

**MINUTES OF THE
JOINT EXECUTIVE APPROPRIATIONS COMMITTEE**

Tuesday, May 17, 2011 - 1:00 p.m. - Room 445 State Capitol

Members Present:

Sen. Lyle W. Hillyard, Co-Chair
Rep. Melvin R. Brown, Co-Chair
Rep. John Dougall, Vice Chair
Sen. Scott K. Jenkins
Sen. Patricia W. Jones
Sen. Benjamin McAdams
Sen. Karen W. Morgan
Sen. Wayne L. Niederhauser
Sen. Ross I. Romero
Sen. Michael G. Waddoups, President
Rep. Brad L. Dee
Rep. Gregory H. Hughes
Rep. Brian S. King

Rep. David Litvack
Rep. Rebecca D. Lockhart, Speaker
Rep. Ronda Rudd Menlove
Rep. Jennifer M. Seelig
Rep. Christine F. Watkins

Members Excused:

Sen. Peter C. Knudson

Staff Present:

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

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

1. Call to Order/Approval of Minutes

Co-Chair Hillyard called the meeting to order at 1:10 p.m.

MOTION: Co-Chair Brown moved to approve the minutes of the February 17, 2011 and March 9, 2011 meetings. The motion passed unanimously with Sen. McAdams, Sen. Morgan, Sen. Romero, Rep. Hughes, and Rep. King absent for the vote.

2. Review of Federal Funds Approval Process

Steven Allred, Deputy Director, LFA, presented the federal funds approval process, referencing two documents, "Overview of Federal Funds Approval Process (Updated for S. B. 160, 2011G.S.)" and "Federal Grants Review Process Briefing Paper."

Mr. Allred explained that all federal funds, except those exempted by statute, must go through either a primary or a secondary approval process. In instances where federal funds exceed approved amounts, agencies may expend up to 125 percent of the amount approved as long as the funding does not require one or more permanent full-time or part-time employees, new state match money, or compliance with new requirements.

Mr. Allred clarified that direct assistance programs such as Medicaid, CHIP, WIC, and TANF are statutorily exempt from the approval process, but should be reviewed by the Legislature.

3. Federal Funds/ARRA/Non-Federal Grants Reports

Ron Bigelow, Executive Director, Governor's Office of Planning and Budget, explained how the Governor's Office would be handling federal funds in future EAC meetings. In the past, state agencies have attended EAC meetings in anticipation of answering questions on grant programs. Mr. Bigelow indicated that state agencies will not be attending EAC meetings. Instead, the Governor's Office will attempt to answer committee questions, and if need be, contact the agencies for an immediate answer. If more time is

needed, the Governor's Office will prepare a response and disseminate that information to the committee through the Legislative Fiscal Analyst's Office.

Mr. Bigelow indicated that the Governor's Office would not act on an approved grant until all questions have been resolved.

Becky Bruso, Governor's Office of Planning and Budget, discussed a new grant tracking website that legislators and state agencies will soon be able to access. She presented the Federal Funds Report and an addendum with a number of modifications to the report. There were four new federal grants and twelve reapplications or continuations of existing federal grants requiring legislative action. In addition, the Governor's Office approved seventeen new grants, six reapplications or continuations of existing grants, and one revision of an existing grant.

Ms. Bruso stated that there were no new ARRA grants to approve. She does not expect any new ARRA funding in the future.

Ms. Bruso presented the Non-Federal Grants Report. There were four new grants and two reapplications of existing grants requiring legislative action. The Governor's Office did not approve any new grants or reapplications of existing grants.

President Waddoups requested additional information on the following federal grants:

- Community & Culture - Historic Preservation Fund (*new*)
- Governor's Office - Help America Vote Act (*new*)
- Environmental Quality - Education and Stewardship Training (*new*)
- Health - National Cancer Prevention and Control Program (*reapplication*)
- Health - Physical Activity, Nutrition, and Obesity Program (*reapplication*)
- Health - State Offices of Rural Health (*reapplication*)

Ms. Bruso responded to questions regarding public access to the grant tracking website, the future of ARRA grants, and the implementation of H.B. 138, "Federal Receipts Reporting Requirements."

MOTION: Co-Chair Brown moved to recommend approval of the grants listed on page 1 of the report entitled, "Federal/Non-Federal Grants Review and Approval" and dated today, May 17, 2011, with the exception of item 2 on the addendum and as adjusted for items 1 and 3 on the addendum. The motion passed with Rep. Dougall voting in opposition.

4. Impacts and Responses to Federal Budget Reductions

Mr. Bigelow reported on a memo to the EAC entitled, "Federal Budget Reduction" and dated May 17, 2011. The memo addresses four questions asked by the EAC Co-Chairs regarding the \$38 billion federal budget reduction. Mr. Bigelow discussed the potential impacts to the state, applying lessons learned from the threat of a federal shutdown to implementation of H.B. 138, "Federal Receipts Reporting Requirements." He also discussed the outlook for federal government funding/spending.

Mr. Bigelow indicated that the specific impacts of the budget reduction are still pending until the federal government specifically identifies them. The table attached to the memo, "Department of Defense and

Full-Year Continuing Appropriations Act of 2011: State of Utah Reductions," identifies estimated reductions to state agencies. After federal agencies provide complete information on the budget reductions, the Governor's Office will submit a full list of program modifications to the EAC and the LFA.

Mr. Bigelow also discussed cash flow considerations, the flow of information with federal counterparts, and state contracts with pass-through entities. Regarding H.B. 138, the Division of Finance will develop guidelines for agency reporting and notify state agencies of their reporting responsibilities. State agencies will likely incorporate lessons learned into their operating plans as well.

Mr. Bigelow stated that there is no way to predict what Congress will do in the future in terms of funding/spending, but the state will continue to monitor changes in funding from all sources.

Sen. Hillyard asked how a federal government shutdown impacts grant programs and what happens if Congress does not increase the debt limit. Mr. Bigelow stated that if the federal government shuts down the government will stop funding grants. In some cases, however, the federal government continues to fund programs like Medicaid or TANF or authorizes the state to do so and refunds the money retroactively. Mr. Bigelow indicated that the federal government has not yet increased the debt limit and is considering some internal transfers and borrowing.

5. Transportation Bond Issuance

Mark Bleazard, LFA, offered some brief remarks regarding the issuance of transportation bonds for critical highway needs, I-15 in Utah County, Mountain View Corridor, and the Southern Parkway.

John Njord, Executive Director, Utah Department of Transportation (UDOT), presented a projects list and bonding requirements for FY 2012 that was outlined in the handout, "Utah Department of Transportation Bonding Summary."

Mr. Njord responded to committee questions. He stated that nearly all of the Transportation Investment Fund (TIF) projects shown in the design stage are now under construction. He also noted that the Department of Transportation had completed all of the projects within the Centennial Highway Fund Program.

Carlos Braceras, Deputy Director, UDOT, discussed the funding and construction phases for the Southern Parkway in Southern Utah, the Critical Highway Needs Fund (CHNF) and the Transportation Investment Fund (TIF) bonding needs for 2012, and the West Davis Highway.

Sen. Jones complimented UDOT on how well it is managing the I-15 Core Project in Utah County.

Mr. Njord mentioned that UDOT's handout also includes a progress report on the I-15 Core Project and the Mountain View Corridor Project.

6. Assignment of LFA In-Depth Budget Review

Mr. Allred, Deputy Director, LFA, informed the committee that LFA is recommending that the Executive Appropriations Committee select the Minimum School Program to be the subject of an in-depth budget

review. The review would include beginning dates, original stated purposes, sponsors, funding history, whether funding is going to original stated purposes, performance measures, and so forth. Contingent upon EAC's approval, LFA will carry out the study over the interim and provide a report to the committee prior to 2012.

MOTION: Co-Chair Brown moved to approve an in-depth budget review of the Minimum School Program.

President Waddoups asked if the Minimum School Program included charter schools. Mr. Allred stated charter schools are a part of the Basic School Program and anticipated that they would be included in the study.

SUBSTITUTE MOTION: Rep. Dougall moved to include the Utah State Office of Education and the Utah State Board of Education in the in-depth budget review.

Rep. Brown spoke in favor of the substitute motion. He commented on the funding formula and the distribution of funds to the school districts.

The motion passed unanimously.

7. Recommendation for GOPB In-Depth Budget Review

Mr. Allred reported on LFA's suggestion that the EAC recommend to the Legislative Management Committee that GOPB study how to display full programmatic information, including bond proceeds, in capital budget areas. He explained that current appropriations reports only show legislative appropriations, which do not reflect full agency or taxpayer efforts. Although appropriations reports show debt service on bonds, this is in a separate line item that does not easily provide the scope of projects being carried out.

Mr. Allred stated that this study would be mutually beneficial to the Governor and the Legislature.

MOTION: Co-Chair Brown moved to approve LFA's recommendation. The motion passed unanimously.

8. Approve Final FY 2011 and FY 2012 Revenue Estimates

Dr. Andrea Wilko, Chief Economist, LFA, explained that under the Budgetary Procedures Act, the Division of Finance uses a final revenue estimate to calculate any revenue surplus for making deposits into the Rainy Day Funds. She stated that the calculation is based upon the EAC adopting final revenue estimates for a fiscal year - including changes from bills passed in legislative sessions.

Dr. Wilko presented the updated revenue estimates listed on the handout, "FY 2011 - 2012 Final Revenue Estimates (in Thousands)," dated May 17, 2011. The new estimates are \$4,594,457,000 for FY 2011 and \$4,696,341,000 for FY 2012.

MOTION: Co-Chair Brown moved to approve the final revenue estimates for FY 2011 and FY 2012. The motion passed unanimously.

9. Summary of 2011 General Session Budget Actions

Jonathan Ball, Director, LFA, commented on a power point presentation, "FY 2011 & FY 2012 Budgets, 2011 General Session," to recap how the Legislature balanced the FY 2012 budget.

Mr. Ball explained that the Legislature originally defined the FY 2012 funding gap as \$653 million. The Governor's budget redefined that funding gap as \$424 million. Legislators bridged the gap using \$263 million in new revenue, \$77 million in budget reductions, and \$84 million from other sources. Mr. Ball stated that nearly all of the ongoing revenue growth went toward reducing the structural deficit from \$313 million for FY 2012 to \$52 million for FY 2013.

Mr. Ball stated that the Legislature also resolved a \$48 million revenue shortfall in the FY 2010 Education Fund by reducing the FY 2011 General and Education Fund appropriations to Public Education. At the same time, Public Education received \$101 million one-time from the federal Education Jobs Fund.

Mr. Ball briefly discussed changes in employee compensation as outline in H.J.R. 46, "Joint Resolution on State Health Insurance." He also clarified that 51 percent of General and Education Fund appropriations for FY 2012 are being spent on public education.

Mr. Ball informed the committee that the 2011-2012 Appropriations Report is near completion and that the LFA will post the report on-line, send committee members an electronic version via email, and provide a printed hard copy at next month's meeting.

10. Other Business

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

Co-Chair Hillyard adjourned the meeting at 2:39 p.m.