

**MINUTES OF THE JOINT EXECUTIVE APPROPRIATIONS
COMMITTEE MEETING
January 31, 2011 at 5:15 P. M.
Room 210, Senate Building, State Capitol Complex**

Members Present: Sen. Lyle W. Hillyard, Co-Chair
Rep. Melvin R. Brown, Co-Chair
Sen. Dennis E. Stowell, Vice Chair
Rep. John Dougall, Vice Chair
Rep. Brad L. Dee
Rep. Gregory H. Hughes
Sen. Scott K. Jenkins
Sen. Patricia W. Jones
Rep. Brian S. King
Sen. Peter C. Knudson
Rep. David Litvack
Rep. Rebecca D. Lockhart, Speaker
Sen. Benjamin M. McAdams
Rep. Ronda Rudd Menlove
Sen. Karen W. Morgan
Sen. Wayne L. Niederhauser
Sen. Ross I. Romero
Rep. Jennifer M. Seelig
Sen. Michael G. Waddoups, President
Rep. Christine F. Watkins

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

Speakers Present: Sen. Allen M. Christensen
Rep. David Clark
Sen. J. Stuart Adams
Rep. Gage Froerer
Sen. Jerry W. Stevenson
Rep. Todd E. Kiser
Sen. Daniel W. Thatcher
Rep. Eric K. Hutchings
Sen. Stephen H. Urquhart
Rep. Michael T. Morley
Sen. David P. Hinkins
Rep. John G. Mathis
Sen. D. Chris Buttars
Rep. Merlynn T. Newbold

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. Approval of Minutes

Co-Chair Hillyard called the meeting to order at 5:24 p.m and announced the order for presentation of the subcommittee reports.

MOTION: Co-Chair Brown moved to approve the minutes of the Joint Executive Appropriations Committee meeting of January 25, 2011. The motion passed unanimously with Sen. Stowell, Sen. Morgan, Sen McAdams, Rep. Hughes, and Rep. Menlove absent for the vote.

2. Appropriations Subcommittee Reports

In its EAC December 14, 2010 meeting, the Executive Appropriations Committee directed the appropriations subcommittees to prepare base budgets that reflect the current fiscal year's appropriations acts adjusted to a level that eliminates the structural imbalance. As such, the subcommittees met, held hearings, and took action to meet a 93 percent allocation or 7 percent reduction. Today's meeting includes the subcommittees' reports on those actions to the Executive Appropriations Committee.

The following handouts were included in the committee binders: for each subcommittee, a pink sheet entitled, "FY 2012 Base Budget Subcommittee Actions to Meet 93% Allocation, General and Education Funds" and a Federal Funds Issue Brief.

A. Social Services - (Tab 9)

Sen. Allen M. Christensen and Rep. David Clark, Chairs, presented the report. They were assisted by LFA staff analysts Russell Frandsen, Stephen Jardine, and Patrick Lee.

The Social Services Appropriations Subcommittee met the 93 percent target and approved reductions in ongoing General and Education Funds in the amount of \$49,909,800.

Rep. Clark stated that the combined budget for the Departments of Health, Human Services, Workforce Services, and Rehabilitation totals \$3.7 billion. General/Education Funds total \$663 million.

Rep. Clark reported on the largest dollar reductions for the Department of Health: Item 75, DOH - Reduction in Outpatient Hospital Rates; Item 67, DOH - Extrapolation of Provider Errors to All Claims; Item 95, DOH - Increased Savings from the Preferred Drug List; and Item 57, DOH - Require Health Insurance Purchased by University Students to Cover Pregnancies. He also commented that because of federal limits on what can be reduced in Medicaid, the subcommittee looked at eliminating some optional services and pursuing more aggressive rate pricing.

Co-Chair Hillyard reiterated that this is the base budget. Upon conclusion of the hearings today, the Executive Appropriations Committee anticipates passing these base budgets knowing full well that the Legislature will need to allocate any available monies to replace the reductions and fund growth.

Rep. Clark stated that the one hundred items listed on the subcommittee's pink sheet, "FY 2012 Base Budget, Subcommittee Actions to Meet 93% Allocation, General and Education Funds," are prioritized with number one being the most important item to be funded.

The largest dollar reductions to the Department of Human Services impacted the Division of Child and Family Services. The subcommittee recommended a \$5.2 million reduction for Item 44, DHS - Eliminate investigations based upon domestic violence in the presence of a child, and a \$3.5 million reduction for Item 18, DHS - Move children/youth away from intensive, high cost services to preventive lower cost services when appropriate.

For the Department of Workforce Services, the subcommittee included a reduction of \$3,361,900 in Item 64, DWS - Increase efficiencies within the Eligibility Services Division. Rep. Clark pointed out that the Department of Workforce Services promised a 13 percent reduction of eligibility costs over the next two fiscal years.

Rep. Clark stated that the Social Services Appropriations Subcommittee is requesting to use some funds from the TANF transfer and from ongoing funds diverted from the State Endowment to backfill reduction items 1 through 28 on the pink sheet. That amount is \$16,190,000.

Sen. Christensen stated that the subcommittee tried to spread the budget reductions around as much as possible and to retain as much money as possible in services to individuals rather than in administration. He noted that the Office of Rehabilitation had been very cooperative and came forward with a 10 percent cut. Sen. Christensen pointed out that because Rehabilitation's dollars come out of the Education Fund, this makes it difficult for the subcommittee to prioritize when it comes to backfilling dollars. He also mentioned that the subcommittee discussed transferring the Forensic Competency Examination to Courts.

Committee Discussion

President Waddoups commented on the Issue Brief, "Federal Funds in the Department of Health." He observed the huge amount of federal funds that require significant state matching funds. He asked if the subcommittee had looked through the list of Federal Funds. He asked about the LAF Federal Indirect grant for the Executive Director's Operations FY 2012. The federal annual award is \$1.9 million with a state match of \$1.8 million. The notes description was not clear.

Russell Frandsen, LFA, stated that the subcommittee did take a look at the Federal Funds and decided to opt out of one of the grants entirely as a possible reduction. Mr. Frandsen explained that the LAF Federal Indirect grant allows the Department of Health to charge different grants an indirect fee to support the Department's central office.

President Waddoups asked about the State Office of Rural Health grant. The federal annual award is \$150,000 with a state match of \$450,000. Mr. Frandsen explained that in this case, there is no required match but a maintenance of effort based on services the state is already providing in other areas. The federal funds are going to rural hospitals for improvements.

Sen. Christensen stated that the subcommittee looked at the federal funds generally.

Sen. Stowell asked if the governance committee that oversees how federal monies are distributed between state, local, and third providers is meeting on a regular basis. Mr. Frandsen stated that the

governance committee was authorized to begin meeting as of July 1, 2010. The committee's first annual report is not due until July 2011. Mr. Frandsen was not aware of the report's status.

Speaker Lockhart inquired about the increased savings from the Preferred Drug List. Sen. Christensen stated that the \$1,100,000 savings to the existing PDL is above and beyond what they had anticipated.

B. Infrastructure and General Government - (Tab 5)

Sen. J. Stuart Adams and Rep. Gage Froerer, Chairs, presented the report. They were assisted by LFA staff analysts Mark Bleazard, Rich Amon, and Gary Ricks.

The Infrastructure and General Government Appropriations Subcommittee met the 93 percent target and approved reductions in ongoing General and Education Funds in the amount of \$9,845,200.

Sen. Adams stated that the subcommittee tried to be surgical and thoughtful throughout the budget process and did not take across the board reductions. The subcommittee did not prioritize the 7 percent reductions list but would do so in its next meeting.

Sen. Adams noted that the subcommittee approved two Federal Funds grant awards: Department of Administrative Services - Archives for \$115,600, and Department of Technology Services - Automated Geographic Reference Center for \$750,000.

Rep. Froerer pointed out that the reduction to Capital Facilities - Capital Improvements amounted to \$8,696,300 and represents 88 percent of total reductions. Current statute requires funding at 0.9 percent of the replacement value of buildings in a budget deficit year or 1.1% in a regular budget year. The \$8,696,300 reduction would reduce the funding level to 0.5 percent of replacement value. The subcommittee approved a one-time appropriation to Capital Improvements of \$12 million for FY 2012 from the Project Reserve Fund. This would put the replacement value at 0.65 percent, still below the 0.9 required by statute.

Committee Discussion

President Waddoups referred to the Issue Brief, "Federal Funds DAS and DTS" and asked for an explanation of the charts, "Federal Funds Request Summary by Agency," and "Federal Funds Request Summary for State FY 2012." Gary Ricks, LFA, explained that the "Federal Funds Request Summary by Agency" reports the federal funds in its entirety for all state government. "Federal Funds Request Summary for State FY 2012" includes four federal funds tables, two for DAS: Archives, and two for DTS: Automated Geographic Reference Center.

Sen. Niederhauser asked how this year's reduction to the replacement value of buildings compares with last year's 0.6 percent. Sen. Hinkins explained that this year's reduction takes the replacement value to 0.5.

Rep. Seelig asked how lowering the replacement value to 0.5 percent benchmarks with other states. She also asked about the Energy Efficiency Program and the Parental Defense Program. In comparison to

other states, Rep. Froerer indicated that Utah is one of the few states that have maintained a fairly healthy budget in capital improvements. The 0.5 replacement value is far below where we need to be. According to information sources, Utah has about \$400 million in critical needs for improvements and \$200 million in immediate needs. Sen. Hinkins noted that Utah's ability to maintain buildings factors in to our AAA bond rating.

Sen. Adams stated that the Energy Efficiency Program was reduced by \$340,500 which basically eliminates the entire program. The program has been very successful, and for the money invested, it has produced millions of dollars of return by reducing energy overhead. Most of these savings have gone to the departments rather than to DFCM . DFCM has asked for a \$340,500 backfill with one-time money and will look to the future to extract back at least a portion of the savings from the program.

Sen. Adams explained that the Parental Defense Program has not been used a lot in the past and that the subcommittee felt it could be cut. Mr. Ricks explained that the program provides training to attorneys who provide legal defense for parents who have had children removed from their homes. Aside from this program, Mr. Ricks referred to a restricted account that provides funding for attorney services. Last year only \$3,000 was spent out of that account. Because the restricted account was used so minimally, the subcommittee felt that the Legislature should consider eliminating the Parental Defense Program at this time and possibly being added back during the later part of the session.

Rep. Dougall asked about the subcommittee's plan to review space utilization and reduce facility costs. Sen. Adams stated the subcommittee will continue to hold hearings on those issues. Rep Froerer added that the subcommittee is working with DFCM on a complete audit that will review space utilization, lease space, agencies' use of that space, and the cost the state pays before any additional leases are signed. An RFP will be going out in the next few months to hire a contractor to do that study. Rep. Froerer stated that space utilization needs to be looked at very carefully.

Rep. Dee asked for a clarification on the amount of one-time money needed to back fill the Energy Efficiency Program. Sen. Adams verified that the amount was \$340,500 and stated that the subcommittee would support the backfilling of the program if one-time money was available. Rep. Dee stated that the Energy Efficiency Program does indeed generate the savings that can be self perpetuating.

Sen. Niederhauser asked if the subcommittee had prioritized their reductions list. Sen. Adams said that the subcommittee had not prioritized the reductions list but would do so at their next meeting.

Co-Chair Hillyard clarified that EAC had not asked the subcommittees to prioritize their lists. The subcommittee's main objective was to come up with the 93 percent allocation. However, some of the subcommittees did prioritize their lists.

C. Business, Economic Development and Labor - (Tab 2)

Sen. Jerry W. Stevenson and Rep. Todd E. Kiser, Chairs, presented the report. They were assisted by LFA staff analysts Dr. Andrea Wilko, Dr. Thomas Young, and Patrick Lee.

The Business, Economic Development and Labor Appropriations Subcommittee met the 93 percent target and approved reductions in ongoing General and Education Funds in the amount of \$7,995,600.

Rep. Kiser stated the subcommittee had also taken a very thoughtful, surgical approach to the budget cuts. The subcommittee has a total budget of \$600 million including federal funds and dedicated credits. General/Education Funds total \$106 million. Rep. Kiser stated that the subcommittee discussed and took action on the Federal Funds, most of which were pass-thru funds.

Rep. Kiser reported on the Department of Community and Culture (DCC), the Governor's Office of Economic Development (GOED), and the Tax Commission. For DCC, the subcommittee sought to limit impacts to low-income individuals and families. For GOED, the subcommittee sought to limit program impacts to allow for job growth. For the Tax Commission, the subcommittee tried not to impact revenue resources. Budget adjustments were made to enhance productivity and consolidate administrative duties, increase efficiency of the Processing Division by automating certain processing functions, and eliminating liabilities associated with storage of private returns.

Sen. Stevenson expressed appreciation for Rep. Julie Fisher who served as the subcommittee House Vice Chair.

Sen. Stevenson reported on USTAR, the Department of Alcoholic Beverage Control (DABC), and the Labor Commission. In USTAR, the subcommittee eliminated a C-level under-producing research area. In DABC, the subcommittee opted to close stores to eliminate fixed costs in areas that include several stores in close proximity; adjusted store hours on some 12-hour stores to 10 and 10-hour stores to eight or nine hours for savings; and closed conversion of package agencies to save \$257,400. For the Labor Commission, there was a reduction of \$411,000 General Fund and corresponding increase of \$411,000 restricted funds to the Industrial Accidents Restricted Account.

Committee Discussion

Sen. Jones inquired about the potential loss of revenue for Item 18, DABC - Reduce Store Hours. Sen. Stevenson stated that the reduction of store hours may reduce revenue and that the subcommittee will take a closer look at this issue over the next few weeks. Rep. Kiser stated that the subcommittee does not intend to micro manage these stores and that it doesn't make sense to reduce store hours especially when it is profitable to be open. Sen. Jones expressed her concern that the savings may not be worth the budget cuts if you are worse off than if you did not make the cuts.

President Waddoups asked for an explanation of the GOED DoD Coop Agreement, listed on the Federal Funds report. The federal award is \$300,000 with a state match of \$430,000 in General Funds for FY 2011 and FY 2012. Rep. Kiser stated that the grant is a competitive agreement for the Health Exchange. President Waddoups asked if there are any additional monies that fund the Utah Health Exchange. Rep. Kiser said that the Health Exchange also receives a \$640,000 state appropriation.

President Waddoups inquired about the Division of Arts and Museums' National Endowment for the Arts grant program. The federal award is \$775,800 with a state match of \$775,800. Rep. Kiser explained that

the funding is for the Competitive Art Program and is primarily passed through to non-profits, such as the Utah Symphony and the Shakespearean Festival.

Sen. Romero expressed his concern about Item 38, DCC - Eliminate Office of Ethnic Affairs. He was aware of some concern that the Office of Ethnic Affairs was not authorized in statute and that there has been some difficulty in tracking efficiencies. With the state's growing ethnic population, Sen. Romero wanted to know if the Office is going to be reconstituted somewhere else with better oversight.

Rep. Kiser said that the subcommittee recognizes the value of diversity in Utah's communities. He commented that another branch of government is looking at restructuring the Office with a new commission. The Legislature may or may not need to appropriate for this item.

Rep. Seelig asked about the \$40,000 reduction to Item 32, DCC - Huntsman Cancer Institute. Rep. Kiser explained that originally, the 7 percent cut to the Huntsman Cancer Institute would have been \$1,040,000. The subcommittee elected to reinstate \$1 million, and keep the \$40,000 reduction. Sen. Stevenson stated that the Huntsman Cancer Institute receives money from other state agencies in the amount of about \$8 million. Rep. Seelig asked if there are other non profit organizations that receive ongoing funding. Rep. Kiser stated that the subcommittee funds other non government organizations.

Rep. Dougall understood that the Huntsman Cancer Institute was part of the University of Utah Healthcare System and was not a private entity per se.

Rep. Dougall asked if there were any reductions to GOED. Sen. Stevenson stated there were several cuts to GOED. He pointed out Item 14, Restricted Revenue - Motion Picture Incentive Fund. Rep. Kiser stated that originally \$200,000 for the Centers of Excellence was cut but the subcommittee reinstated it.

Rep. Dougall asked what the subcommittee's plans were to review the outcome metrics and objectives of GOED. Rep. Kiser stated that they have requested to look at return on investment (ROI) on the GOED entities, but beyond that they have not done much more. They anticipate doing more moving forward.

Sen. McAdams clarified that the Huntsman Cancer Institute is closely affiliated with the University of Utah. The small amount of state funding has been a worthwhile investment. Sen. Adams also expressed an interest in looking at the DABC net revenues to the state and finding ways to streamline efficiencies. Rep. Kiser indicated that the DABC would be making a presentation before the subcommittee on Friday. The subcommittee has asked LFA to continue to run profitability numbers on the DABC. Undoubtedly there will be more discussion. Sen. McAdams said that he would like to share some of his ideas with the subcommittee.

Sen. Stevenson commented that the analysts indicate that a \$1.5 million cut will reduce revenues by about \$200,000.

Sen. Morgan asked if the reduction to Item 14, Restricted Revenue - Motion Picture Incentive Fund completely eliminates the Fund. Sen. Stevenson indicated that while \$1,706,300 has been eliminated, \$500,000 remains. There is another process being considered and that is to offer a tax rebate as opposed to a tax incentive.

Sen. Morgan asked about the reduction to Item 3, USTAR - University of Utah USTAR Non-A Level Research Team - Biological or Medicinal. Sen. Stevenson stated that this funding is used by the University of Utah to recruit faculty, but thus far, they have not been successful in filling positions. The reduction will not effect existing scientists and researchers.

Rep. Litvack asked why the first three items on the list, GOED - Utah Council for Citizen Diplomacy, Insurance - Deputy Director, and Insurance - Health Division Director show a positive appropriation. Rep. Kiser explained that budget cuts to the Department of Insurance in the past have compromised the level of service the Department is required to provide. He felt strongly that we need to offer more resources to the Insurance Department.

D. Executive Offices and Criminal Justice - (Tab 3)

Sen. Daniel W. Thatcher and Rep. Eric K. Hutchings, Chairs, presented the report. They were assisted by LFA staff analysts Gary Syphus, Steven Allred, and Stephen Jardine.

The Executive Offices and Criminal Justice Appropriations Subcommittee met the 93 percent target and approved reductions in ongoing General and Education Funds in the amount of \$36,933,100.

Rep. Hutchings gave a quick overview of the prioritized list of budget reductions. The subcommittee looked carefully at each of the agencies to see what they were doing, what their needs and capacities were and adjusted accordingly. One of the largest areas of concern is the prison population with in the Department of Corrections. To address this concern, a recommendation to fund a 300 bed Parole Violators Center with one-time funding has come forward.

Rep. Hutchings stated that the subcommittee's number one funding priority is Item 1, CORR - Prison Housing Unit Closures. If it is not funded, 847 prisoners will have an early release. Sen. Thatcher noted that the early release will create an additional strain on parole officers. He also pointed out that this item is the largest section of the budget and if they do not make these cuts, they can not reach the 7 percent.

Rep. Hutchings addressed Item 17, JJS - Capacity Reduction. He said that juvenile crime is down and that recidivism programming seems to be working which allows for this reduction. He also noted that recidivism rates for sex offenders who receive treatment is very low.

Rep. Hutchings briefly discussed Item 18 BPP - Program Reduction and Item 8, CRTS - Discretionary - Personnel & Current Expenses. The subcommittee has kept the Board of Pardons primarily whole in anticipation of the early releases. Rep. Hutchings publicly recognized Courts for their efficiencies and performances measures. However, the reduction to Courts involves the temporary closure of courts houses.

Sen. Thatcher commented that the subcommittee's budget was very difficult to put together.

Rep. Dougall asked about trends in prison population and parole caseloads. Rep. Hutchings said that if early releases were to occur, parole officers would experience a 5 percent increase in caseload.

Sen McAdams expressed his support for the Parole Violators Center. He pointed out that cutting these agencies that represent a lot of the core functions of government may not be a cost savings but cost shifting.

Rep. Hutchings commented about the safety concerns for state troopers, privatizing a portion of Capitol Hill Security, and Medicaid reductions to Juvenile Justice Services.

Committee Discussion

Rep. Seelig asked about funding for sex offender treatment. Rep. Hutchings stated that at this point in time, funding for sex offender treatment is funded. In many instances, treatment is a requirement for an individual's release.

Rep. King asked how Item 5, DPS - Liquor Law Enforcement relates to Item 2, DPS - Special Enforcement (DUI Squad). Sen. Thatcher explained that liquor law enforcement involves identifying and investigating bad actors in the in the liquor distribution area.

Sen. Niederhauer asked if Item 20, Gov - LeRay McAllister Program leaves any money in the LeRay McAllister Fund. Rep. Hutchings stated that the program will continue to exist functionally, but will not have any ongoing funding once the existing funds expire.

Sen Stowell, asked if Item 16, DPS - Drivers License Program Reduction, will closes offices. Rep. Hutchings said that the reduction will not close any offices but reflects some efficiency adjustments.

Sen. Stowell also asked about Item 8, CRTS - Discretionary - Personnel & Current Expense moth balls court houses. Rep. Hutchings said that this reduction will reduce personnel and not necessarily facilities and facilities maintenance. Sen. Stowell expressed concern that closing court houses will shift expenses to local law enforcement.

E. Higher Education - (Tab 4)

Sen. Stephen H. Urquhart and Rep. Michael T. Morley presented the report. They were assisted by LFA staff analyst Spencer Pratt.

Sen. Urquhart remarked that over the past few years, Higher Education has not only experienced significant cuts to its budget, but has also experienced significant growth in the student population.

The Higher Education Appropriations Subcommittee met the 93 percent target and approved the reductions in ongoing General and Education Funds in the amount of \$51,822,000.

For each of the eight credit-granting colleges and universities, the State Board of Regents, and the Utah Medical Education Council, the subcommittee approved a 7 percent reduction giving them flexibility to decide how to make those cuts within the institutions. The Utah College of Applied Technology received a 5.9 percent cut primarily because the UCATs have higher completion rates and successful job

placements. The additional money for UCAT will come out of Utah Education Network's (UEN) operating budget which was reduced by 10 percent. Sen. Urquhart pointed out that UEN did not offer a counter proposal or suggestions other than no cuts at all.

Committee Discussion

Rep. Menlove wanted to hear more about the UEN interaction. She pointed out that the state has been using UEN resources to create efficiencies by increasing class size and by broadcasting to multiple sites. UEN also funds eRate that pays for higher education's free internet. Rep. Menlove was concerned that we may be cutting a tool that actually saves the state money. She asked if the subcommittee would be willing to revisit the UEN cut.

Sen. Urquhart stated that the subcommittee would be willing to discuss this issue further and would like UEN to provide feedback on the analyst's proposal to use nonlapsing funds for equipment purchases and to renegotiate circuits contracts to achieve their quarter levels of productions. The subcommittee thought those were good recommendations, but to date, UEN has not made any counter recommendations.

President Waddoups expressed his frustration over the 7 percent across the board cut in Higher Education. He felt that reductions to specific programs would improve oversight in trying to make efficiencies. Rep. Morley stated that the subcommittee recommended that the institutions consider reducing the number of credit hours that the state will participate in to 125 percent of the hours needed to graduate. Because there is quite a parity gap between institutions, the subcommittee recommended that the institutions take the 7 percent cut and look for ways to improve their return on investment and meet the needs of the workplace.

Sen. Urquhart commented on the tremendous disparity in the funding per student among the institutions, aligning degrees with the economy and completion rates.

President Waddoups noted that the subcommittee is thinking through these issues and is headed in the right direction. He asked if the chairs were optimistic that Higher Education would respond with any suggestions and recommendations. Rep. Morley thought that they would and that the subcommittee would focus in on those topics in the next few meetings. President Waddoups said that he would be very reticent about putting money back into the institutions without getting this information. Sen. Urquhart indicated that if monies became available, funding UCAT would be a good return on investment.

F. Natural Resources, Agriculture, and Environmental Quality - (Tab 6)

Sen. David P. Hinkins and Rep. John G. Mathis presented the report. They were assisted by LFA staff analysts Ivan Djambov and Mark Bleazard.

The Natural Resources, Agriculture, and Environmental Quality Appropriations Subcommittee met the 93 percent target and approved reductions in ongoing General and Education Funds in the amount of \$4,327,000.

Sen. Hinkins stated that the total budget for Natural Resources, Agriculture, Environmental Quality, Public Lands Office, and SITLA is \$319.4 million. The General Fund budget totals \$62,812,800. Reductions were taken as follows: \$2.7 million for DNR, \$894,200 for Agriculture, \$747,900 for DEQ, and \$23,300 for Public Lands Office.

Sen. Hinkins stated that each agency was reduced by 7 percent. As the subcommittee went through the lists of options, they tried to reduce administration and encourage agencies to implement efficiencies. At the same time, the subcommittee's goal was to protect the key staff necessary to maintain primacy on federal regulatory programs. He stated that in general, Utah citizens and business prefer to interface with Utah's state agencies and not with federal agencies.

Committee Discussion

Rep. Litvack asked about the \$3 million reduction to the DNR Parks - Restructuring of Parks Operation. Sen. Hinkins explained that the subcommittee was able to implement some of the efficiencies suggested in the audit. The departments have actually turned back about \$1.7 million annually for that last three years and those savings could count towards the \$3 million.

Rep. Mathis stated that the subcommittee's goal is to reduce the dependency on General Fund money and be able to operate the parks more efficiently. The subcommittee felt like there is some efficiency that can be found in management, organization and structure, and perhaps in law enforcement restructuring. The subcommittee was able to accomplish the \$3 million reduction and gain efficiencies without the closure of parks.

Rep. Mathis stated that when you have a golf course that the state is subsidizing \$66 for every round of golf that is played, the Legislature has an obligation to take a look at that and figure out how we can help this work more efficiently. He did not think the Heritage Parks would ever make money. He suggested that the Heritage Parks partners with local communities and counties. Rep. Mathis noted that the water parks still maintain full staffs even in the winter time, when visitation is low. Perhaps there could be some adjustments made there. He was confident that the subcommittee could find efficiencies without park closures.

President Waddoups directed the committee's attention to the Issue Brief, "Natural Resources - Federal Funds." He asked about the state still paying out on the Consolidated grants from the 2006, 2007, 2008, and 2010. Sen. Hinkins explained that while these grants were awarded in those years they are still being used as pass-thru monies to rural cities and counties to help fire departments with fire mitigation, and equipment and supplies.

President Waddoups also inquired about STATEMAP (UST2) and STATEMAP (UST1). Rep. Mathis explained that federal funds help the Utah Geological Survey map the geological resources for the state of Utah. This is very significant for those who are exploring energy development and other resources in the state. Utah is significantly behind most states in our geological mapping.

Rep. Seelig inquired about the reduction item: Ag - Reduction to Pass-Thru to the State Fair Corporation, and Ag - Junior Livestock Show Association. Rep. Mathis explained that state funding has helped sponsor junior livestock shows around the state of Utah. The reduction would impact funding for premiums and ribbons at local county fairs and local stock shows. Rep. Mathis spoke in support of the program because it helps kids. The reduction to the State Fair merely represents its share in the 7 percent reduction.

Rep. King asked about two line item increases to DNR - Water Rights - Backfill Extension, and DEQ - Uintah Basin Air Initiative. Rep. Mathis explained that water rights is a critical issue for the state of Utah that has been funded traditionally with one-time money. The subcommittee felt like water rights was so critical they needed to approve this in an ongoing fashion. In regards to the Uintah Basin Air Initiative, Rep. Mathis pointed out that last year, the Uintah basin had the highest ozone levels of any place in the nation. It is very critical to the oil and gas industry to find out what is causing this, if it is an anomaly, if it is blowing in from somewhere else, or if it is related to inversion. The state needs to do some extensive monitoring to find out what is going on so we can mitigate the problem and continue to stay in business.

Rep. King asked if the subcommittee had prioritized its reductions list for backfilling. Sen. Hinkins stated that the subcommittee had not been instructed to prioritize the list.

G. Public Education - (Tab 7)

Sen. D. Chris Buttars and Rep. Merlynn T. Newbold presented the report. They were assisted by LFA staff analyst Ben Leishman.

The Public Education Appropriations Subcommittee met the 93 percent target and approved reductions in General and Education Funds in the amount of \$166,048,086.

Sen. Buttars stated that to meet the 7 percent target base budget reduction of \$166 million, the subcommittee eliminated administrative funding for districts and charter schools, \$8.2 million; eliminated provisions that allow high schools to count students attending class on UCAT campuses, \$5 million; reduced the Interventions for Student Success Block Grant, \$8.2 million; eliminated the Flexible Allocation WPU Distribution program created in FY 201, \$141.1 million; reduced the Utah State Office of Education by 10 percent, \$2.1 million; and eliminated state funding for Regional Service Centers, \$1.4 million.

Sen. Buttars stated that for the last two years, the Legislature has not funded student growth. Therefore, the subcommittee funded student growth and opted to not allocate approximately \$91 million in funding to certain "Below-the-Line" programs. Sen. Buttars indicated that the subcommittee intends to review and rank these programs during the remaining meetings. He stated that this will give a fresh look to the programs the subcommittee really wants to fund.

Finally, the subcommittee recommended that the budgets for the Utah School for the Deaf and the Blind, Fine Art Outreach, Science Outreach, Education Contracts, State Charter School Board, and Child Nutrition Programs remain at FY 2011 ongoing state funding levels.

Committee Discussion

Sen. Romero asked why Public Education's total base budget allocation on the pink sheet, \$257 million, is different than the amount presented to the subcommittee, \$166 million. Sen. Buttars stated that the \$257 million allocation includes the \$91 million cut to "Below-the-Line" programs. Rep. Newbold commented that the subcommittee has discussed where we should place the dollars to receive optimum outcomes.

Sen. Hillyard stated that the subcommittee "over cut" and freed up \$91 million, which they can now go back and put in. Rep Newbold clarified that the funding could go on any line item or it could go up to the value of the WPU.

Rep. Dougall stated that he regularly gets asked why we fund so much in the Utah State Office of Education (USOE) rather than in the classroom. Sen. Buttars said the USOE budget is \$220 million and over \$200 million of it comes from federal funds. The USOE really only has a budget of \$17 million, and the subcommittee cut 10 percent of that.

Rep. Dougall asked how he should respond to constituents who ask why we cut so little from the USOE, and why we don't redirect some of those funds to the classroom. Sen. Buttars stated that he thinks we are doing this cautiously.

Rep. Watkins asked about the MSP - Hold for Future Allocation, Pupil Transportation. Rep. Newbold stated that there were several budget items that the subcommittee did not have sufficient information to make a recommendation. This item was one of those. Rep. Newbold stated that the subcommittee will continue to have discussions. Rep. Watkins stated that she was concerned about this item.

Rep. Menlove stated that the reduction to transportation affects rural school districts much more significantly. Sen. Buttars agreed and he did not think they would cut rural transportation. This is an example of high profile items that the subcommittee did not fund that they are going to review for funding.

3. Base Budget Discussion

Upon conclusion of the subcommittee reports, Co-Chair Hillyard recognized Co-Chair Brown for a motion.

MOTION: Co-Chair Brown moved to authorize legislative staff to include the federal funds provided in today's packet in the base budget bills for submission to the Legislature. The motion passed with Rep. Dougall voting in opposition and Sen. Jones absent for the vote.

Co-Chair Hillyard reiterated that these budgets are base budgets and that the subcommittees will revisit the budgets in the upcoming weeks. EAC will have an opportunity to review a more complete report.

Co-Chair Brown informed the subcommittee chairs that they will be presenting the base budget bills for approval to the House and the Senate tomorrow or before noon on Wednesday.

4. Other Business

MOTION: Co-Chair Brown moved to adjourn. The motion passed unanimously with Sen. Jones absent for the vote.

Co-Chair Hillyard adjourned the meeting at 7:23 p.m.

Sen. Lyle W. Hillyard, Co-Chair

Rep. Melvin R. Brown, Co-Chair