

**MINUTES OF THE
SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE**

Room 30 House Building, State Capitol Complex
Tuesday, January 29, 2013

MEMBERS PRESENT: Sen. Allen M. Christensen, Co-Chair
 Rep. Ronda Rudd Menlove, Co-Chair
 Rep. Daniel McCay, House Vice Chair
 Sen. Deidre M. Henderson
 Sen. Peter C. Knudson
 Pres. Wayne L. Niederhauser
 Sen. Luz Robles
 Sen. Brian E. Shiozawa
 Sen. Evan J. Vickers
 Sen. Todd Weiler
 Rep. Rebecca Chavez-Houck
 Rep. Tim Cosgrove
 Rep. Brad L. Dee
 Rep. Paul Ray
 Rep. Edward H. Redd
 Rep. Marc K. Roberts
 Rep. Earl D. Tanner

MEMBERS ABSENT: Sen. Wayne L. Niederhauser
 Sen. Luz Robles
 Sen. Brian E Shiozawa
 Rep. Brad Dee

STAFF PRESENT: Mr. Russell Frandsen, Fiscal Analyst
 Mr. Stephen Jardine, Fiscal Analyst
 Ms. Paula Winter, Secretary

Note: A copy of related materials and an audio recording of the meeting can be found at <http://le.utah.gov> A list of visitors and a copy of handouts are filed with the committee minutes.

Co-Chair Christensen called the meeting to order at 8:20 a.m and welcomed new members. No one signed up for public input today.

Rep. Menlove emphasized giving agencies flexibility as to funding by being creative and up front. Budget information may be sobering and if agencies can find ways to direct money to their most important needs it would benefit them. Efficiency needs to be of the utmost importance.

Mr. Frandsen explained how the budget binders are set up. He gave an overview of the sections of the binder. This is a starting point for your reference. No new money has been assigned by the Executive Appropriations Committee to sub-committees. There are two options if you want something funded. You can find internal savings or put it on the priority list.

Mr. Frandsen explained to the committee that they take the eight lists of building block requests and put them into two. This should be done by prioritizing ongoing requests and one time requests.

Sen. Christensen reminded the committee that it spends 1/3 of the state budget. This is a monumental task and he encouraged members to not hesitate to ask questions.

Mr. Frandsen reviewed the budget tools available such as briefs and the compendium of budget information available online for committees. When you look at FY 2013 it is the starting point. He explained where someone could find out where the revenue is coming from by looking at that specific area. He mentioned the General Fund and explained the various sources of this fund.

Rep. Menlove acknowledged the amazing resource that is now available on line and also that Mr. Frandsen and Mr. Jardine are also available and willing resources for questions.

Sen. Christensen informed the committee that this year there are huge question marks over the federal budget which passes down to the state level. There could conceivably be some cuts and there could be extra money. It depends largely on the federal budget.

Sen. Christensen called for representatives from the four departments in this subcommittee to address where they could contemplate spending cuts to their budget and how the cuts could impact the department.

Dr. Robert Rolfs from the Department of Health began by discussing 105 federal grants which were received which represented 64 percent of the total agency funding. Cuts in those grants could sizably affect what his department is able to do. Principles and guidelines have been established to seek to preserve services that will directly benefit the people of Utah. Sizable cuts would entail that all programs share the impact. They will look internally before cutting contracts that fund direct services outside of them. The largest allocations are the Medicaid and CHIP programs. In FY 2012 \$1.339 billion and \$54 million respectively were spent on these programs. They were exempted from the sequestration cuts but could be included in other approaches to reducing federal expenditures. These are complicated programs that are controlled by federal law. Cuts to these programs would depend on how the cuts are enacted at the federal level. If cuts are implemented, these would be discussed.

Dr. Rolfs emphasized that the need for some funds is more dire and highlighted funding that impacts the safety and health of the population and is heavily funded by the federal government at 68 percent in FY 2012. The reduction of funds would impact those areas if reduced at the federal level. Some of those programs are cancer screening and HIV care, Baby Watch, and the WIC program. Dr. Rolfs again emphasized areas that might be greatly affected by reduced funds by also citing some programs from the past that were reduced and then took additional time to recoup the strides that had been made previous to the reductions.

John Talcott Director of Administratvie Support and CFO for the Department of Workforce Services highlighted some key points on the potential for federal funding reductions. There is not currently any awareness of proposals to cut funding outside of discussions of sequestration other than annual formula funding calculations that some of their federal partners do. Primary focus is in respect to sequestration. Utilizing a report that was issued in September to determine impact on their programs, several of their largest programs are exempt from that sequestration and that is a good sign at this point.

Some of the programs they do administer that would be subject to the sequestration are the Workforce Investment Act, some trade programs, employment services, bureau of labor statistics programs, a piece of their childcare programs which are tied to discretionary funding as well as veterans refugee programs, and most of those programs within the housing and community development division.

Looking at the analysis there would be a 7.6 to 8.2 percent reduction in funding. This is subject to how federal partners would reduce funding and grant amounts. In the event that there were reductions to those programs, the programs would be evaluated on a case by case basis and assessed as to the impact on our services, individuals, operations, to staffing levels, and to our other resources available to run those programs. Those types of cuts would require modest reductions in a combination of services funding that is passed through to our partner entities or staffing. Our efficiency measures over the past several years have put us in good shape. In most funding categories we have the ability to spend the money over a 3 year period and so have some reserve funds thus allowing for a phased-down approach to reducing services. There are reports available under HB 138 for a couple of years ago that show the 5 percent and 25 percent scenarios that go into a lot more detail if needed.

Sen. Christensen stated that we are in the unenviable position of hoping that the federal government cut their budget and getting it within reason and hoping that they don't. We know they have to and hope they do it in someone else's budget and not affect ours. We know they have to get it under control, but we just don't know when that will happen.

Department of Human Services - Executive Director Palmer DePaulis shared that much of what has been heard affects us the same way in that we don't know how the federal government will approach sequestration. Some programs would be exempt, particularly our waivers. If not, sequestration targeted programs could be cut. Some programs may be entirely eliminated, there could be entitlement reform, there could be cost shifting or other various ways for the government to approach reductions. We have also turned in 5 percent to 25 percent cost scenarios for grants we have and have tried to approach it from the point that no state money would replace federal money cut. We have tried to be very clear in our local government and provider contracts to provide for a timely termination and federal funds reduction. We are trying now to provide for this situation to occur. Secondly, we have tried to provide sufficient cash flow reserves. Those funds help provide for reductions to ease into reductions for the stakeholders. Thirdly, we have provided one time non-lapse carryover balances as a mechanism to permit an orderly transition to reductions so as not to harm our clients and preserve options for legislative consideration to replace any funds. These are three ways we are dealing with a situation where we don't know what is going to happen.

Rep. Menlove thanked Mr. DePaulis and asked for questions.

Rep. Chavez-Houck asked if there was any counseling or recommendations regarding what is going on at the federal level at all.

Mr. DePaulis responded that there is a lot of talk and chatter about what is possible but nothing for sure. I have tried to address all of the options out there.

Rep. Tanner responded with appreciating how DHS has adjusted their contracts to adjust in case there is a reduction in funding. Rep. Tanner stated he needed clarification regarding the one-time carryover funding. How much is in your control? Mr. DePaulis responded that it all comes through your committee and clarified that in each of these budgets there is one time carry over funds. If you get to the end of the budget year and you haven't spent all your money they have tried to look at that money to help absorb any cuts that may be made in the future. The committee has to approve the departments to use those funds. Last year there were funds in Child and Family Services that were carried forward to help cushion funding loss.

Sen. Christensen further clarified that these are not funds taken off the top and put in a savings account but they are funds that are not spent and will still be there.

Rep. Menlove reminded the committee that each agency will come on a specified day with their full budget and more detail will be given.

Mr. Frandsen directed everyone to the motion sheet page 4 to help clarify the concept. He pointed to an example where the Department can retain up to \$1.5 million and then direction is given by the committee as to what it can be spent for.

Sen. Christensen clarified that if you've got funds left over you get to hang onto it. If the money lapses by the end of the year your checking account is wiped out and you start over. That is non-lapsing funds.

Office of Rehabilitation - Don Uchida Executive Director stated that this is 100 percent federally funded. He has no authority over these programs. The only thing that can happen with a 5 percent cut or a 25 percent cut is a reduction in staff. The cut in staff would result in a larger backlog. The staff adjudicates the clients. The vocational rehabilitation program is partnered with the federal government and 78 percent of funding is provided by them. We are required by the code of federal regulation to develop a plan called the order of selection. This has never had to be implemented because of the support of the Legislature even during lean years. Credit goes to the staff because of their efficiency. If funding is not available this order of selection explains how individuals with the most significant disabilities would be funded first. He explained the process for cutting.

Rep. Tanner questioned several amounts on page 144.

Mr. Frandsen indicated this information is from the statewide agency report to the Department of Finance and no numbers were changed. Mr. Uchida said he will get back to Rep. Tanner.

Rep. Cosgrove asked about pass-through funding. What services are provided to the people of the state?

Mr. Uchida answered that anyone who goes and applies for SSI or SSDI that claim is adjudicated through the DDS office. The staff looks at medical information that might meet the federal law.

Rep. Cosgrove asked how that helps the citizens of our state?

Mr. Uchida responded that those who receive the services are sustained by the funds and the state is benefitted by sales tax, property tax and the people on this program are encouraged to get back into the workforce. Much of this money is used for individuals who are transitioning out of the school system and then into an adult system.

Rep. Cosgrove thanked Mr. Uchida for the bigger picture in helping him understand what actually happens.

Mr. Frandsen helped to explain why we are looking at issue briefs. In particular he discusses the Issue Brief regarding the Federal Funds for the Department of Health. He explained the code involved and explained that the discussion and analysis is available in it. In the Department of Health in the Medicaid portion all of the General Fund is being used to draw down federal funds

which is a total of \$413 million The General Fund is being used to draw down \$1.4 billion in federal funds. All of Health that is not Medicaid is using \$3.9 million general fund to draw down about \$114 million in federal funds. There is a summary on page 8 of how more federal funds can be drawn down.

Rep. Tanner wants to have more time to understand the budgets. If there are decisions being made for these agencies and what the cuts mean we need to have more understanding.

Sen. Christensen suggested that Rep. Tanner spend some time with Mr. Jardine and Mr. Frandsen one on one to answer his questions.

Rep. Menlove asked if it would have been beneficial to have had time during the interim to pull us together to spend more time on the grants so you could understand the federal part.

Rep. Tanner acknowledges that would be helpful.

Rep. Menlove will take that into consideration and see if time can be found.

Sen Christensen acknowledged Rep. Tanner's commitment to understanding the issues presented and again suggested time be spent with Mr. Jardine and Mr. Frandsen because of how daunting the job of this committee is. Sometimes there are some on the committee who show up to vote without the understanding. His questions are appreciated.

Sen. Weiler has a question about when ARRA funds run out. What is the sense of the ARRA funds?

Mr. Frandsen told him that we will go over it later. ARRA funds are federal stimulus funds. He is not sure about when those run out. Through FY 2014 ARRA funds will be allotted but he doesn't know beyond that. Check on your motion sheet for the amounts requested.

Mr. Frandsen The Department of Health is requesting additional funds from their base amount and that is \$2.3 million more in FY 2013 and \$22 million in 2014. Department of Workforce Services \$60 million extra in 2013 and \$17 million in 2014.

Rep. Menlove asked for an explanation of ARRA funds.

Mr. Frandsen answered that they are federal stimulus funds passed in 2009 during the recession. Significant amounts of funds were given to the states with the intent of providing more funds during the downturn. Some programs had more time like 10-15 years where they would be receiving money. In response to a question from Rep. Redd, Mr. Frandsen stated that the information is mailed out at least 24 hours in advance. On all of the briefs the things you need to know are on the first top half of the page. So there is a summary and recommended legislative action. There is always a recommended staff action. We have read the federal funds and recommend that you accept these. You don't have to but based on staff observation we recommend they be accepted.

Mr. Jardine - stated that each of the briefs is tied to a motion on the motion sheet. You will vote

on them at the end of the series of committee meetings. The motion today is different because there is a base budget bill. It's HB 8 sponsored by Rep. Menlove. By rule it is to be voted on within ten days so we are looking for a motion to vote to approve federal funds today. Sequestration would be the automatic cuts that would be taken if no action is taken. This money is between 50-70 percent of these agency budgets and it is significant. It is likely to affect the agency operations. These federal funds briefs are summarized by line item. In Workforce Services you will see the federal funding for Food Stamps which now has a new name and acronym: Supplemental Nutrition Assistance Program or SNAP. The next largest federal grant is for the TANF program or Temporary Assistance for Needy Families. These are two basic public assistance programs and you can see as you go down by the size of the grant and the federal funding that these are the two largest federal grants for Workforce Services.

Rep. Chavez-Houck asked for clarification of the federal government providing additional innovations in funding. Do we still have the latitude to work with the department regardless of the base budget to help them accommodate opportunities that may come their way for additional federal funding? Is there some flexibility as we go through the budgeting process to accommodate that additional funding?

Mr. Jardine stated there is flexibility and this can be accommodated in two ways. One way is that they have the ability to accept federal grants up to 25 percent above their authorization. A second way is that during the interim an agency applies to the Governor's Office to receive new or continuing grants. Certain levels of money and other criteria may trigger a requirement to receive Legislative approval during the interim. This is typically done through the Executive Appropriations Committee.

Mr. Frandsen stated that the agencies may receive the grants mentioned above but would need to wait for approval from the legislature to spend it. Department of Health and Workforce Services briefs have the criteria we mentioned at the bottom.

Sen. Christensen stated that there is a motion that needs to be made to approve the acceptance of the federal funds. However, we are lacking a quorum and need one more from the Senate. Hopefully that quorum will be reestablished and we can move forward with that motion. In the meantime we have some briefs regarding federal funds that we can move ahead with.

Mr. Jardine reviewed the layout and structure of budget and issue briefs. He stated that all the elements were there including a summary, legislative action, and an overview. Some of these agencies, after having an approval last year in FY 2013, are now asking for a supplemental request which is the smaller amount in the FY 2013 section. The FY 2014 section tells what they are asking for this year. Information can be found in the appendix to direct anyone to the area they have questions about. No questions were asked. Moving on to the State Office of Rehabilitation. There is a similar format for this office. The difference is a 25 percent excess rule. There cannot be more than 25 percent more of budget spent without approval. USOR made an oversight in FY 2012. The correction is now built into the information.

Sen. Christensen thanked Mr. Jardine and is letting the motion rest for now until a quorum is established. Moving on to item #6 How are agencies developing services more efficiently?

Rep. Menlove informed the committee that this discussion is an outgrowth of a meeting with the committee chairs and their staff and the chairs asked staff to focus on efficiencies. This is a look at some of the great things people are doing.

Mr. John Pierpont, Executive Director for the Department of Workforce Services, had a handout which shows a savings of \$30,000,000 as a result of their efficiency over the last several years. He reviewed the chart showing work growth and FTEs going down. The chart also shows a decrease in operational costs. The way that was done began in 2008 when things were reorganized. The work load was pushed across all resources. They focused on using attrition to reorganize rather than lay people off. Also specialization was used in the work area. He explained 5 other steps used to save and be more efficient. Policy has been adjusted, processes have been changed to insure that staff can focus on most important things day to day. The throughput method was discussed as well as determinations per worker and their cost per determination, the operating system, online applications, online tool for customers to get information themselves, electronic notices rather than mailing, and pay for performance which is an incentive being piloted which includes giving additional payment above the baseline. The pay for performance currently includes a participation of 50 out of 200 staff.

Sen. Christensen asked if those who are not participating are choosing to not participate.

Mr. Pierpont stated that is by their choice but they still have to meet the baseline minimums.

Rep. MCay asked 200 workers of how many total?

Mr Pierpont responded with about 600 eligible workers. He explained the target shoot handout.

Rep. Menlove praised the department on improvement of wait time and asked where the \$3,000,000 be spent?

Rep. Tanner asked if the numbers and requirements now can be used as a ball park number for exchange services in the future.

Mr. Pierpont indicated there will be a quantitative change and more homes being eligible for Medicaid. More will be discussed on Friday.

Rep. Cosgrove asked about the grant for Disabled Veterans Outreach Program and its services.

Mr. Pierpont explained that it focuses on thousands of vets each year on employment and training for employment. it is geographically based and served over 30,000 veterans last year with 17,000 placements in employment.

Rep. Christensen indicated that Sen. Knudson is present so that the motion on accepting federal funds could be attended to.

MOTION: Rep. Menlove moved to authorize the federal funds presented in the Federal Funds Issues brief for fiscal years 2013 and 2014 for the Departments of Health and Human Services, Workforce Services and the Utah State Office of Rehabilitation.

Sen. Christensen indicated we have a motion and have reviewed them and there are no complicating factors here. Any discussion to that motion. He calls for those in favor of approving that motion of accepting the federal funds. The motion passes unanimously.

Don Uchida Director of the State Office of Rehabilitation refers to the handout and explains the efficiencies of his department. He looks at productivity, rehabilitation rate, those put to work, the mean average wage, and the mean cost per rehabilitation. He also compares the program with programs in the ten surrounding states.

Sen. Christensen praised Mr. Uchida's department. Motion to adjourn from Rep. McCay. Motion passed unanimously.

Adjourned meeting a 9:59 a.m.

Minutes were reported by Ms. Paula Winter, Senate Secretary

Sen. Allen M. Christensen, Co-Chair

Rep. Ronda Rudd Menlove, Co-Chair