

**MINUTES OF THE JOINT EXECUTIVE APPROPRIATIONS
COMMITTEE MEETING
February 17, 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
Karen Mitchell, Committee Secretary

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

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 Brown called the meeting to order at 5:25 p.m. He remarked that since the last Executive Appropriations Committee meeting on January 31, 2011, the Legislature had passed and the Governor had signed the base budget bills. During that same time, the appropriations subcommittees reviewed budget detail, reallocated funds where appropriate, approved fees and intent language, and built an add-back list.

Co-Chair Brown explained that the Executive Appropriations Committee would hear the subcommittees' reports but would not take any action.

Co-Chair Brown reviewed the contents of the committee binders that included a blue packet of the subcommittees' priority lists, a detailed agenda, a table of contents, and a set of corrected minutes. Behind each subcommittee tab was FY 2012 budget information, fees, and intent language; FY 2011 budget information and intent language; internal reallocation and non-General Fund detail sheets; and another copy of the priority list for the respective subcommittee. The aforementioned information was available on line as well.

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

Co-Chair Hillyard noted the following two corrections on the minutes for January 25, 2011: on page 1, in the heading, change January 25, 2010 to January 25, 2011, and on page 3, last line, change 4:17 p.m. to 5:45 p.m.

MOTION: Co-Chair Hillyard moved to approve the minutes of the Joint Executive Appropriations Committee meeting held on January 25, 2011 as corrected. The motion passed unanimously with Sen. Stowell, Sen. Niederhauser, Sen. Morgan, Speaker Lockhart, and Rep. Hughes absent for the vote.

2. Appropriations Subcommittee Reports

a. Public Education (Tab 7)

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

Rep. Newbold stated that the subcommittee did not take any action on the supplemental funding for FY 2011 or the FY 2012 budget. However, based on the suggestions of the subcommittee, the co-chairs proposed how to allocate \$91,172,314 in Education Funds not previously appropriated in the base

budget. Those allocations were outlined on page 7-1, Figure 1, Allocation of \$91,172,314 not Appropriated in Base (S.B. 1, 2011 General Session).

The co-chairs also proposed reallocating funding among programs within the Minimum School Program as outlined on page 7-1, Figure 2, Minimum School Program - Reallocations. The Extended Year for Special Educators and Professional Staff would move from the Related to Basic School Program to the Basic School Program and be distributed on a Weighted Pupil Unit basis.

The co-chairs also recommended non-state funding for the MSP - Federal Education Jobs Fund, and the USOE - Federal Education Jobs Fund on page 7-2, Figure 3, FY 2011 Supplemental Appropriations (Non-State Funds). In addition, the chairs recommended funding for the MSP - School LAND Trust Program & Dividends on page 7-2, Figure 4, FY 2012 Appropriations (Non-State Funds).

Rep. Newbold stated that if the subcommittee were to receive some additional funding for FY 2012, the co-chairs would recommend that the majority of the funding be put into the Weighted Pupil Unit (WPU). She pointed out that since the Flexible Allocation line item, formerly know as Retirement and Social Security, had not been funded, the additional funding could help school districts pay for retirement and social security costs.

Rep. Newbold noted that the subcommittee did not take a position on the fee changes on pages 7-7 and 7-8. The co-chairs however, recommended the four items of intent language on page 7-3.

Sen. Buttars emphasized the importance of funding student growth. He stated that for the past two years the Legislature had not funded student growth, but this year, the subcommittee funded all student growth.

Committee discussion

President Waddoups asked if there were any changes in fees. Rep. Newbold indicated that some fees had changed from the previous year but were not reflected in the report. Co-Chair Brown, in consultation with staff, stated that the fee changes would be available tomorrow.

Rep. King asked how the Flexible Allocation line item relates to the Weighted Pupil Unit. Rep. Newbold explained that the Flexible Allocation is a new line item that replaced the Retirement and Social Security line item. Monies within the Flexible Allocation line item pay for social security and retirement and are distributed on a WPU basis throughout the school system.

Rep. King asked how student growth is going to be funded in light of spending cuts. Rep. Newbold stated that in the past, growth was funded by redistributing money within line items. She took the position that growth needs to be funded by adding additional dollars to the public education budget as well.

Rep. Newbold stated that the co-chairs were recommending that additional dollars be added to the WPU. The subcommittee, on the other hand, did not make a recommendation.

Co-Chair Brown thanked the subcommittee chairs for their report.

b. Social Services (Tab 9)

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

Rep. Clark offered some introductory remarks regarding the budget responsibilities of the subcommittee.

Rep. Clark discussed the subcommittee's funding priorities. He stated that the subcommittee took the top 19 funding item requests off the priority list on pages 9-107 through 9-109 and recommended that those items be funded using \$14.1 million in Tobacco Master Settlement money and \$2.3 million from the Temporary Assistance for Needy Families (TANF) transfer to the Social Services Block Grant (SSBG).

The subcommittee also requested \$32.2 million in General Fund one-time for mandatory and critical funding requests, and \$38.9 available from the federal ARRA stimulus money to cover mandatory growth items.

Rep. Clark stated that each of the social service agencies chose a different pathway for their critical building blocks and priorities. These critical and mandatory funding requests represent \$58.4 million for FY 2012.

Committee discussion

Rep. Litvack pointed out that the 19 funding priorities taken off the list were listed on the pink sheets entitled, "FY 2012 Base Budget," after page 9-109 with one exception. Item 17 USOR - Robert G. Sanderson Community Center was replaced with item 21, USOR - Reduce contract funding to Independent Living Centers; item 27, USOR - Reduce service contract for blind individuals 55+; and item 31, USOR - Reduce funding for Assistive Technology Equipment.

President Waddoups asked if the subcommittee's request to fund Medicaid caseload growth with one-time money would be adding to the structural imbalance. Mr. Ball stated that the subcommittee was recommending a one-time appropriation for the current fiscal year and an ongoing appropriation for FY 2012. He indicated that neither of these requests would increase the structural deficit.

Rep. Clark clarified that the subcommittee did not fund Medicaid caseload growth with tobacco settlement money.

Russell Frandsen, LFA, indicated that the FY 2012 General Fund ongoing and one-time funding requests for Medicaid caseload growth could be found on page 9-107. He clarified that caseload growth was not included in the base budget.

Sen. Morgan wanted to know if item 17, USOR - Robert G. Sanderson Community Center, had been completely taken off the priority list. Rep. Clark responded that the Robert G. Sanderson Community Center was shown as item 14 on the subcommittee's priority list on page 9-107. He stated that while this item had not been funded, it was high on the priority list.

Presentation continued

Rep. Clark briefly discussed intent language and fees for the Department of Health. For FY 2011, the subcommittee approved fourteen intent language statements, all but one for nonlapsing authority. The subcommittee also approved eleven intent language statements for FY 2012, eight reports on various Medicaid topics, and three regarding the expenditure of ARRA funds. Rep. Clark stated that there were thirty-six new fees that would generate an estimated revenue increase of \$14,000.

Sen. Christensen highlighted the intent language for the Department of Human Services (DHS). There were seven statements for nonlapsing authority that will help agencies manage unpredictable caseloads, six statements pertaining to this year's DHS In-Depth Budget Review and a legislative audit, and two statements asking the Department to look for new ways of doing things.

Rep. Clark briefly discussed subcommittee reallocations of existing funds for four FY 2012 building blocks within the Department of Workforce Services (DWS) on page 9 - 105. Intent language for DWS and the State Office of Rehabilitation was available on pages 9-77 and 9-78.

Sen. Christensen added that the State Office of Rehabilitation (USOR) was very cooperative in responding to the subcommittee's original request for a ten percent budget cut. The subcommittee went forward with the ten percent cut, which represents a significant portion of USOR's state funding. If new funding is available, USOR requested that the budget items that the subcommittee had not backfilled, be restored.

Co-Chair Brown thanked the subcommittee chairs for their report.

c. Higher Education (Tab 4)

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

Rep. Morley reviewed the subcommittee's proposed actions for FY 2012 for the Utah System of Higher Education (USHE), including the Utah College of Applied Technology (UCAT) on page 4-1. The subcommittee made two changes to the base budget. It reduced the base by \$2.9 million General Fund, one-time, in pre-funded O & M for institutions where facilities are under construction. The other change was a \$3.1 million reduction in expected tuition collection for Utah State University. The subcommittee also approved requests from the University of Utah and Utah State University to reallocate funds between lines items that net to zero.

Rep. Morley stated that the Utah Education Network's (UEN) budget for FY 2012 was summarized on page 4-61, and the Medical Education Council's (UMEC) budget was summarized on page 4-64. The subcommittee recommended elimination of state funding of \$521,700 for FY 2012 for the UMEC.

Rep. Morley also reviewed intent language on pages 4-67 through 4-69. The proposed intent language requires the Utah System of Higher Education and the Utah College of Applied Technology to consider the return on the taxpayer's investment when budget reductions are made and also if additional funds are appropriated.

Rep. Morley briefly discussed the subcommittee's priority list on page 4-73 that included budget restorations to UCAT, USHE, and UEN, and a new appropriation of \$888,000 to the State Board of Regents for scholarships, and \$1.7 million for Utah State University's Veterinary School Proposal.

Rep. Seelig asked about the criteria higher education would be using to measure a successful return on investment. Rep. Morley suggested that higher education could look at completion rates and how degrees match up with marketable job skills. Rep. Seelig commented that because there are so many variables, it would be important to investigate a wide range of criteria in determining what is a successful return on investment.

Sen. Urquhart remarked that the subcommittee worked hard to prioritize FY 2012 funding needs. He commented that the subcommittee had eliminated funding to the Utah Medical Education Council and that the subcommittee's number one priority would be to restore funding to the Utah College of Applied Technology.

Co-Chair Brown thanked the subcommittee chairs for their report.

d. Executive Offices and Criminal Justice (Tab 3)

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

Sen. Thatcher presented the subcommittee priority list on page 3-48. The subcommittee's top funding priority is to restore funding to the prison housing units within the Department of Corrections. In order to have funding available for other programs, the subcommittee split the line item into two separate line items and prioritized them as item 1, CORR - Prison Housing Units (1 of 2) and item 16, CORR - Prison Housing Units (2 of 2).

Sen. Thatcher noted that the subcommittee split a Courts line item as well. Rep. Hutchings explained that funding for item 9, Courts - Discretionary (1 of 2) would prevent rural court house closures, while funding item 17, Courts - Discretionary (2 of 2) would prevent urban court house closures. He also spoke highly of the Courts' ability to identify, build out, and track performance measures. The Courts used this data in determining which court houses to fund.

Rep. Hutchings called attention to the green sheets entitled, "Remaining Funding Actions," on pages 3A-1 through 3A-7. He noted that the subcommittee had not taken action on ARRA Funds, Dedicated Credits, and Restricted Funds.

Sen. Thatcher briefly discussed the FY 2012 ongoing requests as prioritized by the co-chairs on page 3A-6. The co-chairs split up the funding requests for Corrections - Jail Contracting Beds, and Juvenile Justice Services - Loss of Federal Funds - Child and Youth Treatment Services and ranked them along with other program requests. Sen. Thatcher stated that increased funding for jail contracting provides housing in county facilities that often offer programs that help reduce recidivism.

Rep. Hutchings pointed out that this year's proposed budget cuts and the loss of \$9 million in federal funding significantly impacts the Juvenile Justice Services budget. He noted that last year, the Legislature addressed the loss of federal funds with a one-time appropriation of \$9 million.

Sen. Thatcher reviewed the FY 2012 one-time requests on page 3A-7. The majority of the requests pertained to the Department of Public Safety. Sen. Thatcher stated that if the Department is granted nonlapsing authority, it will be able to cover all of the one-time funding requests.

Rep. Hutchings stated that leases and contracts were prioritized high on the list of ongoing requests. He felt that in the current economy, the Executive Appropriations Committee should recommend that all agencies consider renegotiating their contracts as they come due.

Committee discussion

Co-Chair Hillyard asked if nonlapsing authority would cover funding for item 3, DPS - Crime Lab. Rep. Hutchings stated the Crime Lab is listed separate and apart from the other DPS requests. A legislator requested the funding to address a significant back log in DNA sampling and testing that is used in creating a DNA database. Rep. Hutchings stated that the Crime Lab would not be covered by nonlapsing funds. Sen. Thatcher stated that Sen. Hinkins had also submitted a funding request for item 15, DPS - Reimbursement of Manhunt Costs.

Rep. Seelig spoke in favor of authorizing nonlapsing authority to the Department of Public Safety. She called attention to item 10, DPS - UHP Bullet Proof Vests for FY 2012, and item 11, DPS - UHP Ammunition on page 3A-7. She was of the opinion that the state needs to fund public safety officers to do their job and not list the essentials as fine line items.

Rep. Dougall inquired about the one-time funding request for item 4, GOV - Reapportionment on page 3A-7. He wanted to know which entity bears the responsibility for redistricting.

Steven Allred, LFA, stated that after the Legislature completes redistricting, the burden falls on the Lieutenant Governor's Office to work with the county clerks to redraw the voting precincts. This process is done using a software program called Voting Information System Tracking Application (VISTA). Mr. Allred explained that there are costs associated with the reprogramming. AGRC and DTS have provided estimates on what those programming costs might be. Mr. Allred explained that the one-time funding request is \$110,000 for FY 2011 and \$110,000 for FY 2012.

Rep. Litvack asked about the order of funding preference for the priority list on page 3-48 and the ongoing and one-time building block requests on pages 3A-6 and 3A-7. Sen. Thatcher indicated that the subcommittee's first priority is to keep the agencies whole, and therefore, funding the add back or priority list would take precedence over the ongoing and one-time lists. Rep. Hutchings stated that if funding was restored to the prison housing units, the prison would still be at maximum capacity. Funding both the prison housing units and jail contracting is needed to curb early releases. Sen. Thatcher added that it is cheaper to house prisoners in the county jails than at the state prison. He indicated that there is an early release going on now.

Rep. Litvack asked about the ongoing funding request for item 18, GOV - Civic and Character Education on page 3A-6. Rep. Hutchings explained that the sponsoring legislator had asked that his legislation have a public hearing in the subcommittee. Steve Allred clarified that the Commission on Civic and Character Education was set up in the Lt. Governor's Office.

Rep. Litvack inquired about item 20, AG - Public Lands Attorneys on page 3 - 48. Sen. Thatcher explained that this item is a new request from the Attorney General's Office for two public lands attorneys. The Attorney General reassured the subcommittee that the two attorneys will help generate additional revenue to the state. Rep. Hutchings clarified that the AG - Public Lands Attorneys was not included on the building block list because the co-chairs felt that it needed to have a higher priority.

Speaker Lockhart stated that in last year's budget, the Legislature appropriated \$1 million one-time for the Legislature to exercise its constitutional authority and duty to do reapportionment. Referencing the one-time request on line 4, GOV - Reapportionment, she wanted to know why we are paying for reapportionment twice, if the Legislature and the Lt. Governor's Office is using the same DTS staff. Mr. Allred stated that he would do further research on this matter and get back to her.

Rep. Hutchings offered some closing remarks stating that the agencies represented in this budget are the constitutionally mandated functions of government. He stated that the agencies provide many services that can not be provided privately. The budget cuts will impact court houses that have existed since statehood. He also expressed concern about highway safety issues for the Highway Patrol and noted that the Highway Patrol is having to operate with the same number of troopers the state had 30 years ago.

Co-Chair Brown thanked the subcommittee chairs for their report.

e. Retirement and Independent Entities (Tab 8)

Sen. Daniel R. Liljenquist and Rep. Don Ipson, Chairs, presented the report. They were assisted by LFA staff analysts Rich Amon and Gary Ricks.

Sen. Liljenquist reported that the Retirement and Independent Entities Appropriations Subcommittee reduced the budgets for the Department of Human Resources Management and the Career Service Review Board by 7 percent.

Co-Chair Brown thanked the subcommittee chairs for their report.

f. Infrastructure and General Government (Tab 5)

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

Sen. Adams discussed the subcommittee's reallocation list on page 5-72. The subcommittee reallocated \$5 million from the Project Reserve Fund and applied it to the Freeport Warehouse in Clearfield. The funding will be used to renovate the Freeport Warehouse. The Utah State Archives will then move their facilities into that space, thereby saving the state \$110,000 in annual leasing costs. The \$110,000 savings

will be used to offset programs impacted by the 7 percent reduction, including DTS - Automated Geographic Reference Center (AGRC) Staff, the subcommittee's highest funding priority to backfill.

Sen. Adams read through the subcommittee priority list of ongoing funding items for FY 2012 on page 5-74. The subcommittee also recommended \$3 million General Fund one-time for DAS - Finance Mandated Jail Reimbursement.

Rep. Froerer discussed the top five state funded capital development priorities on page 5-75. They included the following projects: 1) Utah State Hospital Building Consolidation, 2) Multi-Agency Warehouse Freeport Buildings, 3) WSU - Professional Programs Classroom Building (Davis), 4) UCAT - TATC/USU Tooele County Campus, and 5) USU - Business Building Addition/Remodel. The first two priorities were consistent with the rankings of the State Building Board. Priority three, four, and five were ranked lower on the State Building Board's list but the subcommittee felt it was important to give projects with outside funding sources a higher priority.

Committee Discussion

Rep. Dee asked if the outside funding sources were time sensitive. Rep. Froerer stated that the \$8.4 million for Weber State's Professional Programs Classroom Building is not time sensitive because the majority of those funds come from student generated fees. He did not know if the \$4.5 million for the UCAT - TATC/USU Tooele County Campus was time sensitive or not. Rep. Froerer indicated that the local communities had submitted a letter of commitment and were anxious to get started on the project. In regards to the USU 's Business Building Addition/Remodel, Sen. Adams stated that USU had firmed up its \$16 million commitment and the funds were now available to begin construction.

Rep. Dee expressed concern that if the selection criteria is based too much on outside funding sources, other projects might not get built. He gave the example of court houses.

Rep. Dee recalled that the subcommittee had discussed one-time funding for the Energy Program and that there is an expectation that the program would be self-sustaining. Sen. Adams explained that \$340,000 from the Project Reserve Fund balance would provide one-time operating capital for the Energy Program. To ensure that the program will be self-sustaining, some of the program savings will be recaptured as an ongoing dedicated credit.

Rep. King asked about the size of the children's unit in the Utah State Hospital Building Consolidation. Rep. Froerer stated that the anticipated size for the new building would be approximately 116,000 square feet and would include 72 patient beds.

Rep. King felt uncertain about committing resources to a centralized children's state hospital particularly when best practices in the mental health field are moving away from treating children in centralized facilities.

Rep. Froerer responded that the subcommittee had discussed this topic but was more concerned about the physical condition of the building. He stated that he visited and inspected the State Hospital on two different occasions, and that the amount of money that was being spent to maintain the facility justified immediate action.

Sen. Adams clarified that the subcommittee did not look at whether the State Hospital should be centralized or decentralized, but looked at how the facility should be prioritized in terms of renovation or replacement. He stated that the State Hospital scored very high and is in need of attention.

Sen. Neiderhauser asked if there were any significant increases in the ISF rates. Gary Ricks, LFA, stated that some agencies are reducing some of their ISF rates. He indicated that the Department of Technology Services is reducing one of its rates by two dollars and this may translate into a savings. Two other agencies have saved in excess of \$400,000 in FY 2012 by reducing rates. Mr. Ricks stated that the agencies are working to keep the ISF rates down and this impacts the rest of state government. Sen. Neiderhauser asked if there were any rate increases. Mr. Ricks stated that he was not aware of any significant rate increases.

Speaker Lockhart commented that while many states do not have a children's facility within their state hospitals, they do have children needing services, and they often contract with other states to provide those services. For many children, the State Hospital is the last resort. Community providers do not provide this type of service for these children.

Sen. Adams noted that the subcommittee did not recommend any funding requests for Operations and Maintenance (O&M) on the non-state funded capital development projects on page 5-76.

President Waddoups asked if the subcommittee had eliminated funding for one of the Aero Bureau's fixed winged helicopters. Rep. Froerer stated that the subcommittee had not made that recommendation.

Rep. Froerer highlighted the intent language for Administrative Services - DFCM Administration on page 5-59. The intent language states that the Legislature intends that the DFCM study asset utilization, cost, and operation and maintenance in state-owned and leased properties. Rep. Froerer stated that because of the current real estate market, the state has the opportunity to analyze leases and purchases to determine the most effective use of state dollars on hard assets.

Co-Chair Brown thanked the subcommittee chairs for their presentation.

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

Sen. David P. Hinkins and Rep. John G. Mathis, Chairs, addressed the committee. They were assisted by LFA analyst Ivan Djambov and Mark Bleazard.

Rep. Mathis discussed the subcommittee priority list on page 6-117. He stated that the subcommittee's top funding priority is the Department of Environmental Quality - Uintah Basin Air Initiative, \$130,300 GF/EF ongoing. Research shows that the Uintah Basin has the highest ozone levels in the nation and this could significantly impact the oil and gas industry. Rep. Mathis indicated that work needs to be done to monitor the air to determine what is causing the ozone levels to be so high, where it is coming from, and if it can be mitigated.

Rep. Mathis discussed the following add backs to the Department of Agriculture: Junior Livestock Show Association, Farm Custom Slaughter, and Safety/Weights & Measures Inspection. He also discussed the

reasons for recapturing fines that were paid into the General Fund by water users in Southern Utah, item 5, DNR - Water Rights Fines Repayment.

Rep. Mathis stated that the subcommittee restored funding to each of the items on the 7 percent reductions list.

Co-Chair Brown mentioned that item 27, USU - Veterinary School Proposal - HB 57, appears on another subcommittee priority list. Rep. Mathis explained that since the Natural Resources Interim Committee had requested that he sponsor H.B. 57- Joint Professional School of Veterinary Medicine, the subcommittee felt that it would be appropriate to reflect this item in its budget requests.

Sen. Waddoups asked for a clarification on the funding for item 5, DNR - Water Rights Fines Repayment. The priority list shows the funding as ongoing. Rep. Mathis indicated that funding is actually one-time and should have been listed in the one-time column. He pointed out that item 9, Legislature - HB 461 - Energy Producers States' Agreement, should be listed as one-time funding as well.

Sen. Romero asked Rep. Mathis if he had talked to the chairs of the Higher Education Appropriations Subcommittee to determine which subcommittee was going to take the lead on the USU Veterinary Program. Rep. Mathis stated that he had presented H.B. 57 in the Higher Education Appropriations Subcommittee and felt that this is probably where it belongs. Rep. Mathis indicated that the Veterinary Program would require new money and would be ongoing. The subcommittee listed this program as the first new proposal to be considered after the 7 percent reductions list was backfilled.

Co-Chair Brown thanked the subcommittee chairs for their report.

h. Business, Economic Development and Labor (Tab 2)

Sen. Jerry Stevenson and Rep. Todd Kiser, Chairs, and Rep. Julie Fisher, House Vice Chair, presented the subcommittee report. They were assisted by Dr. Andrea Wilko, Dr. Thomas Young, and Patrick Lee, LFA staff analysts.

Rep. Kiser distributed handouts for the Utah Department of Commerce and the Utah Department of Insurance that substantiates the amount of money each entity contributes to the General Fund. In addition, over the last ten years, the Insurance Department has generated more than \$8 million in surpluses to the General Fund for licensing and services fees and collected over \$1.2 billion in premium taxes. Rep. Kiser stated that in order to satisfy federal mandates, the Department of Commerce will require 4 FTE securities examiners, which will cost about \$345,000.

Rep. Kiser stated that the subcommittee made adjustments to the following revenue items for FY 2012 listed on page 2-1: additional American Recovery and Reinvestment Act (ARRA) allocations, Dedicated Credits Revenue, Restricted Funds Revenue, Federal Funds, and the Federal Mineral Lease.

Rep. Kiser reviewed the subcommittee reallocations list for FY 2012 on page 2-93. The subcommittee proposed eliminating the Governor's Office of Economic Development (GOED) Centers of Excellence

Program and using the \$2,042,000 to internally fund a number of ongoing programs. The subcommittee also approved fees on pages 2-3 through 2-36 and intent language on pages 2-89 through 2-91.

Rep. Kiser highlighted some additional subcommittee recommendations. The subcommittee recommended that the Executive Appropriations Committee fund bond payments on new DABC buildings from the funding DABC has set aside for that purpose. The subcommittee also expressed support for H.B. 99 - 'Motion Picture Incentive Amendments.'

In regards to the Department of Insurance, the subcommittee recommended that the Executive Appropriations Committee consider allowing insurance revenues from source codes 460 and 490 to accrue to a restricted fund in lieu of the General Fund. The Department of Insurance could then be funded in part from the restricted revenue instead of the General Fund.

Rep. Kiser stated that the subcommittee also recommended that EAC consider allocating \$6 million from earmarked sales and tax revenues to the Tourism Marketing Performance Fund.

Finally, Rep. Kiser called attention to the subcommittee priority list on page 2-94.

Committee Discussion

Rep. Litvack commented that the majority of funding items on the priority list would require new funding. He asked if these items would be prioritized above the 7 percent cut in the base budget. Rep. Kiser indicated that the subcommittee had addressed some of those cuts using the \$2 million reallocation from the Centers of Excellence Program. In working with LFA, the subcommittee made sure that the department cuts were sustainable.

There was some concern that the cuts to the Department of Alcoholic Beverage Control might be too deep, given the amount of revenue the state liquor stores generate. Even with store closures, the lost revenue would be recouped when people begin to shop at other stores. Rep. Kiser explained that the chairs decided to move ahead and not allocate in this area. The subcommittee felt very strongly that other revenue streams should be funded.

Sen. Stevenson pointed out that when considering which programs to cut, the subcommittee looked at the return on investment.

Rep. Litvack inquired about the Office of Ethnic Affairs. Sen. Stevenson stated that the subcommittee recommended that the Office of Ethnic Affairs be eliminated in the form that it is in now. The Governor's Office is recommending that the Office of Ethnic Affairs be restructured in a different form. Rep. Litvack asked if the subcommittee had set aside funding for the restructured office. Sen. Stevenson stated that the subcommittee had not set aside any funding for that purpose.

Co-Chair Hillyard asked if the subcommittee would increase funding to the Utah Procurement Initiative if the Governor chose not to eliminate the Centers of Excellence Program. Rep. Kiser indicated that the subcommittee would ask that the funding for the Utah Procurement Initiative be increased to \$1 million. Sen. Stevenson indicated that funding would need to be increased for other programs dependent on the proposed reallocation as well.

Rep. Hughes asked why the Centers of Excellence Program was cut. House Chair Fisher stated that based on a recent report reviewing twenty years of performance, the subcommittee determined that there was not enough return on investment. She explained that the director of the program was in transition and that the program could possibly take form in USTAR. Therefore, the subcommittee saw this as a good opportunity to eliminate a program.

Rep. Hughes asked what portion of the Tourism budget is dedicated to the Sports Commission. Rep. Kiser stated that 10 percent of the Tourism budget goes to the Sports Commission. Rep. Hughes stated that item 4, GOED - Sports Commission on the subcommittee priority list, shows an additional \$1 million appropriation to the Sports Commission. Rep. Kiser stated that the subcommittee wanted to support the Governor's budget recommendation that the Sports Commission receive \$1.6 million General Fund ongoing for FY 2012 and \$1 million General Fund one time for the current year. Rep. Kiser commented that the state gets a good return on this investment.

Rep. Seelig asked about priority item 5, DCC - Hill Air Force Base Show, item 11, GOED - Falcon Hill/MIDA, and item 12, DCC - Thanksgiving Point Museum.

Rep. Kiser indicated that the Hill Air Force Base Air Show has a good return on investment. The Show generates revenue and buys some good rapport with the United States Air Force. Sen. Stevenson indicated that the cost to put on the show ranges between \$400,000 and \$500,000. The state will invest \$100,000 and the balance will be raised by local communities.

Rep. Kiser indicated that the chairs spent a lot of time working with the fiscal analysts in determining the return on investment on the requests for funding.

Sen. Stevenson explained that the GOED - Falcon Hill/MIDA request for \$3 million one-time will help support the construction of a \$25 million building in the Falcon Hill Project. The Thanksgiving Point Museum as well as the Living Planet Aquarium bring in a lot of tourism and provide educational opportunities to the citizens of Utah. Rep. Kiser explained that for \$1.5 million, Thanksgiving Point Museum has a \$26 million shovel ready project, and for \$2.5 million, the Living Planet Aquarium has a \$17 million shovel ready project. These projects will provide jobs and bring sales tax revenue into the state.

Rep. Kiser clarified that Thanksgiving Point had received \$500,000 in the past on another project. This year's \$1.5 million is for a new project.

Sen. Jenkins asked about the Tourism Investment Fund. Rep. Kiser explained that the Tourism Investment Fund has a base budget of \$6 million. Tourism asked for an additional \$1 million one-time but the subcommittee did not include the request on the priority list. He stated that the money that is collected in the Tourism Investment Fund has not been reduced.

Sen. Stevensen indicated that the subcommittee priority list could have been substantially longer due to the number of requests it had received this year.

Sen. Romero expressed concern that the \$900,000 set aside for the Office of Ethnic Affairs had been completely eliminated. He stated that we often measure our support for something by where we put our dollars. He expressed concern that it would be important to find some maintenance money for the Office during its transition, particularly in light of all the projects and extra community support legislators are proposing for other worthy items around the state.

Rep. Kiser stated that the subcommittee values the diversity of peoples in this state. He indicated that he had spoken with the acting director of the Department of Community and Culture and asked him what he needed. The acting director suggested leaving things as they are and that he would approach the Executive Appropriations Committee for additional money, when and if it was needed. Rep. Kiser indicated that this dialogue is going on within the Executive Branch.

Sen. Romero said that he hoped that the Executive Branch was going to absorb the funding. He stated that a budget of \$900,000 for all of ethnic diversity in the state is probably inadequate. He did not want the Office of Ethnic Affairs to be taken completely out of the budget process.

Co-Chair Brown thanked the subcommittee chairs for their report.

3. Budget Deliberations

There were no other budget deliberations.

4. Other Business

Co-Chair Brown announced that the revenue projections will be available and presented on the floor of the House and the Senate next Tuesday, February 22, 2011 at 10:15 a.m.

Co-Chair Hillyard mentioned that the Executive Appropriations Committee is planning to meet next Tuesday evening to confirm those figures as well.

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

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

Sen. Lyle W. Hillyard, Co-Chair

Rep. Melvin R. Brown, Co-Chair