growth in other areas has led to increased caseload pressure on the Attorney General. As a result they are requesting \$298,500 for additional staff attorneys in Tax, Appeals and Occupational Licensing.

Funds Consolidation

Should there be a funds consolidation study conducted by the Legislature during the 1999 interim for the 2000 General Session?

Current estimates are that the Courts will collect over \$27 millions in fees, fines and surcharges in FY 2000. Court revenues have traditionally been deposited in the General Funds of the state. Over the last several years a number of diversions have been created, by legislation, which established restricted funds for special programs. By creation of the restricted funds, the Legislature artificially limits their own ability to shift priorities and funds.

Judges

Is there a point at which we cannot afford more judges to be added each year?

The Executive and Judicial Compensation Commission is recommending a 3.5 percent salary increase for judges. This will cost approximately \$450,000 in additional General Funds for the 103 judges and the Court Administrator currently in the system. The courts are also asking for two new juvenile judges

(and support staff) at a cost of \$447,800 in General Funds (we now have 22 juvenile judges).

Contract and Lease Escalation

Should the Legislature review the mechanisms which create the requirement for such increases year after year?

Courts are asking for \$996,800 in additional General Funds for lease and utility costs for court facilities.

Jury and Witness Shortfalls

Should the Legislature cover some portion of the Jury and Witness overpayment?

The annual shortfall in Jury and Witness fees for FY 1998 and FY 1999 is \$380,600. The estimated required increase for this budget category for FY 2000 is \$250,000.

Operational Funding For New Building

Should building commitments obligate future Legislatures to the O & M costs of correctional facilities?

The three new youth corrections facilities under construction in Ogden, Cache County, and the Uintah Basin will come on line in FY 1999 and will require \$4.3 million additional General Funds for annual Operation and Maintenance.

With an annual net growth of demand for 500 adult inmate beds, the Department budget continues to be driven by “facilities operations” costs. The facility operational costs included in the FY 2000 budget request are:

Forensic Facility Draper	full year	\$1,135,200
Gunnison 288 Unit	part-year	2,580,300
Privatized	part-year	<u>1,545,500</u>
Total		\$5,261,000

To supplement the facility beds an additional \$3.1 million for county bed contracting is also requested.

Out-of-State inmates in Utah

Should the state establish strict standards (licensing, certifications, oversight, review, etc.) for controlling the placement and operation of any facility housing convicted felons from an extra-Utah jurisdiction?

The evolution of privatized prisons will require legislative action to protect the state’s interest in how such facilities deal with out of state inmates.

Corrections Salary Issues

Because of the scale of the General Funds that would be required, should the legislative leadership set aside funds for a corrections officer increase over and above general salary and fiscal note reserves?

In our recent in-depth budget review we noted that the department salary schedule for correctional officers is lower than the three largest comparable jurisdictions in Utah and that the Department has a 12 percent turnover rate with 67 vacant positions. To forestall a major loss of trained officers should a salary adjustment be considered.

A salary increase of one percent for correctional officers only would cost \$226,836. A nine percent increase for all department positions, including correctional officer, would be \$5,800,000.

Highway Patrol

Is there a standard the Legislature wishes to use to determine how many troopers are needed?

The Department of Public Safety is asking for 15 additional troopers (and associated equipment) for the Utah Highway Patrol. Total cost for the request would be \$1,263,800.

In-Car Technology

How do the efficiencies gained through in-car laptop technology (in the urban counties) relate to the need for new troopers?

To continue the upgrade of the UHP to the new in-car computer system (CDPD) the Department is requesting \$ 508,900 in General Funds (adds Juab & Utah Counties and provides maintenance for Davis County).

Forensic Labs

Since delays in evidence processing can hamper investigations and impact convictions, should the state labs be upgraded (in staffing) to increase the response times on evidence analysis?

With the increasing complexity of technical means of processing evidence and it's use in gaining convictions for crimes, the Department is asking for an additional 2.5 criminologists (\$140,000) for the state forensics labs. These labs serve both state and local law enforcement and prosecution efforts.

Cost of Protective Services

Should Public Safety, DFCM, Risk Management and the resident agencies be required to match the security contract (level of service), program payments, and the risks involved?

Protective services provides security for state buildings in the Salt Lake Metro area. The level of services, and security provided, is not related to the risk involved or the cost of providing such services. Should DPS-protective services be required to establish a cost matrix specifying the charges for each level of security service for any state building to be covered?

New Parolee Program

Shall the Legislature allow the funds previously appropriated for a privatized prison to be used for a new Parolee program?

Because of the delays in getting the RFP (and resulting prison construction) on line in FY 1999 there is a projected shortfall of 385 inmate beds at the prisons by the end for FY 1999. The Department is proposing building specialized, lower security facilities (using inmate labor and new construction technology) to bring 300 new beds on-line in FY 1999. These beds would serve a parolee population on community work program projects. Costs for the construction (approximately \$4.1 million) would come from in-budget savings and Federal Victims of Crime/Truth in Sentencing (VOCTIS) Funds. Operating costs (approximately \$4.5 million in FY 2000) would be covered by funds earmarked for the privatized facilities or generated by the Department.

CAPITAL FACILITIES AND ADMINISTRATIVE SERVICES

Fleet Capitalization and Operating Costs

How should the State fund and track light duty vehicles?

In the past, the full cost of fleet operations has not been fully funded. This has resulted in borrowing from the General Fund to cover the full cost of replacement vehicles. The Legislature indicated during the 1998 interim a desire to cease borrowing from the General Fund to pay for vehicles. In order to do this, the Legislature must adopt a plan that will fully fund fleet operations. Capitalization of the fleet will require an ongoing appropriation of \$7-12 million will be required beginning in FY 2000.

The Legislature also mandated a statewide tracking system for all state vehicles. The Management and Information System will track fuel efficiency, repair history and usage. Fleet centralization is also an issue, but there may be a need to allow certain agencies to maintain their own fleets while transferring to the MIS system.

Independent Review of Fleet Operating Rates

Should an independent study of fleet operating rates be conducted?

Intent language in Senate Bill 1, Appropriations Acts, Item 68, 1998 General Session, instructed the Division of Fleet Operations to not increase rates until an independent study could be conducted. Although funding for this study was provided, the funds would allow only for the review and development of the capital replacement rates. The operating rates (administration, information system, maintenance, etc.) were not developed. Therefore, if the Legislature wants to complete the direction of the intent language additional funding estimated at \$290,000 would be required.

General Fund Borrowing

Should the State attempt to repay the cash deficit in the General Fund balance?

General Fund borrowing results when agencies make statutorily authorized purchases of equipment without capital. This practice has led to a current level of borrowing that will exceed \$52 million by the end of FY 1999. If General Fund borrowing continues at its current pace, the Treasurer will run out of cash and the State will need to pursue alternative financing methods. The primary debt is in fleet operations but other agencies have negative balances as well. This is a complex issue that has been strongly linked to the fleet debate, but should be considered separately.

The Legislature has several options in dealing with this issue: it can directly fund repayment of the deficit, recover the funds through Internal Service Fund Rates, add to the bonding amount and use cash to repay the deficit, or choose to work out of the deficit balance by charging full costs for equipment.

Alternative Fuel Vehicles (AFVs)

How should costs be distributed to pay for Alternative Fuel Vehicles?

Beginning January 1, 2000, states must comply with a federal mandate to purchase alternative fuel vehicles (primarily compressed natural gas). Half of all new acquisitions made for fleet usage must be AF vehicles. There are

exceptions for certain types of vehicles, including Public Safety and vehicles used by those who work in the field. Purchasing an AFV adds an additional cost of \$3000 to \$5000 per vehicle. The Legislature needs to adopt an AFV policy that meets Federal guidelines and equitably distributes costs across state agencies.

Fuel Mitigation

How should the State address remediation of leaking underground storage tanks?

The Fuel Mitigation program identifies sites that have been damaged by leaks in state-owned underground fuel storage tanks. The fund provides for the restoration of these sites in compliance with federal law. FY 1999 is the last year that the federal government will require clean-up projects, but there are still many sites in Utah that have not been properly evaluated or restored. The Department of Administrative Services wishes to continue the clean-up program until all currently identified sites have been restored. They are asking for a one-time supplemental appropriation to complete this project.

Capital Improvement Spending

What is the statutory increase for Capital Improvements in FY 2000?

Statute provides money for Capital Improvements to be funded on an annual basis before new buildings can be funded. Capital Improvements are projects that cost less than \$1,000,000 and do not add additional square footage. The amount appropriated for improvements is 0.9 percent of the value of state buildings, which is \$3,728,666,700 for FY 2000. Capital Improvement money for FY 2000 has been set at \$33,558,000, an increase of \$1,664,500 over FY 1999.

General Obligation Debt Service

What will the G.O. Debt Service total in FY 2000?

The state's level of Debt is primarily made up of General Obligation and Revenue bonds. General Obligation bonds are secured by the full faith and credit of the State. The current level of General Obligation bonding is approximately \$1,111,355,000. Revenue bonds are bonds authorized and paid for with an income stream that is available to the agency. Though more expensive than G.O. bonds, current market conditions have allowed the state to take advantage of low interest rates to purchase buildings using revenue streams dedicated to long term lease payments. The Revenue Bonding level is approximately \$304,868,000. General Obligation Bond debt service for FY 2000 is estimated to be \$129,978,000, an increase of approximately \$2,981,500.

COMMERCE AND REVENUE

Funding of Market Comparability Adjustments

How will the Legislature fund the FY 2000 market comparability adjustments?

The Legislature has funded market comparability adjustments from "turnover and other savings" for the last several years. These are ongoing budget

requirements that effectively reduce an agency's overall budget. These savings can only realistically be used once or at most twice.

Department of Workforce Services

Food Stamps (\$1.1 million Supplemental and On-going Need)

How can the Legislature address changes the federal government is making to fund levels and block grant commitments?

Costs for employment and training services for recipients and costs for fraud investigations for the food stamp program have increased. Administrative costs, including employment and training and fraud, are generally funded at a 50/50 state/federal match. The Department is requesting additional funding for training and other costs related to getting people off assistance.

General Assistance (\$0.7 million Supplemental and On-going Need)

Additional funding is being considered based on cases served and client service expenditures for this state funded program which encourages self-sufficiency for needy Utah citizens without children. Without additional general funds, the assistance provided in this program will have to be reduced.

Universal Employment Services (\$4.3 million Supplemental and On-going Need)

Two issues: (1) Continual reductions in federal funding in the Wagner/Peyser grant and shortfalls in funding universal access to employment services offered in the one-stop employment centers . During FY 1998, the workforce of the State of Utah exceeded one million, resulting in an allocation change in the federal formula that determines Wagner/Peyser funding to the states. Based on this formula to eliminate Utah's small state protection, Utah will see reductions of \$0.4 million in FY 1999 and \$0.7 million in FY 2000. (2) The creation of the one-stop delivery system in Utah has increased the need for universal access to employment services. Workload statistics show a 21 percent increase in client work registrations and 61 percent increase in referrals to employment. Without additional funding from the federal level, states will be faced with the decision to seek additional funds or drastically alter the recently developed workforce service consolidation efforts by reducing employment-related services.

Child Care

A sum of \$1.5 million General Fund is required to pull the maximum amount of federal funding available for child care. This funding could expand the number of those served and increase supplemental funding benefits for all.

ECONOMIC DEVELOPMENT AND HUMAN RESOURCES

State Library

The State Library is moving into a new facility and will require an additional \$626,200 in ongoing General Fund. The Legislature and State have already committed to funding this project. Failure would damage the State's credit.

Industrial Assistance Fund

Will the Legislature fund mandated replenishment of the Industrial Assistance Fund?

At the end of the fiscal year, after transferring the General Fund surplus to the Budget Reserve Account as provided in Section 63-38-2.5, any additional unrestricted, undesignated General fund balance, beyond the first \$10,000,000 shall be earmarked to the Industrial Assistance Fund in an amount equal to the credits accrued. This requires a supplemental appropriation of \$5,162,500. In the past the Legislature has only partially funded this requirement. DCED expects significant demand in the coming year.

Hill Air Force Easements

Will the Legislature fund mandated Hill Air base land easements?

Section 63-49a-1 directs: “The Department of Community and Economic Development shall acquire, by purchase of condemnation, easements for the establishment, maintenance, and operation of a restrictive use area for the operation of aircraft to and from Hill Air force Base.” The amount needed to finish this multi-year project is \$450,000 in one-time General Fund. This project can be delayed or partially funded.

Utah Technology Finance Corporation

What does the Legislature want to do with Utah Technology Finance Corporation?

Last session the Legislature eliminated the final \$1,000,000 in ongoing General Fund appropriation for Utah Technology Finance Corporation. Does the Legislature wish to restore funding to this agency, leave it as it is, or eliminate the program?

Olympic Related Business and Travel Promotion

Does the Legislature want to increase the economic development impacts of the Olympics?

The Department is eager to follow Atlanta’s example in linking economic and travel development efforts to Olympic promotions. The original request is for \$900,000. This opportunity can be ignored or postponed or partially funded.

State Fair

Does the Legislature want to help renovate the State Fairgrounds and develop an aquarium and science center?

The State Fair is about to start a major renovation that would provide a home for a science center and an aquarium. During the transition period they are requesting a return to their previous level of on-going funding, \$600,000. That is an increase of \$330,000 from their current level of \$270,000. A similar project in Baltimore led to area revitalization. This project may be ignored, postponed or partially funded.

DEPARTMENT OF HEALTH

Utah Statewide Immunization Information System \$275,000

Can Utah improve its childhood immunization rates?

Utah is currently the state with the lowest reported immunization rates. Several reasons for the low rating have been discussed. One part of the solution is a Statewide Immunization Information System, which would link over 300 private pediatricians, local health departments, HMOs, and other providers and players in the immunization effort. Matching federal funds, Medicaid funds, and contributions from health insurance plans will increase the total funding package to \$935,000.

Local Health Departments' Block Funding \$300,000

Should the State increase its participation with local health departments?

The State is a major partner with the 12 local health departments in promoting and providing public health services. Three factors call for the request for an increase in the block grant funding. First, the state requires additional services from the local health departments, second, over time, the purchasing power of the block grant funding deteriorates, and third, a growing population puts additional demands on services from the local health departments.

Primary Care and Rural Health Systems \$500,000

Over the past couple of years, funding has been approved from Mineral Lease funds for health care services in medically underserved populations. In last year's appropriation bill, intent language directed that this program be funded with ongoing funds in FY 2000.

Medical Assistance Base Program

Mandated increases - Projections for a further decrease in the federal funds match rate will require the \$1,836,900 deficit to be replaced with General Funds. This increase in General Funds does not increase the Medicaid program, but holds it at the same funding level. The federal match rate change will also affect the Department of Human Services and require \$571,900.

Inflation and increased utilization in the Medicaid program generates the need for an increased General Fund appropriation of \$10,211,400.

Replacement of Restricted Funds - Funding in the amount of \$5,490,500 for FY 1999 was appropriated from the Medicaid Restricted Account, a funding source which is available for Medicaid purposes, but is one-time in nature. To establish the costs associated with this funding in the Medicaid base, this amount of funding will be required from the General Fund.

Increased Number of Medicaid Eligibles - As a result of the outreach efforts to find the CHIP eligibles, some children who are eligible for Medicaid are expected. These children are not eligible for CHIP, but can become Medicaid

recipients. For service and eligibility determination costs, the amount is approximately \$1,929,000.

Eliminate Waiting List for 32 Medicaid Children - There are currently 32 children who are on a waiting list for services under the Travis C. waiver, which covers technology-dependent children (children who need trach tubes, or other specialized equipment). The General Fund amount to cover these children is \$163,700.

Utah Medical Assistance Program

Should the State provide additional funding for Medical Services for poorer individuals who do not qualify for Medicaid?

Some individuals who do not qualify for Medicaid may receive health care services through the Utah Medical Assistance Program (UMAP). This is primarily a state-funded program. The program has not received a General Fund increase since FY 1987. Over time, the purchasing power has decreased, and health care costs have escalated. The requested amount is \$450,000.

FY 1999 Supplementals

Tobacco Media Campaign

House Bill 404, Use of Cigarette Tax, diverts \$250,000 from the General Fund to a restricted account for an anti-tobacco media campaign directed towards youth. Because the bill passed after the funding deadline, the funding for the campaign was not included in the appropriation bills. (Note: the funding comes from the Cigarette Tax Restricted Account.)

Alcohol and Drug Testing

House Bill 71, Alcohol and Drug Testing Fee, provided a funding source through a restricted account, for laboratory tests for state and local law enforcement agencies. This bill also passed after the funding deadline, so the funding for the testing was not included in the appropriation bills. (Note: the funding comes from the State Laboratory Drug Testing Account.) The requested amount is \$150,000.

Impact of Aging Population

Will long-term health care costs increase significantly over the next few decades?

A long-term issue which the entire country is facing should at least be discussed and considered. With the population of the country aging, and with more people living longer, medical and long-term care costs for the disabled and aged populations will see significant increases over the next two to three decades (38.6 million in 1997, 72.2 million in 2027). In Utah, approximately 85 percent of all nursing home residents are Medicaid recipients. The Medicaid aged and disabled populations account for 20 to 25 percent of total Medicaid eligibles, but utilize 40 to 60 percent of the total funds. As the population ages, more people will likely utilize long-term care, a very

expensive provider of health care, and Medicaid will be looked at as the main funding source. A possible solution emphasizes long-term and disability insurance funded by the individual.

DEPARTMENT OF HUMAN SERVICES

Services for People with Disabilities Waiting List

Should the State make a significant effort to reduce the list of people with mental retardation waiting for services?

Currently, there are approximately 2,300 people on the waiting list for community based services. This list includes people in need of various services, from residential to day services to family support. Advocates for the disabled are pushing a three-year initiative to eliminate the waiting list. The first year request is for about \$6 million in state funds. The Division of Services for People with Disabilities (DSPD) has a building block request for \$342,000 in state funds which would serve an additional 51 individuals. It is requesting another \$300,000 in state funds for its "emergency placement" program for services to individuals whose care givers are no longer capable of providing service or are court ordered to DSPD for services.

Operation of the New Forensic Facility at the Utah State Hospital

Should the State fully fund the operation of the new forensic facility at the State Hospital?

This new 100 bed facility will open in July, 1999. The Hospital has averaged about 75 forensic patients over past years. A portion of the old Hyde Building will continue to be used to serve some geriatric and adult civil patients until the second phase of the Rampton Complex is built. The total estimated cost of operation of the new facility is estimated at about \$10.6 million. The Division of Mental Health is requesting a base budget increase of approximately \$5.6 million in state funds. The balance comes from staff and resources currently serving the forensic population which will be transferred to the new facility.

Operation and Maintenance of the new Child Welfare Mgt Info. System (SAFE)

Should the State provide funds for operation and maintenance of the New Child Welfare Management Information System?

The management information system, which is automating the management, reporting, filing, etc. of the child welfare cases, is completing its development phase and moving to a maintenance mode. The Division of Child and Family Services requests \$605,500 in state funds to hire operating system and database administrators and other technical expertise.

Medicaid Home & Community-Based Aging Waiver Services

Should the State increase funding for the Medicaid Home and Community - Based Aging Waiver which keeps people out of more expensive nursing homes?

The Health Care Finance Agency (HCFA) in the State Dept of Health has authorized 1,665 slots for this alternative program to nursing home care. The state currently funds about 370 individuals in this program. The Division of Aging and Adult Service is requesting about \$500,000 in state funds to provide

for another 525 individuals.

**Funding for
Complex, Multi-
Need Troubled
Youth**

Should the State provide a new separate funding pool for multi-need, troubled youth?

In a typical year, the Department of Human Services receives about 20 “high cost” youth who require intensive intervention from various agencies, such as Youth Corrections, Mental Health, Substance Abuse, and possibly residential services from Child and Family Services. These youth come to the department from various sources, including the courts. Their cost is such that a particular division is reluctant to take on the full responsibility. The Department is requesting \$500,000 in state funds to provide services for these youths.

**Private Provider
Cost of Living
Adjustments**

Should the State provide additional funding to increase contracts with private human service providers and local authorities for staff cost-of-living adjustments?

Private contracted service providers, local mental health, substance abuse, and aging authorities have been given employee cost-of-living increases comparable to that given state employees. The Budgetary Procedures Act instructs the Governor to consider budgeting such a cost-of-living increase for these agencies. Last year, the Legislature appropriated \$1.4 million in state funds to the Department of Human Services for a three percent COLA. A similar amount, about \$1.5 million is anticipated for FY 2000.

In addition, the Division of Youth Services (DYC), while not mentioned in statute, will be requesting a similar increase. DYC is requesting a COLA increase of \$451,000 in state funds for its service providers.

UTAH SYSTEM OF HIGHER EDUCATION

**Compensation
Package**

Should the plan of financing the compensation increase for higher education include only State Tax Funds?

If this proposal is adopted, the Legislative Executive Appropriation Committee would need to exempt the Utah System of Higher Education from their policy on funding compensation increases.

Each year, the Fiscal Analyst, under direction from Legislative Executive Appropriation Committee, sets aside funds for compensation increases for all sectors of State Government as part of the annual budget recommendation.

The guidelines used by the Fiscal Analyst in developing the funding sources for the compensation reserve were adopted by the Executive Appropriations Committee on December 13, 1994. The guidelines state that:

“Increases for agencies or programs funded with a mix of revenue sources should generally be based on:

“a. The proportionate share of those revenue to the agency budget. . . .”

“d. In Higher Education budgets, if tuition increases are proposed to fund the recommended budgets, the dedicated credits from this revenue source should bear their proportionate share of increased compensation costs based on the ratio of tuition to the free revenue sources in the current budget.”

The Governor’s FY 2000 budget guidelines for funding compensation adjustments contain similar instructions:

“Agencies are to reserve a portion of their non-state funds (i.e. dedicated credits, restricted funds, federal funds, and fixed collections) to cover compensation and benefit changes.”

Currently, in higher education, the system wide ratio between funding sources averages about 25 percent from dedicated credits (tuition revenue) and about 75 percent from state funds.

**Modifications in
USHE Enrollment
Growth Funding
Formula**

Should the mechanism for funding the Utah System of Higher Education as studied through the last interim be changed?.

The recommendations of the task force include:

- ▶ Change the standards-based enrollment growth formula to accurately reflect the cost of instruction by level of instruction and by changes (either increase or decrease) in student enrollment.
- ▶ Increase the indirect cost factor in the formula from \$300 per FTE to \$600 per FTE (a 100 percent increase). The indirect cost factor funds student services, academic support and institutional support. Plant operations and maintenance (O&M) would be funded independently. Systemwide, indirect instructional costs (excluding plant O&M) average approximately \$2,200 per FTE student.

**Non-compensation
Funding for
Instructional
(Education
&General) Budgets**

Does the Legislature want to continue the practice of withholding funds for inflationary increases in operating budgets?

Higher education like all of state government has not had any funding in their budget to address changing economic conditions during the past decade. This has created a situation where they have met their budget demands through the reallocation of resources to cover inflationary operating cost. The long term effect in higher education has been an impact on the amount of funds for the maintenance of buildings, campus operations, the purchasing of supplies and the acquisition of instructional equipment.

USHE is proposing that this budgetary need be financed through a funding

mechanism that is based on a state appropriation of \$30 for each FTE student enrolled at each institution. Systemwide this would amount to approximately \$2.5 million. **As part of the Regents' proposal this money would be appropriated to the Commissioner's Office and distributed to the nine institutions at the discretion of the Board of Regents. The intent is for the Regents to manage the allocation of these funds (in lieu of a direct legislative appropriation to each institution) with the objective of improving the quality of the student's educational experience at each USHE campus.** No accountability or performance objectives have been attached to the request.

Adult Education at Applied Technology Centers and Applied Technology Service Regions-ATE Budget

Should the responsibility for the funding of adult education at ATC's be the responsibility of higher education, and should the appropriation go directly to USHE for allocation to the appropriate ATC's for adult instruction?

Applied Technology Education (ATE) in Utah is delivered by both public education and the State's System of Higher Education (USHE).

In higher education, all institutions of higher learning except the University of Utah, offer ATE programs. The ATE courses offered are both credit and non-credit programs. In higher education, most budget related ATE instruction is funded through the education and general ATE budgets for each institution.

In public education, the Applied Technology Centers (ATC's) are primarily responsible for non-credit training of secondary students, however, adults can receive instruction at the ATC's. Regions where ATC's are not available, the Applied Technology Center Service Regions (ATCSR's) coordinate the ATE programs between public education and higher education. Public education funding for ATE programs at the ATC's and ATCSR's are provided as individual line item budgets for each agency (ATC's and ATCSR's) which covers the cost of instruction for both secondary and adult students.

Use of SLCC Funds for Secondary Students

The issue for legislative consideration is whether the process of transferring monies to the Wasatch Front South ATCSR from SLCC to cover the cost of secondary education should continue, or should the ATC receive additional funding to cover the loss of the SLCC's funding?

Since Fiscal Year 1993, Salt Lake Community College (SLCC) has transferred money to the Wasatch Front South ATCSR from their appropriated base budget to supplement the costs of instructing secondary students. SLCC has informed Wasatch Front South that beginning in Fiscal Year 2000, they will no longer be transferring monies to the ATCSR for secondary students.

**Tuition
Equalization-ATE**

Should the Legislature fund a tuition reduction for students taking non-credit ATE programs in higher education?

Public education offers non-credit ATE courses at ATC's for \$.85 per contact hour or about \$685 for a full-time student (equivalent to a FTE student in higher education). Higher education's tuition for ATE programs is approximately \$1,280 for a FTE student. The USHE is requesting funding from the state tax fund for both credit and non-credit ATE programs to reduce a portion of the USHE tuition currently being charged for ATE programs to bring student tuition in line with public education.

NATURAL RESOURCES

**Department of
Agriculture and
Food**

Should the Legislature grant statutory authority to utilize \$1 Million in Agricultural Resource Development Loan (ARDL) funds for purposes specified under the Rural Rehabilitation Loan program?

The Department manages two agricultural loan funds: the Rural Rehabilitation Loan program, and the ARDL program. The Rural Rehabilitation program has been used to make low-interest loans available to farmers and ranchers, with specific interest being directed toward younger individuals and those under financial stress. Demand for these loans has been high; however, funding has been running low. This program does not receive appropriations. Rather, it is a revolving loan fund which was started through a federal grant and available only when other funding sources are not. Total assets in FY99 are \$3.2M. The ARDL program does get state appropriations of approximately \$500,000 per year plus interest collected. Demand for ARDL loans has not been as great as Rural Rehabilitation loans. ARDL total assets in FY99 are \$17.8M. As an FY99 Supplemental, The Department will request statutory authority to transfer \$1,000,000 from the ARDL program to the Rural Rehabilitation program.

**Natural
Resources/Wildlife
Resources**

Should Wildlife Resources receive an appropriation for maintenance/upgrade of existing state fish hatcheries?

DWR has requested a \$500,000 on-going capital appropriation for maintenance of the fish hatcheries in Loa, Egan, Midway, and Mantua. These sites would also be modified to protect springs from disease and vandalism, and improve water quality. Funding would come from Restricted funds collected on the sale of fishing licenses. There was a \$2 per license increase approved for FY 1999, but the increase didn't take place until six months into the year. This appropriation would allow DWR to spend a full year's worth of collections in FY 2000.

Natural Resources/Parks and Recreation

Should Parks and Recreation receive an appropriation for boat dock enhancements at Bear Lake?

Parks has requested an FY 1999 one-time supplemental appropriation for improvements at the new Bear Lake marina. The marina has a backlog of boaters who desire to rent docks for the season. The marina has additional capacity that could fill the need, but funds were not previously available. Parks proposes to use \$475,000 of Restricted Boating funds to provide additional docks this fiscal year. In addition, federal dollars are available on a 25% state / 75% federal match. Parks proposes to include another \$125,000 of Restricted Boating funds to match \$375,000 in available federal funds. Total request is \$975,000.

Natural Resources/Parks and Recreation

Should funding for programs keep pace with inflation?

Years of level funding have been straining programs. In this instance, Parks and Recreation has requested an on-going appropriation increase of \$250,000 for park operations. Funding sources would be: \$125,000 General Fund; \$25,000 Dedicated Credits; and \$100,000 Restricted Boating. Over the past six years the costs of garbage collection, propane, data processing, telephone, electricity, and vehicle use have increased.

Natural Resources/Parks and Recreation

Should the Legislature purchase land and water rights at Palisade State Park?

The state park and golf course at Palisade needs additional water rights in order to maintain operations. In addition, it has been determined that some of the state facilities were constructed on land belonging to the local water users. The water users have agreed to sell the subject property and water rights. Approximately 150 shares of water would be purchased for \$90,000 minus \$30,000 which was appropriated two years ago, for a total of \$60,000. Approximately 88 acres of land would be purchased for \$322,000. The water issue is the most critical, but Parks would like to clear up the land issues at the same time. Funding would come as a one-time FY 1999 General Fund supplemental, as Parks has not prioritized other sources at this time.

PUBLIC EDUCATION

Public Education- Minimum School Program

WPU cost is \$15 million per each 1 percent.

Compensation increase - what are the costs?

For each 1 percent increase in the Weighted Pupil Unit there will be a cost in excess of \$15,000,000.

Class Size Costs

What commitments to class size reduction are important?

The State board of Education is requesting \$18 million for middle school class size reduction; and \$ 16.3 million in elementary school. California appears to

be backing off their class size initiative because of the high cost for least return among education initiative options.

Staff Development and Training

What should the investment in staff development be and how should it be accomplished in conjunction with Higher Education responsibilities?

The request for FY 2000 is \$3,000,000. Many private sector business entities allocate a percentage of their budget to in service training. Should a standard be developed for Public Education and if so, what?

Federal Fund Replacement Costs

Federal startup funds for new program initiatives are utilized until they dry up and then the State is left to either pick up the funding or else reducing or eliminating the program. Should there be a basis established for accepting the funds in the first place and what should the replacement policy be?

The "School to Work" program was started a few years ago with federal funding. For FY 2000 the grant is being significantly reduced and ultimately eliminated the next year. This will be a reduction of \$2.4 million over the two year period. Replacement funds have been requested to continue this program.

Textbook Fee Elimination

The debate over the cost of textbooks and limited funding to stay current in our school continues. Added to this is the issue of textbook fees. Should textbook fees be eliminated?

The cost of eliminating textbook fees in the Public Education system is estimated at \$11,100,000. State Board of Education budget requests for FY 2000 also include \$12,000,000 for textbooks and instructional materials, \$2,500,000 for Library Media, and \$1,500,000 for technology.

Applied Technology Education

Custom Fit Funding

Should Custom Fit funding be restored to ongoing funding?

Last year Custom Fit Funding was moved from ongoing funding to one time funding. This was done in order to provide ongoing funding increases to the ATCs and ATCSRs and still fit within budgetary guidelines. It was recommended last year that Custom Fit Funding be restored to ongoing funding in FY 2000. (Some legislators were concerned about shifting this funding to one time funding, but were satisfied with the recommendation to restore its status to ongoing funding.)

Salt Lake Community College Annual Contribution to the Wasatch Front South ATCSR

Should \$249,200 of ongoing funding be transferred from Salt Lake Community College to Wasatch Front South Applied Technology Center Service Region?

Since 1991, The Wasatch Front South Applied Technology Center Service Region (WFSATCSR) has been receiving a substantial and growing contribution annually from Salt Lake Community College to fund ATE training of secondary students. (In FY 1999, WFSATCSR received \$249,200 from

Salt Lake Community College.) Accordingly, WFSATCSR, has used this funding to develop programs for secondary students, and has now become very dependent on receiving this annual contribution. Salt Lake Community College has served notice that as of FY 2000, it will no longer provide this funding to WFSATCSR. If WFSATCSR does not receive the \$249,200, it will be forced to make major program cuts.

**Southwest ATCSR
Space Needs**

Should space needs of the Southwest ATCSR be funded?

The Southwest ATCSR (SWATCSR) has experienced significant enrollment growth in recent years. The Utah State Office of Education reported on September 10, 1998 that the SWATCSR provided 59,709 class and lab hours in FY 1995. In FY 1998, it provided 232,195 class and lab hours. The SWATCSR has exhausted the space available and has requested \$326,000 to expand its facilities and programs. \$200,000 of this ongoing funding is designated for the building of a 20,000 square foot facility to be built across the street from the current office space utilized by the SWATCSR in Cedar City. The Iron School District will provide for the financing, and the SWATCSR will purchase the building on a "Lease-Buyback" arrangement.

The remaining \$126,000 is designated to pay for space at Dixie College in St. George, Utah.

**Programing Funding
Wasatch Front
South**

Should \$60,000 programming funding be provided to determine the type of Applied Technology Center configuration for Salt Lake County with a satellite facility in Tooele County?

The Utah State Board of Education and the Wasatch Front South Applied Technology Center Service Region (WFSATCSR) are proposing to establish an Applied Technology Center consisting of two facilities in Salt Lake County and one satellite facility in Tooele County. One facility is proposed to be built at the south end of the Salt Lake Valley, another at the north end, and a third in Tooele County. This geographic dispersion is intended to serve five (5) school districts. They are: the Salt Lake City, Murray, Granite, Jordan, and Tooele School Districts.

For more than ten years, public education officials have endeavored to provide the same or similar applied technology education opportunities to secondary students (i.e. junior high and high school students) living in the Salt Lake and Tooele counties that have been available to secondary students living in other, far less populated areas of the state. While applied technology education funding for school districts and a consortium have been provided, the creation and funding for an Applied Technology Center similar to those located in Cache, Weber, and Davis Counties has been withheld.

Officials believe that with more than 57,000 students in grades 9 through 12 in

Salt Lake County, and only 885 enrolled in ATE classes provided by the Wasatch Front South Applied Technology Center Service Region, the time for an Applied Technology Center in the Salt Lake Valley has arrived.

Applied technology education is capital intensive in nature, requiring substantial continuing expenditures for equipment and upgrades to adequately train students. It has therefore been cost prohibitive for individual schools to provide a satisfactory range of the necessary equipment. (Some schools are able to provide some programs, other schools other programs, but no school is in a position to do everything.) Officials maintain that three strategically located facilities specifically dedicated to applied technology training would serve as focal points and be able to offer far more ATE programs while avoiding costly undue duplication of equipment and programs.

Frank Budd, President of Salt Lake Community College, and Barry Newbold, Superintendent of the Jordan School District, have made a counterproposal to build an ATC facility on property owned by Salt Lake Community College at approximately 90th South. This facility would basically serve secondary students residing in the south end of the valley during the day and would serve adult students from the Community College during the late afternoon and evening. The northern end of the valley and Tooele County would remain either under served or unserved, however, creating an inequity issue for the secondary students of Salt Lake, Murray, Granite, and Tooele School Districts.

Utah State Office of Rehabilitation

Should the bond payment impact other funding requests of the USOR?

Ongoing funding for the Division Services for the Blind and Visually Impaired Building Bond Payment of \$420,000 is required. The agency is concerned that the \$420,000 will negatively impact its other requests this year. (Last year the Analyst recommended a total of \$165,000 new, ongoing funding for the Utah State Office of Rehabilitation (USOR).

Public Education Contracts

What priority should corrections have in relation to other education needs?

Last year the Analyst recommended an increase in the compensation package. The State is experiencing strong growth in its prison population. Corrections Education is pressing for additional funding to meet the increasing educational needs of inmates within the State's corrections system. (Studies have shown that education for inmates substantially improves the likelihood of a life free of crime after release.) Corrections education is requesting \$108,000 to cover inflation; \$556,500 for growth; and \$367,200 for expansion of services.

TRANSPORTATION & ENVIRONMENTAL QUALITY

FY 1999 Petroleum Storage Tank Fund Issue

Should the Legislature reconsider the use of the Petroleum Storage Tank Expendable Trust Fund as an FY 1999 appropriation?

During the 1998 General Session of the Legislature an appropriation of \$5,000,000 from the Petroleum Storage Tank Expendable Trust Fund was made to the Centennial Highway Fund. Legal action was initiated by a contributor to the expendable trust fund challenging the appropriation. An informal agreement was reached by the Legislative Management Committee, legislative counsel, and the party initiating the suit to postpone litigation until after the 1999 general session. This would give the Legislature an opportunity to reconsider the appropriation or to appropriate from another fund.

Centennial Highway General Fund Commitment

What is the status of the funding availability for the FY 1999 and FY 2000 Centennial Highway Program?

The legislative plan adopted during the 1998 session to continue funding the ten year Centennial Highway Program includes an increase of \$5,000,000 from the General Fund be appropriated for FY 2000. If this appropriation is approved the General Fund amount to the Centennial Highway Fund would be \$125,000,000 for FY 2000.

The legislative plan approved during the 1998 General Session of the Legislature for the ten year Centennial Highway Program included new Federal Funds for the FY 1999 (\$50,000,000) and FY 2000 (\$100,000,000) fiscal years totaling \$150,000,000. Federal Funds appropriated with implementation of the new Transportation Efficiency Act 2100 (TEA 21) and discretionary funding authorized for Olympic related highway projects identified in the Centennial Highway Program total \$104,500,000 to be applied against the \$150 million projection. If additional federal funds are not made available the Legislature is faced with replacing \$45,500,000 with another source of funding to keep the Centennial Highway Program moving forward as planned.

OTHER STATEWIDE ISSUES

Compensation Package

What is the cost of compensation related increases for FY 2000?

A one percent statewide compensation increase equates to approximately \$26 million in General Fund/Uniform School Fund. Also, there is an extra day in FY 2000, increases in the Health and Dental programs, the Public Safety Retirement System, and market comparability adjustments resulting in an additional funding requirement of \$8.5 million from the General Fund/Uniform School Fund.

It is noted that prior market comparability adjustments have been funded from

turnover and other savings. To a large degree, this represents one-time funding for ongoing expenses. And in some cases, the adjustment is never made.

Tobacco Settlement

What is the status of the tobacco settlement?

Although Utah stands to gain \$836 million of 25 years, it is currently unknown how much if any the Federal Government will take and what restrictions, if any, will be imposed as to the use of the money. However, absent these restrictions, the State could see \$10 million in FY 1999 and \$30 million in FY 2000. It is important to note that cigarette prices could increase significantly which may impact the cigarette tax revenues.