

**MINUTES OF THE
EXECUTIVE APPROPRIATIONS COMMITTEE**

Thursday, February 4, 2016 – 6:10 p.m. – Room 445 State Capitol

Members Present:

Sen. Lyle W. Hillyard, Co-Chair
Rep. Dean Sanpei, Co-Chair
Sen. Jerry W. Stevenson, Vice Chair
Rep. Brad L. Dee, Vice Chair
Sen. J. Stuart Adams
Sen. Gene Davis
Sen. Luz Escamilla
Sen. Peter C. Knudson
President Wayne L. Niederhauser
Rep. Patrice M. Arent
Rep. Joel K. Briscoe
Rep. Rebecca Chavez-Houck
Rep. James A. Dunnigan
Rep. Francis D. Gibson

Speaker Gregory H. Hughes
Rep. Brian S. King
Rep. Brad R. Wilson

Members Excused:

Sen. Jim Dabakis
Sen. Karen Mayne
Sen. Ralph Okerlund

Staff Present:

Mr. Jonathan Ball, Legislative Fiscal Analyst
Mr. Steven Allred, Deputy Director
Ms. Greta Rodebush, Legislative Secretary
Ms. Linda Black, Secretary

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

1. Call to Order/Approval of Minutes

Co-Chair Sanpei called the meeting to order at 6:17 p.m.

2. Subcommittee Base Budget Reports

Co-Chair Sanpei noted one adjustment to the agenda. The Retirement and Independent Entities Appropriations Subcommittee would be presenting first rather than fifth due to a time conflict.

a. Retirement and Independent Entities

Rep. Rich Cunningham, House Vice Chair, presented the [Retirement and Independent Entities Base Budget Report](#). Sen. Todd Weiler and Rep. Craig Powell, Co-Chairs, were excused. Mr. Brian Fay, Fiscal Analyst, LFA, and Dr. Thomas Young, Senior Economist/Forecaster, LFA provided assistance.

Rep. Cunningham reported that the subcommittee did not make any changes to the base budgets of the Career Service Review Office and the Utah Education and Telehealth Network.

Rep. Cunningham briefly discussed changes to the base budget for the Department of Human Resource Management (DHRM). In December, the subcommittee recommended to EAC that the Administration, Policy, and Information Technology programs in the DHRM be shifted into their Internal Service Fund (ISF). In the Retirement and Independent Entities Appropriations Subcommittee meeting on January 26, 2016, the subcommittee voted to reflect this shift in a substitute base budget bill.

Rep. Cunningham noted that the DHRM shift into their ISF results in a General Fund reduction of \$2,571,900 in the base budget bill. The General Fund/Education Fund (GF/EF) impact of this shift on customer agencies is \$1,040,800 which results in a net GF/EF savings of \$1,531,100. The shift also allows DHRM to utilize the ISF's retained earnings, instead of GF appropriations, to complete the rebuild of the Human Resource Enterprise IT system. The subcommittee recommended \$575,000 in capital outlay authority for the DHRM ISF to complete this system.

MOTION: Sen. Hillyard moved to approve the FY 2017 base budget recommended by the Retirement and Independent Entities Appropriations Subcommittee as shown on pages 8-1 through 8-7 behind tab 8. The motion passed unanimously with Sen. Escamilla and Rep. Dunnigan absent for the vote.

b. Executive Appropriations Committee Agencies

Mr. Allred stated that the Committee had heard presentations on the base budgets for the Executive Appropriations Committee Agencies in its January 28, 2016 meeting. He remarked that as of this point in time, no changes have been made to the base budget. The adopted base budget shown in the [Executive Appropriations Committee Agencies Base Budget Report](#) shows a total budget of \$119,618,900.

MOTION: Sen. Hillyard moved to approve the FY 2017 base budget recommended by the Executive Appropriations Committee for Utah National Guard, Veterans' and Military Affairs, Capitol Preservation Board, and Legislature as shown on pages 10-1 through 10-15 behind tab 10. The motion passed unanimously with Rep. Dunnigan absent for the vote.

c. Public Education

Rep. Steve Eliason, Co-Chair, and Rep. Michael S. Kennedy, House Vice Chair, presented the [Public Education Appropriations Subcommittee Base Budget Report](#). Sen. Howard A. Stephenson, Co-Chair, was excused. Mr. Ben Leishman, Fiscal Analyst, LFA, and Ms. Jill Curry, Fiscal Analyst, LFA, provided assistance.

Rep. Eliason indicated that the subcommittee reviewed and approved each budgetary line-item in the base budget bill. The subcommittee also approved some adjustments to non-state revenue sources for certain programs that were not included in the original version of the base budget bill. Those adjustments include nonlapsing balances for the Utah State Office of Education and the Utah Schools for the Deaf and the Blind.

The subcommittee also reviewed and approved all federal funds and fees supporting statewide education programs.

Rep. Eliason reported that the subcommittee voted to make two changes to the current-year budget:

- *Amend statute to increase the state guarantee rate from \$33.27 to \$35.55 for the Voted and Board Local Levy programs to fully distribute to school districts funding appropriated last session.*

- *Transferred \$500,000 one-time from the Charter School Administration Program to the Utah State Board of Education to fund home and private school students participating in the Statewide Online Education Program. The funding in the Charter School program will be backfilled with nonlapsing balances available in the program.*

Rep. Eliason noted that the subcommittee recommended that these items be included in a supplemental section of the public education base budget bill and that they become effective upon the signature of the Governor.

Finally, the subcommittee discussed several sub-categorical programs within the Minimum School Program and voted on several items to be implemented in subsequent budget bills. Further information can be found in the memorandum at the end of the report.

MOTION: Sen. Hillyard moved to approve the FY 2017 base budget recommended by the Public Education Appropriations Subcommittee as shown on pages 7-1 through 7-28 behind tab 7, and to approve the FY 2016 Supplemental budget changes recommended by the subcommittee as shown on pages 7-Supplemental-1 through 7-Supplemental-4 behind tab 7.

SUBSTITUTE MOTION: President Niederhauser moved to adopt the original motion made by the Chair to approve the FY 2017 base budget recommended by the Public Education Appropriations Subcommittee as shown on pages 7-1 through 7-28 behind tab 7, and to approve the FY 2016 Supplemental budget changes recommended by the subcommittee as shown on pages 7-Supplemental-1 through 7-Supplemental-4 behind tab 7 with one addition:

Include the following intent language for the School Turnaround and Leadership Development Program appropriated to the State Board of Education:

The Legislature intends that the State Board of Education may use up to 4% of the appropriation for the School Turnaround and Leadership Development Program for administration, and that the amount for administration be approved in an open meeting of the Board.

President Niederhauser referred to legislation that was passed last year during the 2015 General Session that appropriated about \$7 million to the School Turnaround and Leadership Development Program. The intent language allows the amount the State Board of Education uses for program administration to be up to 4% of the appropriation if approved in an open meeting of the Board.

Rep. Briscoe asked if there were provisions in last year's bill for any expenditures for administration. President Niederhauser responded that there were no provisions for administration in the bill. He explained that in the past, the Utah State Office of Education and the Utah State School Board took the liberty to spend monies on administration without consulting the Legislature. The current Board and USOE have expressed concern about expending funds for administration without the Legislature's approval. President Niederhauser felt that this was a reasonable request and why he was putting forth the intent language.

A vote was taken on the substitute motion. The motion passed unanimously.

d. Business, Economic Development, and Labor

Sen. Brian Shiozawa and Rep. Dixon Pitcher, Co-Chairs, and Rep. Stewart E. Barlow, House Vice Chair, presented the [Business, Economic Development, and Labor Appropriations Subcommittee Base Budget Report](#). Dr. Andrea Wilko, Chief Economist, LFA, and Ms. Clare Tobin Lence, Fiscal Analyst, LFA, provided assistance.

Rep. Dixon Pitcher reported that the subcommittee looked at potential offsets for future committee spending and adopted the following: Lapsed \$4.5 million in Tax Commission nonlapsing balances to the General Fund one-time, and lapsed \$265,000 in Insurance Department Restricted Accounts to the General Fund one-time in FY 2016 and General Fund ongoing in FY 2017.

The subcommittee also approved the following changes to the base budget bill and directed staff to prepare a substitute base budget bill for S.B. 4, Business, Economic Development, and Labor Base Budget:

- *Transferred \$400,000 in nonlapsing balances from GOED Administration (from Avenue H) to GOED – Office of Tourism to finalize the remaining funding necessary for the St. George Welcome Center.*
- *Realigned some of the Operations and Maintenance (O&M) in Heritage and Arts among the various line items, \$40,800 total in realignment.*
- *Recommended reflecting the Labor Commission’s Wage Claim Agency Fund as a fiduciary fund rather than an expendable revenue fund in the base budget bill.*
- *Created a new line item in GOED to house the pass-through allocations. \$5,133,800 was shifted from Administration and Business Development to the new line item.*
- *Included funding for certain costs of doing business in the Department of Alcoholic Beverage Control: \$783,000 for Credit Card Processing Fees and \$230,000 Package Agency Compensation.*

Rep. Pitcher noted that the subcommittee made one change to the fees, reducing Commerce’s charity fee from \$100 to \$75 to accurately reflect what the agency is charging. The subcommittee also adopted the federal funds requested by the agencies and authorized nonlapsing intent language for FY 2016.

Finally, the subcommittee directed that \$306,000 provided to Dixie State University as a one-time grant be returned to USTAR for other Technology and Outreach Programs. The institution informed USTAR that the funds had not been used and intends to return the funds.

MOTION: Sen. Hillyard moved to approve the FY 2017 base budget recommended by the Business, Economic Development, and Labor Appropriations Subcommittee as shown on pages 2-1 through 2-67, and to approve the FY 2016 Supplemental budget changes recommended by the subcommittee as shown on pages 2-Supplemental-1 through 2-Supplemental-11 behind tab 2. The motion passed unanimously with President Niederhauser absent for the vote.

e. Natural Resources, Agriculture, and Environmental Quality

Sen. David P. Hinkins, and Rep. Mike. K. McKell, Co-Chairs, and Rep. Kay J. Christofferson, House Vice Chair, presented the [Natural Resources, Agriculture, and Environmental Quality Appropriations Subcommittee Base Budget Report](#). Mr. Ivan Djambov and Mr. Brian Wikle, LFA Fiscal Analysts, provided assistance.

Rep. McKell stated that the subcommittee faces some unique challenges in its budget. He pointed out that before any significant changes were made in the base budget, the subcommittee needed to address some important issues. Rep. McKell discussed the impact of declining oil prices resulting in a \$1.2 million loss in royalties that fund the Division of Oil, Gas, and Mining (OGM). The subcommittee looked at using \$2 million in ongoing funds from the Department of Environmental Quality for Alternative Fuels to fill the hole in the OGM budget. Another subcommittee consideration, would be to use left over funding in the Public Lands Policy Coordinating Office (PLPCO) for RS 2477 Litigation. Rep. McKell stated that the subcommittee would likely recommend keeping the funding in PLPCO for continuing litigation.

Sen. Hinkins explained that the subcommittee had not recommended any cuts to the base budget because the subcommittee was still hearing building block requests.

Rep. Patrice Arent inquired about the \$11,997,900 cut to the Department of Environmental Quality on page 6-3 of the report. Mr. Ball referred the committee to page 6-35, DEQ Water Security Development Account – Water Pollution. He explained that this revolving loan fund changes from year to year. It is expected that the fund will receive fewer repayments this year than it did last year. The table shows a negative \$13,345,800 in repayments in FY 2017.

MOTION: Sen. Hillyard moved to approve the FY 2017 base budget recommended by the Natural Resources, Agriculture, and Environmental Quality Appropriations Subcommittee as shown on pages 6-1 through 6-64 behind tab 6. The motion passed unanimously with Sen. Davis and President Niederhauser absent for the vote.

f. Social Services

Sen. Hillyard noted that Sen. Ralph Okerlund and Sen. Karen Mayne asked to be excused from today's meeting.

Sen. Allen M. Christensen and Rep. Paul Ray, Co-Chairs, and Rep. Edward Redd, House Vice Chair, presented the [Social Services Appropriations Subcommittee Base Budget Report](#). Mr. Russell Frandsen and Mr. Stephen Jardine, LFA Fiscal Analysts, provided assistance.

Sen. Christensen reported that the subcommittee met eight times since the beginning of the 2016 General Session to review the base budget. The total Social Services base budget is \$4.5 billion, and of that total, \$886 million is General Fund/Education Fund. Sen. Christensen said that the subcommittee was able to make significant base budget reductions on the first day because the agencies had agreed to those reductions.

To date, the combined reductions taken by the subcommittee is \$31.5 million (\$1.8 million ongoing and \$29.7 million one-time). These recommended reductions are 3.6 percent of Social Services state fund budget. The subcommittee approved ten reports that will be provided to the Office of the Legislative Fiscal Analyst that the subcommittee will review during the 2016 interim to move the work of the committee forward.

Sen. Christensen reported that the subcommittee approved three performance measures per line item for inclusion in the base budget.

Rep. Ray stated that the subcommittee report also includes a letter from the subcommittee chairs to the EAC chairs recommending that the Utah State Office of Rehabilitation (USOR) be relocated to the Department of Workforce Services effective July 1, 2016. Sen. Christensen emphasized that the subcommittee's recommendation to move USOR was not a unanimous vote. He remarked that a bill is being drafted with language that will hopefully address people's concerns about the move.

Rep. Ray indicated that the subcommittee listened to public comment on this issue and the chairs spoke with advocates outside of committee hearings as well.

Sen. Christensen and Rep. Ray responded to committee questions regarding the language of the proposed legislation, USOR's stand-alone structure within DWS, continued delivery of services, feedback from the Governor's Office and the Department of Human Services, insufficient information on the cost to move USOR, and the impact of changing the funding source for USOR.

Rep. Sanpei remarked that the dollars associated with the USOR move to DWS are not in Social Services base budget, and that if the proposed legislation passes, the financial change would be dealt with in the Bill of Bills.

MOTION: Sen. Hillyard moved to approve the FY 2017 base budget recommended by the Social Services Appropriations Subcommittee as shown on pages 9-1 through 9-77, and to approve the FY 2016 Supplemental budget changes recommended by the subcommittee as shown on pages 9-Supplemental-1 through 9-Supplemental-26 behind tab 9. The motion passed with Sen. Escamilla, Rep. Arent and Rep. Briscoe voting in opposition. President Niederhauser was absent for the vote.

Sen. Hillyard requested that the record reflect that Sen. Jim Dabakis asked to be excused as well.

3. Requests for Appropriation

Co-Chair Sanpei explained that the Committee would hear some requests for appropriation for informational purposes only and would prioritize the requests in a subsequent meeting.

a. Utah Air National Guard Relocation

The request for appropriation is \$500,000 General Fund One-time, FY 2017.

Rep. Paul Ray explained that the funding will be used to study and develop a strategic plan in partnership with the USAF to move the Utah Air National Guard to Hill Air Force Base (HAFB). The move will help

solidify the mission of HAFB, have a positive impact on Utah's economy, and provide long-term protection of HAFB from future BRAC closings.

b. Utah National Guard Death Benefits

The request for appropriation is \$300,000 General Fund One-time, FY 2017.

Rep. Paul Ray explained that the one-time funding will help start up a death benefit fund for Utah National Guard (UNG) members killed in the line of duty when called up for state action. He is sponsoring a bill that will provide a \$100,000 death benefit for each family. The bill appropriates \$9,500 annually to go toward the building up of this fund. The bill caps the fund at \$2 million.

Rep. Ray clarified that UNG members receive a federal death benefit on a federal call up. There is however no death benefit on state call ups.

c. Utah National Guard Suicide Awareness and Prevention

The request for appropriation is \$110,000 General Fund One-time, FY 2016 and \$242,500 General Fund, Ongoing, FY 2017.

Rep. Justin Fawson read a brief commentary from a constituent who is a citizen advocate for suicide awareness and prevention. The commentary focused on the need for increasing the number of behavioral health professionals in the military.

Rep. Fawson explained that the one-time request will fund three LCSWs for six months. The ongoing request includes one clinical psychologist who would be based on the Wasatch Front and would supervised the LCSWs located in Cedar City, Ogden, and Price, Utah.

Rep. Sanpei commented on the shortage of trained behavioral therapists and asked if the UNG would be able to bring in these professionals if the Legislature funded the request. Rep. Fawson responded that the funding would be able to bring in trained behavioral therapists.

Rep. Gibson proposed looking at some type of recruitment tool or incentive to draw in more mental health professionals to the state.

d. Federal Fund Accountability

The request for appropriation is \$500,000 General Fund One-time, FY 2017, and \$50,000 General Fund Ongoing, FY 2017.

Rep. Fawson explained that the purpose of the request is to prevent over and under reporting of federal grants. All state departments will be required to submit a federal grant award letter or other supporting documentation to the Division of Finance to be tracked through FINET. The \$500,000 request would pay for a grants management module that would be plugged into FINET. The module will improve the state's ability to accurately track federal funds and how those monies are spent.

Rep. Fawson noted that the cost of the grants management module is insignificant compared to the settlement costs Utah faces annually.

Rep. Briscoe asked if Federal Fund Accountability request was a part of the request that the USOE presented in the Public Education Appropriations Subcommittee. Rep. Fawson responded that today's request is a separate request but includes the USOE. He explained that prior to this time, the USOE was exempt from this type of reporting requirement. Rep. Fawson indicated that he was sponsoring a bill that would require the USOE and all state departments to disclose federal grant awards.

Mr. Ball indicated that the Utah State Board of Education was looking into a financial management system that could benefit from the grants management module being proposed.

Sen. Davis asked if the request was a fiscal note on a bill or a request. Mr. Ball clarified that the bill had not been numbered and consequently, a fiscal note has not been prepared. Rep. Fawson confirmed that there was a bill. Mr. Ball indicated that the bill requirements could probably be met with the existing system. He briefly highlighted some of the benefits of integrating the grants management module with the State's financial system. Rep. Fawson indicated that the current system is outdated and inadequate.

e. Honor Flight

The request for appropriation is \$15,000 General Fund One-time, FY 2017.

Sen. Peter C. Knudson presented the Honor Flight request for Sen. Mayne who asked to be excused. He noted that he is familiar with the request as both he and Sen. Mayne serve on the Veterans' and Military Affairs Commission.

Sen. Knudson explained that the purpose of the request is to partner with the private sector to honor and support Utah veterans. Over the past year, a significant number of veterans have been able to fly to Washington D.C. to see the monuments that honor the service veterans have given. Sen. Knudson pointed out that these flights have been paid for by donations, and Sen. Mayne would like the \$15,000 request to be representative of our State's contribution toward the Honor Flight Program.

Rep. Dee expressed his support for the Honor Flight Program. He stated that last year, members of Utah's House of Representatives financed an Honor Flight for 55 veterans from individual donations. Rep. Dee also mentioned that arrangements have been made for the Honor Flight Program to lease a small office in the State Capitol.

Co-Chair Sanpei noted that we have freed up in this process \$39.1 million dollars of General Fund/Education Fund from the base budgets and left those dollars to the subcommittees to reallocate.

4. Other Business/Adjourn

MOTION: Sen. Hillyard moved to adjourn. The motion passed unanimously with President Niederhauser absent for the vote.

Co-Chair Sanpei adjourned the meeting at 7:24 p.m.