

**MINUTES OF THE JOINT EXECUTIVE APPROPRIATIONS
COMMITTEE MEETING
February 16, 2010 at 5:00 P. M.
Room 210 Senate Building, State Capitol Complex**

Members Present: Rep. Ron Bigelow, Co-Chair
 Sen. Lyle W. Hillyard, Co-Chair
 Rep. Bradley G. Last, Vice Chair
 Sen. Daniel R. Liljenquist, Vice Chair
 Rep. David Clark, Speaker
 Rep. Brad L. Dee
 Rep. Kevin S. Garn
 Rep. James R. Gowans
 Sen. Scott K. Jenkins
 Sen. Patricia W. Jones
 Rep. David Litvack
 Sen. Peter C. Knudson
 Rep. Rebecca D. Lockhart
 Sen. Karen Mayne
 Rep. Carol Spackman Moss
 Sen. Wayne L. Niederhauser
 Sen. Luz Robles
 Sen. Ross I. Romero
 Rep. Jennifer M. Seelig
 Sen. Michael G. Waddoups, President

Staff Present: Jonathan Ball, Legislative Fiscal Analyst
 Steven Allred, Deputy Director
 Greta Rodebush, Committee Secretary
 Lorna Wells, Committee Secretary

Speakers Present: Rep. Stephen D. Clark
 Sen. David P. Hinkins
 Rep. Michael T. Morley
 Sen. Ralph Okerlund
 Rep. Sheryl L. Allen
 Sen. John L. Valentine
 Rep. Melvin R. Brown

Note: A copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

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

1. Call to Order/Approval of Minutes

Committee Co-Chair Bigelow called the meeting to order at 5:08 p.m. He recognized Co-Chair Hillyard for a motion on the minutes.

MOTION: Co-Chair Hillyard moved to approve the minutes of the Joint Executive Appropriations Committee meeting on February 9, 2010. The motion passed unanimously with Pres. Waddoups, Sen. Jenkins, Sen. Niederhauser, Sen. Romero, Sen. Robles, and Rep. Litvack absent for the vote.

Co-Chair Bigelow stated that the committee would not be taking any action on today's subcommittee reports and would not be hearing public testimony.

2. Approve New Revenue Estimates

Jonathan Ball, LFA, summarized the gray sheet, "Ongoing Revenue Estimates - February 2010," behind Tab A. Mr. Ball explained that total revenue estimates for FY 2010 have not changed since November 2009. The overall revenue estimates for FY 2011, however, have been reduced by \$50 million.

Mr. Ball thanked John Nixon, Juliette Tennert, and the staff of the Governor's Office of Planning and Budget; Leslee Katayama, Utah State Tax Commission; Dr. Andrea Wilko and Dr. Thomas Young, LFA, for putting together the consensus revenue numbers.

Co-Chair Bigelow recognized Co-Chair Hillyard for a motion.

MOTION: Co-Chair Hillyard moved to adopt the revised revenue estimates for FY 2010 and FY 2011 as indicated on page 1 of the gray sheet titled "Ongoing Revenue Estimates - February 2010" and dated February 16, 2010." The motion passed unanimously with Sen. Jenkins, Sen. Niederhauser, Sen. Romero, Sen. Robles, and Rep. Litvack absent for the vote.

3. Appropriations Subcommittee Reports:

Jonathan Ball explained the organization and content of the Subcommittee Reports binders.

a. *Capital Facilities and Government Operations*

Rep. Stephen Clark, Co-Chair, presented the subcommittee's recommendations. He was assisted by Rich Amon, LFA, and Gary Ricks, LFA.

Rep. S. Clark reported that the subcommittee prioritized \$7,138,200 of reductions in FY 2011 to meet the 5% target requested by Executive Appropriations Committee. A major portion of those reductions was taken from capital improvement funds, \$6,221,400. This action reduces the capital improvement funding level to 0.6% of replacement value of State-owned buildings.

Rep. S. Clark stated that the current bid market results in favorable construction costs to the State.

Rep. S. Clark noted that the subcommittee proposed bonding for two capital development projects: Utah Valley University Science Building addition, and the Jeffrey R. Holland Centennial Commons Building at Dixie State College.

Committee Discussion

Co-Chair Hillyard asked about last year's projected bid levels on authorized capital development projects and the handling of project savings. Rep. S. Clark stated that bid levels came in from 10 percent to 25 percent lower than normal bid levels. Mr. Amon responded that bid savings or bid overages go into the Capital Project Reserve Fund. In FY 2010, the subcommittee reallocated some of those funds to offset other capital projects.

Rep. S. Clark pointed out that since there is no money to fund debt service in FY 2011, UVU and Dixie State College have been asked to cover the debt service for two years out of private money that has been donated to the projects.

Co-Chair Hillyard inquired about the balance in the Capital Project Reserve Fund. Mr. Amon stated that the current balance is \$9.8 million. The subcommittee recommended transferring \$5 million from the Fund to capital improvement projects in FY 2010. Over the last five years, the Fund maintained an average of \$5 million in reserve.

Rep. Litvack asked about the two additional capital development projects prioritized on page 1-49, Priority 1- Design of State Hospital Building Consolidation, and Priority 4 - Upgrades and Repairs to various National Guard Armories. Rep. S. Clark explained that the subcommittee followed the Building Board's priorities with the exception of the Gunnison Prison Facility. The subcommittee is recommending \$2 million in state funds for the Design of State Hospital Building Consolidation with the expectation that the building consolidation can be funded for construction next year. The subcommittee is recommending \$4 million to the National Guard to upgrade and repair armories.

Rep. Litvack asked if the subcommittee had discussed the possibility of the state working with Salt Lake City to fund the Emergency Operations Center. Rep. S. Clark stated that there had been some discussion. Subsequent discussions indicate that there could be some realized savings. Rep. S. Clark suggested that the Executive Appropriations Committee look at this issue more closely before the end of session.

Rep. Dee inquired about the debt service bonding obligations to the state for UVU and Dixie State College. Rep. S. Clark clarified that each institution will cover the debt service for two years through private donors. Thereafter, beginning in FY 2013, the State will have to appropriate ongoing funds for those debt service obligations. In response to Rep. Dee's inquiry about project ranking, Rep. S. Clark stated that the institutional contributions did not play a role in how the projects were ranked.

Co-Chair Bigelow commented that the state will need to recognize this debt service as an obligation to the state.

Co-Chair Bigelow thanked Rep. S. Clark for his presentation and the subcommittee for effectively completing its work.

b. Commerce and Workforce Services

Sen. David P. Hinkins and Rep. Michael T. Morley, Co-Chairs, addressed the committee. They were assisted by Danny Schoenfeld, LFA.

Sen. Hinkins called attention to the subcommittee's prioritized "FY 2011 5% Reductions List" on page 2-45 and the "FY 2011 Transfers, Internal Reallocations, Non-State Fund Changes, and Other Subcommittee Changes" on page 2-47. He stated that the subcommittee did not recommend any fee increases for the Department of Commerce, Labor Commission, or Department of Insurance. However, the subcommittee recommended all federal funds.

Rep. Morley stated that the subcommittee recommended that the Department of Workforce Services be given some latitude in determining the current rate of spending for the Child Care, TANF, General Assistance, Refugee, Medicaid Eligibility and Food Stamp programs with the stipulation that DWS report monthly to Legislative Fiscal Analyst any transfer of appropriations between or among these programs.

The subcommittee also recommended intent language requiring DWS to use all Temporary Assistance for Needy Families (TANF) maintenance of effort requirements before using any state funds. DWS was also directed to develop a plan to address any additional shortfall if the TANF MOE is no longer available.

Rep. Morley noted that the 5% reduction list is in order of priority and requested that the items at the bottom of the list not be cut.

Committee Discussion

Co-Chair Hillyard asked if the base funding of \$4 million for DWS - General Assistance/SSI on page 2-28, had been cut. Rep. Morley stated that General Assistance/SSI had not been cut and explained that the Department of Workforce Services will take \$3.3 million in reductions in administrative, technical, and program system efficiencies.

Rep. Moss asked about the \$25 million ARRA funding for DWS on page 2-47. Mr. Schoenfeld stated that the \$25 million will be distributed to programs within the Workforce Investment Act, TANF, Child Care, and Medicaid. The ARRA funds will not be used to extend unemployment insurance benefits.

Sen. Robles inquired about priority item 13, Labor Commission-Reduce FTEs on page 2-45. Rep. Morley explained that the subcommittee placed FTE cuts at the bottom of the list in hopes that those cuts will not be needed to meet the 5% reduction. Sen. Robles inquired further about the funding status of the General Assistance Program.

Rep. Lockhart asked about the \$68,000 reduction to priority item 2, Commerce - Consumer Protection Pawnbroker Operations on page 2-45, and the impact this loss will have on people who are victims of property crime. Rep. Morley stated that the Department of Commerce expects that there will be impacts to enforcement and information but the program will not be significantly compromised.

Rep. Lockhart inquired about priority item 14, Commerce-Property Rights Ombudsman Attorney on page 2-45. Rep. Morley explained that the reduction eliminates one attorney, but the subcommittee prefers that the position not be cut at all.

Rep. Seelig asked about the decrease in service levels to the blind, visually impaired, deaf and hard of hearing, listed for priority items 16,17, and 18 on page 2-45, with the Utah State Office of Rehabilitation. Sen. Hinkins indicated that while the State Board of Education recommended these reductions, the subcommittee would prefer that these programs be held harmless. Mr. Schoenfeld highlighted a number of services that will be impacted by these cuts.

Sen. Jones asked about the \$250,000 reduction to priority item 10, Department of Alcoholic and Beverage Control's Parents Empowered Program on page 2-45, and if there was any data available that shows the effectiveness of the program. Rep. Morley explained that the subcommittee originally recommended that \$500,000 be cut from part-time cashier/stock clerk staffing. DABC indicated that this reduction would be devastating to their ability to perform. DABC agreed to split the \$500,000 reduction between part-time staffing and the Parents Empowered Program. Mr. Schoenfeld stated that DABC has conducted some studies in conjunction with their annual report that he would provide Sen. Jones. He indicated that the program is leveraged with private funds as well.

Sen. Jones stated that it is important to have hard data in determining whether or not prevention campaigns and programs work.

Rep. Litvack asked for an explanation of Workforce Services - SSI Reimbursement from GF for General Assistance, on the Building Block List on page 2-46. Rep. Morley explained that the subcommittee recommended that successful reimbursements made from SSI be appropriated from the General Fund directly to the Department of Workforce Services to General Assistance.

Co-Chair Bigelow inquired about FY 2011 financing for DWS, GFR - Special Administrative Expense on page 2-28. After a brief explanation of the Re-Employment Initiative, Co-Chair Bigelow requested the Department of Workforce Services to provide the Executive Appropriations Committee with a summary of the program to include its purpose, current level of funding, any additional funding, and other uses for the funding.

Co-Chair Bigelow thanked the Co-Chairs for successfully completing subcommittee business.

c. Economic Development and Revenue

Sen. Okerlund and Rep. Sheryl Allen, Co-Chairs, presented the report. They were assisted by Dr. Andrea Wilko, LFA, and Dr. Thomas Young, LFA.

Sen. Okerlund stated that the subcommittee made adjustments to the following revenue items: additional ARRA allocations, TANF Funding, Dedicated Credits, Restricted Revenue, and Federal Mineral Lease. The subcommittee also exchanged nonlapsing balances for dedicated credits in Business Creation. New to the subcommittee this year was the addition of fees for many of the programs due to the passage of H.B. 297 - Budgetary Procedures Act Recodification. Fees are found on pages 3-3 through 3-8.

Rep. Allen stated that a portion of the nonlapsing balance in USTAR was used to fund economic development programs that include: UBIDS, EITC Assistance, Sports Commission, Manufacturing Extension Partnership, World Trade Center, Small Business Development Centers, Utah Council for Citizen Diplomacy and the Tourism Marketing Performance Fund. These programs are listed on page 3-34.

Rep. Allen pointed out that the use of USTAR's nonlapsing balance, \$3.7 million, does not indicate the subcommittee's lack of support for USTAR.

Rep. Allen commented on the "FY 2011 5% Reduction List" on page 3-35, totaling \$4,917,100. The subcommittee recommends that the Executive Appropriations Committee consider backfilling in areas that will result in a reduction in force, in particular, priority item 30, Department of Community and Culture - Reduce Program Staffing. Rep. Allen also noted priority items 28, 29, 31, and 32 for the Tax Commission at the bottom of the list. She stated that the Tax Commission may be able to reallocate funds internally to avoid those reductions.

Rep. Allen stated that the subcommittee also recommended that the Executive Appropriations Committee consider funding the \$6 million set aside from earmarked sales tax revenue for the Tourism Marketing Performance Fund.

Rep. Allen highlighted a prioritized list of requests for appropriation on page 3-36 heard by the subcommittee. The subcommittee recommended that this list be considered for funding only after the 5% reductions are restored.

Committee Discussion

Co-Chair Hillyard asked clarifying questions regarding the General Fund one-time reallocation of USTAR's nonlapsing balance and the FY 2011 Building Block List. He also commented that \$5 million had been taken out of USTAR to fund the \$194 million revenue shortfall in FY 2010.

Sen. Robles asked about the \$75,000 reduction for priority item 7, Department of Community and Culture - HCD Current Expense, on page 3-35. Rep. Allen explained that the reduction was taken because Housing and Community Development has received extra money for administration from Permanent Community Impact Funds (PCIB).

Speaker D. Clark expressed concern that diminishing USTAR funds may have an adverse effect on USTAR's ability to recruit research teams to the state. Sen. Jones echoed Speaker D. Clark's comments.

Rep. Allen pointed out that the decision to use the USTAR nonlapsing balance was not an easy decision. She stated that there are other programs that have proven to be economic development tools as well.

Co-Chair Bigelow thanked the Co-Chairs and the subcommittee for their fine work.

d. Higher Education

Sen. John L. Valentine and Rep. Mel Brown presented the report. They were assisted by Spencer Pratt, LFA, and Patrick Lee, LFA.

Sen. Valentine summarized the subcommittee's actions and concerns outlined on page 6-61. He stated that cuts to Higher Education have been disproportionate to other areas of the state budget, noting a \$20 million cut in FY 2010 and another \$35 million ongoing cut in FY 2011. Cuts have been taken primarily in personnel. Higher Education has absorbed 24,000 new students over the last two years and institutions are having increasing difficulty providing educational opportunities for Utahns.

Sen. Valentine stated that the subcommittee is also concerned about cuts to USTAR and the institutions' ability to recruit research teams, closing of campuses, and the use of soft caps to reduce the number of sections available to students.

Sen. Valentine pointed out that the New Century Scholarship is \$4 million shy of being able to fund more than just a minimal amount to each student for FY 2011. If funding is left at the present level under the current statute, each student will receive \$400 to \$500, or there will be 1,492 students who will not receive any scholarship. He also discussed tuition increases and stated that the subcommittee does not want to see double digit tuition increases.

Rep. Brown called attention to the "FY 2011 5% Reduction List" on page 6-58. The subcommittee recommended that any cuts, up to the 5% level, should be allocated proportionately across the institutions. The subcommittee also recommended that the presidents be given flexibility to make cuts in ways that preserve their institutional missions and quality.

Rep. Brown stated that subcommittee also approved a motion on February 10, 2010 requesting that if additional funds were made available to the subcommittees, the Higher Education Appropriations Subcommittee be authorized to reconvene to discuss options for use of these funds.

Committee discussion

Rep. Lockhart commented that the Regents Scholarship does not present the same funding concerns as the New Century Scholarship. Pres. Valentine explained there are fewer applications for the Regents Scholarship, while the number of applications for the New Century Scholarship has quadrupled.

Sen. Valentine brought up an additional concern regarding the Utah Education Network (UEN). If the proposed 5% budget cut is made, UEN will not have the funds necessary to receive a federal match on their application to build out the UEN network to elementary schools. Rep. Brown noted that in order to draw down \$13 million in federal money, a \$3 million one-time state match is required.

Sen. Jones asked how much funding is needed to minimally fund institutions without closing campuses or using soft caps. Sen. Valentine did not know the exact amount. The budget cuts of FY 2010 and FY 2011 are driving the decisions of the institutions. Sen. Jones expressed real concern about what is happening in higher education and its important role in our economy.

Sen Jones asked what to say to parents who are planning on scholarships for their children. Sen. Valentine said this is a tough issue for him personally this session, particularly since he has had many calls from parents whose children have worked hard to earn scholarships and are being told that those funds are not there.

Rep. Brown commented that the subcommittee heard testimony from each of the institutions on the impacts of the 5% cuts. Sen. Valentine cited data illustrating how the institutions will be impacted.

Rep. Seelig asked how Utah's institutions compare with other states in terms of costs, location, and other benchmarks. Sen. Valentine responded that Utah's tuition is in the lower half for high end universities, and in the upper half for community colleges. As far as accessibility is concerned, Utah is about in the middle. As for the number of students who get post high school educations, Utah is in the upper half. However, Utah has the lowest funding per pupil.

Sen. Niederhauser asked why tuition rates have gone up more than inflation rates. Sen. Valentine stated that because state participation has declined over the years, the financial burden has shifted onto the students. Total state funding on a per pupil basis has continued to go down while student enrollment has gone up.

Rep. Brown added that approximately 25 years ago, state funding, as a percentage of total funding for Higher Education, averaged 77.4 percent across all nine institutions. In 2009, state support dropped to 57.5 percent. Costs have continued to go up, but state support has gone down. Sen. Valentine pointed out that state support for Utah Valley University has dropped to 44.5 percent which affects its national ranking. UVU is no longer a state-supported school, but a state-assisted school.

Rep. Moss remarked that it was her understanding based on the work of the subcommittee that the budget cuts would reduce access to classes and programs to potentially 15,000 full or part time students. She remarked however, that increasing tuition into the double digits will limit access as well. In both cases, cuts to higher education are going to be devastating to our future and Utah's economy.

Co-Chair Bigelow asked clarifying questions regarding the language on page 6-61 as it relates to the subcommittee's funding recommendations.

Sen. Valentine asked the Executive Appropriations Committee to consider funding UEN and meeting a lease obligation for Lean Manufacturing at the Ogden-Weber ATC.

Co-Chair Bigelow stated that with all parts of state government there are opportunities for improvement and efficiency, including higher education. Some of our best and brightest minds are in higher education, and if there is any hope of success in coming up with ideas to re engineer and improve the quality of education it would be in the higher education arena.

Co-Chair Bigelow complimented higher education in being able to absorb more students, offer classes, and provide pathways to graduation despite these cuts.

Sen. Valentine reiterated that the institution presidents are willing to do their best with the funds they are given, but the product will suffer at these budget levels.

Rep. Brown added that the presidents wanted the subcommittee to understand that the quality of our higher education system has not been compromised.

Co-Chair Bigelow thanked the Co-Chairs for their presentation and recognized their concerns. He stated that there will some additional discussion before the end of the session.

4. Other Business

Co-Chair Bigelow recognized Co-Chair Hillyard for a motion.

MOTION: Co-Chair Hillyard moved to adjourn. The motion passed unanimously.

Co-Chair Bigelow adjourned the meeting at 6:45 p.m.

Minutes reported by Greta Rodebush, Committee Secretary.

Sen. Lyle W. Hillyard, Co-Chair

Rep. Ron Bigelow, Co-Chair