

MINUTES OF THE JOINT EXECUTIVE APPROPRIATIONS COMMITTEE
June 20, 2006 at 1:00 p.m.
Room W135, House Building, State Capitol Complex

Members Present: Rep. Ron Bigelow, Co-chair
 Sen. Gene Davis
 Sen. Mike Dmitrich
 Sen. Beverly Evans
 Sen. Karen Hale
 Sen. Peter Knudson
 Sen. Ed Mayne
 Pres. John Valentine
 Rep. Jeff Alexander
 Rep. Ralph Becker
 Speaker Greg Curtis
 Rep. Ben Ferry
 Rep. Patricia Jones
 Rep. Brad King
 Rep. Roz McGee
 Rep. Stephen Urquhart
 Sen. Curtis Bramble, Vice Chair
 Rep. David Clark, Vice Chair

Members Excused: Sen. Lyle Hillyard, Co-chair
 Sen. Dan Eastman

Staff Present: John Massey, Legislative Fiscal Analyst
 Michael Kjar, Deputy Director, Fiscal Analyst
 Lynette Erickson, Secretary

Others Present: Sophia DiCaro, Governor's Office of Planning & Budget
 Richard E. Kendell, Commissioner of Higher Education
 Mark, Bleazard, LFA
 Spencer Pratt, LFA
 Steve Allred, LFA
 Derek Byrne, LFA
 Connie Steffen, LRGC
 Rod Marrelli, Executive Director, State Tax Commission
 Stephen Fletcher, Chief Information Officer

A list of visitors and a copy of handouts are filed with the committee minutes.

1. Call to Order

Committee Co-Chairman Ron Bigelow called the meeting to order at 1:17 p.m.

2. Federal Funds Report

Sophia DiCaro, Governor's Office of Planning & Budget, briefly explained two Federal Assistance Grant Applications needing legislative approval this month. One is for the Department of Human Services and would go to local substance abuse authorities and the other is for the Department of Environmental Quality.

MOTION: Rep. Ferry moved to approve the federal funds applications. The motion passed unanimously with Sen. Dmitrich, Pres. Valentine, Rep. Alexander, and Rep. Urquhart absent for the vote.

Approval of Minutes

MOTION: Sen. Davis moved to approve the minutes of May 16, 2006. Co-Chair Bigelow corrected the minutes to not list Sen. Bramble as absent for the vote on the Federal Assistance Applications and approval of the minutes as Vice Chairs do not vote on this committee. The motion passed unanimously with Sen. Dmitrich, Rep. Alexander and Rep. Urquhart absent for the vote.

3. Utah College of Applied Technology - Governance and Process Report

Richard E. Kendell, Commissioner of Higher Education, gave an update on UCAT saying that it was the five year anniversary of its creation. He recognized Darrell White, UCAT president, who is retiring this month, and introduced Robert Brems, the new president. He said the State is fortunate to have the Board of Regents and the Board of Trustees working closely together with Norm Bangerter making remarkable bridges between the two boards. He referred to a letter sent to Sen. Hillyard (a copy included in the packet), summarizing progress to date, new directions, regional planning process, a summary of articulation agreements, and a resolution studying possible partnerships.

Dr. Kendell explained that UCAT course offerings are driven by the workforce needs of Utah. Most of the programs offer competency certifications; a few offer degrees. They do not have much reciprocity with other USHE institutions. They have worked hard on reducing duplication and overlap in areas where there is an existing college, and where there are no other colleges, they have planning regions. The governance system, while unusual, is working well although sometimes it is interesting with three different boards overseeing them.

Rep. Jones thanked Commission Kendell for the tremendous asset he has been to Higher Education. Rep. Ferry questioned combining the College of Eastern Utah and the Southeast Applied Technology College. Dr. Kendall responded that a similar collaboration had occurred with Snow and the Richfield campus. A similar merger of the two institutions may be appropriate in that part of state since enrollment is decreasing at the College of Eastern Utah and there is a small fledgling UCAT campus there. They have relied on each other already, so it

could be a natural combination to have them part of the same operation. The two institutions are working with a consultant trying to make it more effective.

4. Compensation Funding Mix

Mark Bleazard, LFA, reported on a compensation funding study conducted by Spencer Pratt, Ivan Djambov, Gary Ricks and himself. He said the study looked at questions that arose during last session regarding agencies using restrictive accounts to pay compensation. They looked at three areas: parks, wildlife and higher education. Compensation funding guidelines have traditionally been used as listed on page 1 of the report. Mr. Bleazard referred to a chart on page 2 listing state agencies and the funds they use to pay compensation. He specifically mentioned the Department of Natural Resources where 60% of their compensation is paid from restricted funds coming from fees. Funds received from park fees and hunting and fishing licenses have dropped in recent years however, and if the trend continues, they will have a problem.

How other states fund compensation is listed in charts on pages 7-12. Mr. Bleazard said that variable compensation funding ratios were found throughout higher education ranging from over 80% from state funds to 50% from state funds. If this trend continues, funding inequities will become more pronounced.

Rep. Alexander and Rep. Urquhart both indicated they would like more information on what other states are doing and suggested this study be continued since there are such widely different practices. They would like also like some recommendations. Rep. Urquhart expressed concern for students with rising tuition. He noted that when USU and U of U capped their enrollment to contain costs, UVSC raised its tuition substantially to cover growing student enrollment. Faced with similar problems, Dixie looked for cost saving measures instead of raising tuition. He wondered if each institution should get the same amount, have the same funding ratios.

Sen. Mayne asked if user fees had ever in the past 25 years covered all DWR's activities, and he agreed that there has been a reduction in the number of hunters and anglers. John Massey, Legislative Fiscal Analyst, commented that they were not asked for recommendations only data, and if desired, they will continue this study and come back with projections and recommendations.

Rep. Ferry questioned if the fee structure affects the cost of services and if the fees are reasonable. Mr. Bleazard responded that the law states that fees should be fair and reasonable, and if one were to look at each fee individually, some are and some are not. Agencies are holding public meetings and concerns have been expressed and considered. Overall they found fees are reasonable and for the most part fair. Rep. Ferry suggested that departments track fees to see if they are over or under charging. Mr. Bleazard agreed that it would be a good idea for agencies to have information backing up what they charge.

Sen. Bramble asked who approves higher education compensation funding ratios? Spencer Pratt clarified that each institution has adopted different strategies during budget cutbacks to adapt to the decrease in revenue. He was not sure if the Board of Regents approves every decision made by an institution. Sen. Bramble also asked if institutions adopted different strategies with the result that the state will increase their funding.

Rep. Alexander gave further direction asking that more needs to be done with this study and suggested they look at schools and if their mission has changed (such as when BYU change their policy, it affected UVSC dramatically). He asked that they go back and research demographics to determine if tuition is now out of line at these schools and should it be the responsibility of state to fund growth.

Rep. Urquhart asked that the study also look at money following students (allowing the student to take the state funding to whichever institution they choose.) Sen. Evans expressed caution in allowing dollars to follow students, especially graduate students. Rep. Urquhart clarified that he was talking about undergraduate students only.

5. Statewide Leasing including Courts

Steve Allred, LFA, introduced a Statewide Leasing report and touched on highlights of the report saying that agencies have flexibility and do not need legislative approval for all leases; however, DFCM does have oversight. State agencies currently lease approximately four million square feet of office space and the charts included in the report detailed the leases. DFCM must look at all high-cost leases and insure they are reasonable. They include a leasing report in their annual report each year.

Derek Byrne, LFA, addressed court leases drawing attention to charts on pages 19 and 25. After reviewing the data, the analyst concluded that the courts are doing a good job managing their leases.

Mr. Byrne responded to a question from Speaker Curtis regarding revenue bonds. Dan Becker, Court Administrator, provided additional clarification saying state revenue bonds go into a single account from which the legislature has funded additional buildings. The balance is now closer to a break even point.

Pres. Valentine asked a question regarding state court lease costs per sq. foot. Compared to DFCM lease costs, court leases are increasing at a lower rate. Gordon Bissegger, Director of Administrative Services of the Courts, clarified that in the past four years, some of the lease revenue bonds have been paid off, and the state now owns those buildings which has dropped the overall per sq. foot cost.

Rep. Ferry requested information comparing the costs of a state owned facility to a leased facility and asked, if in the long term, is it better for the state to lease or to own. Mr. Bissegger said that he can provide that information.

6. Charter School Study - RFP Update

Connie Steffen, LRG, reported that a RFP is ready to be issued for the Charter School study and it requires committee approval for issuance. The proposed time line provided four weeks for proposals to come in, due by July 19th, and a week for a selection to be made. Ms. Steffen recommended a subcommittee be formed to look at the proposals and make a selection. A copy of the RFP was included in the packet and Ms. Steffen asked the committee if they had any suggestions for changes and/or additions.

Rep. McGee questioned about the tight time line and how the RFP provider would target survey participants. Ms. Steffen responded that they have not outlined specifics but are asking proposers to identify a method to find survey participants since student and parent names can't be released by schools. Parents would have to volunteer their participation which would not make it a random survey.

The following suggestions were made for the RFP:

Rep. Alexander's suggestions:

1. Look at how much charter schools receive for startup funding compared to regular schools.
2. Make a recommendation on what the start up funding should be for charter schools.
3. Under #9 on page 2, recommend if charter schools should be held harmless like school districts are and should school districts continue to be held harmless.
4. Make recommendations on who should be responsible for the growth of charter schools and what criteria should be considered in approving charter school applications
5. Look at why students have left public schools to attend charter schools.
6. Find out if training of administrators in new charter schools is sufficient and determine what training they should have or have had previously.

Sen. Bramble's suggestions:

7. Look at the impact on schools when students transfer to public schools from charter schools during a school year.
8. Look at why charter schools are being built for far less than public schools? Ms. Steffen indicated they have some of that information from a task force study a couple of years ago.

Sen. Hale's suggestion:

9. Look at the impact on schools when students transfer during the school year and what happens with money transferring after the Oct 1 deadline.

Sen. Mayne's suggestion:

10. Determine if charter schools are being built to code with safety concerns for our children.

Rep. King's suggestion:

11. Determine if charter schools are fulfilling the provisions of their charters.
12. Provide information as to the variety of charter schools and what specific groups and students are being served, such as the school of performing arts.

MOTION: Rep. Alexander moved to approve that the RFP be issued to include the changes and suggestions made during the meeting.

Rep. Jones expressed concern with components of the RFP and stated a possible conflict of interest. She questioned if an accurate survey could be conducted that relied on voluntary participation of charter school parents. A non-random survey would not show totally accurate conclusions. Ms. Steffen said she would like to know how to get a list of charter school parents without obtaining information from school records.

MOTION: Speaker Curtis moved to cut off debate. The motion passed unanimously.

A vote was taken on the original motion. The motion passed unanimously.

MOTION: Speaker Curtis moved to authorize a subcommittee to review the RFP proposals and award the RFP. This six member subcommittee will consist of the Co-Chairs of the Executive Appropriations Committee and the Majority and Minority leaders of the Senate and House or their designee. Designees must be a member of the Executive Appropriations Committee. The motion passed unanimously.

7. Tax Commission - Report on Modernization Project

Rod Marrelli, Executive Director, State Tax Commission and Stephen Fletcher, Chief Information Officer, gave an update on the project status. Mr. Marrelli explained that the project, called Arches, is a four year project scheduled to end January 2010. Phase 1, implementation of the income tax system, is underway and will be in use for the next income tax season.

Mr. Fletcher said there are four entities coordinating the project: software supplier (GenTax), an independent project manager, tax commission employees, and technical DTS people. The tax software is module based but will be deployed with custom state business rules. A working model of that system can be seen.

The Tax Commission and DTS are measuring progress and have developed a milestone based management plan with the vendor. When a milestone is reached, the State pays for it and moves onto the next step. This holds the vendor accountable and the State gets regular updates.

Mr. Marrelli introduced the project managers and discussed project funding as outlined in a handout. It costs \$7 million to start the project and install the income tax system. The contract with Fast Enterprises is for \$22.5 million in direct appropriations.

Rep. Clark asked about the status of the \$2 million cost reduction highlighted during the General Session. Mr. Marrelli said there were additional small modernization projects they were also completing in conjunction with this large project. He also assured the committee that they were not going to ask for more than \$22.5 million even though they initially thought this project could be as much as \$30 million. Their best guess is that the total replacement project will cost approximately \$28 million.

Rep. Ferry asked them to justify this large investment. Mr. Marelli said that the current system will soon fall apart and this new system has proven success in other states. Some customer interface will be faster with the new system and may result in fewer employees, but they are not sure at this point.

MOTION: Rep. King moved to adjourn. The motion passed.

The meeting adjourned at 3:31 p.m.