# MINUTES OF THE
# EXECUTIVE APPROPRIATIONS COMMITTEE

Tuesday, February 21, 2012 - 5:00 p.m. - Room 210 Senate Building

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

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

**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. Call to Order/Approval of Minutes

Co-Chair Brown called the meeting to order at 5:25 p.m.

**MOTION:** Sen. Van Tassell moved to approve the minutes of December 13, 2011. The motion passed with Sen. Knudson, President Waddoups, Rep. Hughes, and Speaker Lockhart, absent for the vote.

## 2. Review/Adopt February Revenue Estimates

Jonathan Ball called attention to the revised revenue estimates for FY 2012 and FY 2013 on the blue sheet titled "Revenue Estimates - February 2012." He stated that, compared to November estimates, the updated February revenue estimates shown in column d indicate $4.4 million in additional one-time revenue for FY 2012. Similarly, column h shows $12.1 million in additional ongoing revenue for FY 2013.

Mr. Ball noted that after adjustments to the required set asides for Economic Development Tax Increment Financing are taken into account, available one-time revenues for FY 2012 are $5 million and $9 million ongoing for FY 2013.

Mr. Ball stated that the Executive Appropriations Committee would be approving the revenue totals for FY 2012 in column c and FY 2013 in column g.

**MOTION:** Sen. Hillyard moved to adopt the revised revenue estimates for FY 2012 (column c) and FY 2013 (column g) as indicated on page 1 of the blue sheet titled "Ongoing Revenue Estimates - February 2012" and dated today, February 21, 2012. The motion passed unanimously with Sen. Knudson, President Waddoups, and Speaker Lockhart absent for the vote.

**3. Budget Presentations**

Co-Chair Brown explained to the public that the following four budgets are not dealt with in the appropriations subcommittees but are heard in the Executive Appropriations Committee.

**a. Utah Department of Veterans' Affairs (Tab 11)**

Mark Bleazard, Fiscal Analyst, LFA, presented the Budget Brief, "Veterans' Affairs" and Issue Briefs, "Veterans' Affairs Fees" and "Veterans' Affairs Federal Funds FY 2013."

Mr. Bleazard discussed the base budget recommendation for the Veterans' Affairs for FY 2013. The Analyst recommends a base budget of $1,211,700 for FY 2013. The Analyst also recommends intent language to make a portion of the Veterans' Affairs line item nonlapsing at the end of FY 2012 to include: Veterans' Outreach - $130,000; Veterans' Cemetery - $20,000; and Veterans' Nursing Home - $15,000.

Mr. Bleazard briefly discussed funding for programs within the Veterans' Affairs line item for FY 2013: Veterans' Affairs Administration - $647,800; Veterans' Cemetery - $307,100; and Veterans' Nursing Homes - $256,800. He indicated that Veterans' Affairs has requested one-time funding of $500,000 from the General Fund for Veterans' Nursing Homes Startup. Veterans' Affairs also requested $200,000 ongoing for the Outreach Program and $192,800 ongoing for the Ivins and Payson Veterans' Nursing Homes Personnel.

Mr. Bleazard stated that Veterans' Affairs is proposing an increase in the Saturday burial fee from $500 to $700, and two new fees, $150 for disinterment of cremated remains and $700 for a cement burial vault.

Finally, Mr. Bleazard reviewed the "Federal Funds Request Summary for State FY 2013." He stated that the operating portion of these federal funds is Item 3, State Approving Agency, annual federal award of $189,000. The remaining federal funds are awarded through the nursing home programs.

***Committee Discussion***

Rep. Dee asked if the budget reflected the $1 million in impact fees for the new nursing home facilities in Payson and Ivins. Mr. Bleazard indicated that the request for impact fees came in after the preparation of the budget. He was aware, however, that there were some costs that were not originally presented to the department.

Mr. Terry Schow, Executive Directory, Department of Veterans' Affairs, explained that the impact fees were presented to the department after the bids were out. The fees amounted to $607,806 for the Payson facility and $412,752 for the Ivins facility.

Rep Dee asked if Veterans' Affairs paid any impact fees on the Ogden Veterans Nursing Home. Mr. Schow stated that they did not pay any impact fees. Rep. Dee stated that the impact fees were too high on the nursing homes. He suggested negotiating to make this a cost only process.

Mr. Schow provided a copy of the itemized impact fees to the Committee.

Mr. Dennis McFall, Deputy Director, Department of Veterans' Affairs, stated that the department had attempted to negotiate the fees downward with the city mayors and councils, but there was no indication of relief on the fees. The general contractor and architectural design team also met with the entities and received basically the same lukewarm reception relative to the disregard or reduction of the impact fees.

Rep. Dougall asked whether or not government entities should have favorable status compared to the private sector when it comes to paying impact fees.

Mr. McFall did not have an opinion on whether or not the government should be given favorable status. He explained that the budget was relatively fixed at the time of the application to the Veterans' Administration five years ago. The seed money or 35 percent state share was represented by the return of federal money on the Ogden Nursing Home project. With no impact fees reflected in the Odgen project, there were no impact fees in the seed money or the budget per se. Mr. McFall stated that the department was surprised to see the impact fees levied on the Payson and Ivins projects.

Rep. Dougall felt that government should not get favored status and should pay fair impact fees especially if a project provides a regional benefit.

Rep. Hughes commented that statute had changed since the applications were made and the budgets were set. He wanted to know what effect the payment of impact fees would have on the nursing homes. Mr. McFall suggested one would be to build one less unit or have twelve fewer beds. Another option would be to go without landscaping or better quality furnishings. Rep. Hughes stated that something reasonable needs to be done to mitigate the shortfall.

Sen. McAdams pointed out that these projects have regional and statewide significance. He did not think local taxpayers should absorb a tax obligation that is probably better placed with a statewide tax payer base.

Sen. Jenkins inquired about the high cost of bringing 2000 amps of electricity to the Payson site. He also asked about other site options. Mr. McFall indicated that the property was donated by the Church of Jesus Christ of Latter Day Saints through their farm land reserve. The LDS Church is not able to help mitigate the impact fees. Sen. Jenkins asked if it were possible to trade the property.

Mr. Schow indicated that the property for the nursing home in Ivins was donated by the City of Ivins. Mr. Schow pointed out that there are time lines associated with these projects, and if there is a delay due to a possible trade, the VA may lose the grant.

Sen. Jenkins asked about the water conversancy district and transportation impact fees related to the Ivins projects. Mr. Schow stated that he has not had success in negotiating the water rate down.

Sen. Niederhauser explained that if local governments exempt an entity from paying impact fees, they will have to increase the fees to other users. He said that he would oppose creating a system where government gets a bye on impact fees. He stated that any entity of government looking to develop property needs to take impact fees into consideration.

Mr. McFall stated that he was led to believe that the fees would be mitigated to some extent.

Rep. Hughes stated that if the current statute, which allows local jurisdictions to charge an impact fee, had been in place at the time of application, Veterans' Affair's budget would have included the impact fees. He felt that the State has the responsibility to look for ways to mitigate the impact fees.

Rep. Dougall asked why the Payson site was selected as opposed to other locations in Utah County. Mr. Schow stated that they had queried a number of municipalities in the Utah and Washington County areas. Payson was the only location in those counties where the land was offered at no cost. Veterans' Affairs did not have the funds in their budget to purchase land. Rep. Dougall cautioned that free land can be very expensive.

***Agency Response***

Mr. Schow commented on two fee changes that were not reflected in the Veterans' Affairs Fees chart. The Veterans' Burial Fee increased from $300 to $700, and the Spouse/Dependent Burial Fee increased from $400 to $700.

Co-Chair Brown thanked Mr.Schow for his presentation.

**b. Utah National Guard (Tab 12)**

Mark Bleazard, Fiscal Analyst, LFA, presented the Budget Brief, "Utah National Guard," and the Issue Brief, "National Guard Fees FY 2013."

Mr. Bleazard discussed the base budget recommendations for the Utah National Guard for FY 2013. The Analyst recommends a base budget of $67,446,200 for FY 2013. Programs within the base budget include: National Guard Administration - $1,134,700 and Armory Maintenance - $66,311,500. The Analyst also recommends intent language for the Utah National Guard to increase its vehicle fleet by one vehicle in FY 2013 by using federal funds. Finally, the Analyst recommends nonlapsing intent language for FY 2012 for the National Guard Tuition Assistance - $25,000 and Armory Maintenance - $75,000.

Mr. Bleazard indicated that the Utah National Guard is requesting $500,000 ongoing from the General Fund for continued tuition assistance for Guard personnel, and an additional $181,000 from the General Fund and $283,000 from federal funds to cover utility costs for FY 2013.

Mr. Bleazard pointed out that by state statute, federal funds received by the Utah National Guard are exempt from provisions of 63J-5-201. Federal funds expected for FY 2013 are $62,330,400.

Mr. Bleazard stated that there are no proposed fee changes for FY 2013.

***Agency Response***

Brian L. Tarbet, Adjutant General, Utah National Guard, addressed the Committee. He stated that the Utah National Guard celebrates its 375th Anniversary this year. General Tarbet introduced Colonel Scott Olson, Colonel Matt Price, and Todd Valine.

General Tarbet expressed his appreciation to the Utah State Legislature for its support of the Armory Maintenance Program which has received $12 million over the last three years to rehabilitate nine armories plus another four to come. He also mentioned Tuition Assistance, which has enabled the Guard to attract and keep reserves. General Tarbet stated that after ten years of war, Utah's National Guard is at 101 percent strength on the army side and just short of that on the air side. While Tuition Assistance has benefitted from a $500,000 ongoing appropriation, he indicated that the Governor would support an additional $800,000 ongoing if additional monies were available.

General Tarbet briefly discussed the increasing utility costs. Because the Guard in not part of the Internal Service Fund, it has to come back each year to ask the Legislature to make up the shortfall.

Colonel Tarbet highlighted some long term issues. He mentioned the serious impact on armory maintenance when the Guard loses three federal dollars for every state dollar lost. He also pointed out that the National Guard has not hired any new full time employees for the last decade.

Rep. King asked about the $30 million increase in federal money coming in for FY 2013. General Tarbet stated that a new facility is being built with those federal monies.

Sen. Jenkins asked what percent of a serviceman's tuition does the Tuition Assistance Program pay. Colonel Tarbet stated that there is no fixed percentage. The Guard attempts to spread tuition assistance as far as it will go. There is a tendency to assist freshman and sophomore soldiers at a higher rate. Colonel Tarbet explained that as the United States draws down on the war fight, there are more soldiers coming home who are available for schooling and need assistance with tuition. There is also the issue of increasing costs of higher education.

Colonel Olson said that there were 60 students who were turned away this year for tuition assistance for lack of funds.

Rep. Menlove asked if the tuition dollars are spent primarily at Utah institutions or can they be spent out of state. She declared a conflict of interest in that she has a nephew who receives tuition assistance. Colonel Tarbet responded that most of the tuition is spent in Utah but there are out-of-state for profit based institutions that have been recipients of those funds. Full time career guardsmen have also taken advantage of the tuition assistance in order to complete their degree for military advancement. Rep. Menlove asked if universities have been hesitant in accepting credits. Colonel Tarbet stated that the universities are more strict in accepting credits.

Co-Chair Brown informed the committee that General Tarbet is going to retire this year and Colonel Olson is going to take another assignment. Co-Chair Brown expressed his appreciation to them on behalf of the Committee for their professionalism and the services they have rendered to the citizens of Utah.

**c. Capitol Preservation Board (Tab 13)**

Mr. Bleazard presented the Budget Brief, "Capitol Preservation Board," and the Issue Brief, "Capitol Preservation Board FY 2013."

Mr. Bleazard discussed the base budget recommendations for the Capitol Preservation Board (CPB) for FY 2013. The Analyst recommends a base budget of $4,033,100 for FY 2013. The Analyst recommends nonlapsing intent language for stewardship responsibilities for the Capitol Hill Complex; visitors services; inventory/collection management of historical state-owned items; and special operational needs necessary to keep the Capitol Hill complex functioning.

Mr. Bleazard stated that the Analyst also recommends the Legislature consider additional funding of $500,000 for the Capitol Hill Complex for operations and maintenance. He noted that the Infrastructure and General Government Appropriations Subcommittee authorized the Division of Facilities Construction Management (DFCM) to increase their fee to cover the $500,000. If the EAC decides not to fund the $500,000 for operations and maintenance, the Analyst recommends that EAC adjust DFCM's budget for that item.

Mr. Bleazard stated that there are no new changes requested in the fee schedule for FY 2013.

Sen. Hillyard asked for a clarification on the DFCM budget adjustment to cover the $500,000 for operations and maintenance. Mr. Bleazard clarified that the authorization would allow the ISF to transfer $500,000 to DFCM to cover the costs for operation and maintenance. In essence, the Legislature would need to increase DFCM's budget by $500,000 ongoing.

Sen. Jones recognized Allyson Gamble for her leadership, professionalism, and work with the Capitol Preservation Board.

***Agency Response***

Ms. Allyson Gamble, Executive Director, Capitol Preservation Board (CPB), stated that the Utah Capitol is ranked number one in a list of state capitols that double as a tourist attraction and provide a walk though history. She commented that the CPB has gone out of its way to take care of the historical furnishings, original artwork, and up keep of the capitol. The CPB works in partnership with DFCM, State History, State Archives, and the Utah Arts Council.

Ms. Gamble reported that CPB works closely with DFCM to develop schedules of review and maintenance. The CPB has also been responsible for upgrades to the Daughters of Utah Pioneer Museum, the White Chapel, the Travel Council, and the Tunnel Project. CPB is currently working to repair and replace the State Office Building curtain wall, windows, and staircase attached to the building.

Ms. Gamble highlighted Visitor Services. In 2011, more than 150,000 people visited the State Capitol. During the 2012 General Session, 20,000 to 30,000 students will visit the State Capitol. Ms. Gamble recognized the volunteer efforts of the docents. She also highlighted the CPB's website which is published every night to help people find meetings, rooms, and schedule events. Last year, there were over 2800 events, and thus far in 2013, 1300 events have been scheduled. The CPB maintains an art inventory and oversees the rotated art in exhibit program. Working in conjunction with the Arts Council, the CPB is currently displaying a wonderful art exhibit on the 4th Floor of the Capitol.

Ms. Gamble reported on the Salt Lake Community College Culinary Arts Program that manages the cafeteria and the student Business Management group that manages the gift store.

Ms. Gamble concluded her remarks stating that the CPB is working through the maintenance challenges due to high usage to keep the State Capitol looking pristine.

Rep. Litvack asked if the $500,000 request for operations and maintenance is ongoing or one-time. Mr. Bleazard stated that the $500,000 is an ongoing request. Rep Litvack asked Ms. Gamble to identify some of the operation and maintenance needs. Ms. Gamble explained that when the State Capitol, Senate, and House Buildings were completed in 2008, the CPB did not have a clearly defined budget for the operations of those facilities. She noted that utility fees are about $1.2 million and that DFCM has been operating at a reduced rate of $3.3 million. DFCM is requesting a normal rate of $3.9 million that will go directly to the upkeep of the Capitol.

Co-Chair Brown thanked Ms. Gamble for her presentation.

**d. Legislature (Tab 14)**

Steve Allred, Deputy Director, LFA, presented the Budget Brief, "Utah State Legislature."

Mr. Allred explained that in October, the Subcommittee on Oversight reviewed the Legislature's budget that includes the Senate, House of Representatives, Legislative Auditor General, Legislative Fiscal Analyst, Legislative Printing, and Legislative Research and General Counsel. The Speaker of the House and the President of the Senate certified a FY 2013 budget for the Legislature equaling $19,166,000, including $18,991,000 from the General Fund.

Mr. Allred explained that base budget items 4 through 11 of *National Guard, Veterans' Affairs, and Legislature Base Budget* (Senate Bill 7, 2012 GS) approved the Legislature's FY 2013 base budget of $19,166,000. He noted that the amount is $28,800 less than FY 2012 due to non-recurrence of one-time appropriations for task forces.

Mr. Allred noted two additional items for the Committee's consideration: 1) Redistribution of General Fund - For both FY 2012 and FY 2013, the Subcommittee on Oversight approved reallocation of $192,700 among the Legislature's line items to cover annual required contributions for benefits costs; and 2) Transfer of Nonlapsing Balances - The Subcommittee on Oversight approved the transfer of $863,000 among the Legislature's line items to evenly distribute operating balances and to address one-time costs of technology upgrades.

Mr. Allred referred to the table on page two which shows the budget detail for FY 2012 and FY 2013. He noted the slight decrease ($28,800) from the FY 2012 estimated budget.

Co-Chair Brown drew attention to the graphs on page 1 of the budget briefs that illustrated the Legislature's budget and FTE history. He commented that the Legislature's budget has been managed quite well through the economic downturn.

Co-Chair Brown thanked Mr. Allred for his presentation.

**4. Subcommittee Reports**

**a. Retirement and Independent Entities Appropriations Subcommittee (Tab 8)**

Sen. Todd Weiler and Rep. Don Ipson, Co-Chairs, presented the report. They were assisted by LFA staff analyst Mark Bleazard.

Rep. Ipson stated that the subcommittee reviewed budgets for the Department of Human Resource Management, Career Services Review Office, and the building blocks for the Utah Education Network (UEN). For FY 2013, DHRM Internal Service Fund rates are the same rates as approved by the Legislature for FY 2012.

Rep. Ipson noted the nonlapsing intent language for FY 2012 for the Career Service Review Office and Human Resource Management on page 8-8.

Sen. Hillyard noted that often times the intent language in the appropriations bills goes beyond the scope of intent. He stated that this subcommittee did not have any intent language issues. He explained that staff is working on a process whereby some of the intent language will be put into separate bills. Further, the Committee was not going to take any action tonight or tomorrow night. However, intent language that would be more appropriate in a separate bill would be highlighted.

Rep. Ipson briefly discussed the two items on the "Ongoing Subcommittee Priority Lists, 2012 General Session" on page 8-9. They included: 1) UEN - $250,000 Elementary & Charter School High-speed Networks; and 2) CRSO - $15,000 Contract Hearing Officers.

Co-Chair Brown noted that the UEN has undergone some reorganization. As such, UEN's budget, previously heard in Higher Education, was reassigned to Retirement and Independent Entities.

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

**b. Infrastructure and General Government Appropriations Subcommittee (Tab 5)**

Sen. Stuart Adams and Rep. Gage Froerer, Co-Chairs, and Rep. Derek Brown, House Vice Chair, presented the report. They were assisted by LFA staff analysts Rich Amon, Mark Bleazard, and Gary Ricks.

Rep. Froerer summarized the reallocations on pages 5-1 and 5-2. They included the following: reallocated $300,000 from State Purchasing to fund priorities in Finance, Rules, and Archives; reallocated $250,000 from Capital Improvements to fund O & M for the Davis ATC warehouse; approved the transfer of $104,900 from E-911 balances in DPS to the Automated Geographic Reference Center; approved consolidation of DAS budget and accounting personnel into a new internal service fund; and approved the transition of State Purchasing from an appropriated division to an internal service fund.

Rep. Froerer also highlighted the transfer of $2 million back to the General Fund from the Division of Fleet Operations Fuel Network retained earnings on page 5-74.

Rep. Froerer reviewed the "Ongoing Subcommittee Priority Lists, 2012 General Session" on page 5-77. The top funding priority was Capital Improvements at the 0.9 percent level - $35,550,000. Other priorities included the Capital Budget Non-State Building O&M for the UBATC Petroleum Technology, WSU Social Services, and U of U Law College buildings.

Rep. Froerer reviewed the "One-time Subcommittee Priority Lists, 2012 General Session" on page 5-78.

Sen. Niederhauser asked when the Capital Improvement Funding would get back to the 1.1 percent level. Rep. Froerer stated that he hopes the funding will get the 1.1 percent level within the next three years.

Sen. Adams indicated that State Building Board (SBB) is very supportive of funding for infrastructure.

Sen. Adams referred to proposed legislative intent language on page 5-59 that will require capital improvement money to be used for infrastructure projects.

Jonathan Ball pointed out that the state is in a growth mode now rather than in a budget deficit. He stated that the lower threshold for capital improvements is 0.9 percent, which the requested building block would satisfy. In order to get to the existing statutory threshold of 1.1 percent, the building block would need to be $53 million. Mr. Ball stated that the Legislature would either need to change statute to remove that threshold or not build any new buildings in FY 2013.

Sen. Adams reviewed the UDOT portion of the budget on pages 5-23 to 5-36 and 5-62 to 5-66. The subcommittee recommended the relocation of some FTEs, increasing the Equipment Purchase budget by $1 million, and intent language.

Sen. Hillyard commented that the legislative intent language on page 5-58, paragraph 7, raises some concern and may need to be changed. The language refers to a $2 million appropriation from the Transportation Investment Funds (TIF) to Tooele City for roads around the Utah State University campus.

Sen. Adams presented the "State Funded Buildings Priority List, 2012 General Session" on page 5-79. The subcommittee and SBB agreed on priorities one through five. The number one priority is the U of U - Utility Distribution Infrastructure - $38,000,000. Sen. Adams indicated that campus buildings have experienced a number of power outages due to an inadequate electrical system which need to be replaced. He also pointed out that the subcommittee ranked the USU - Brigham City Regional Campus Academic Building - $7.5 million at number 6 as opposed to the SBB's ranking of 16 because Brigham City will bring in a match of $7.5 million.

Vice Chair Brown presented the "Non-State Funded Buildings Recommended List, 2012 General Session" on page 5-80. There are eight non-state funded projects that do not require O & M and three that will require ongoing state O & M. Vice Chair Brown noted that of the eight non-state funded projects, only the Richfield Courthouse Purchase will require state revenue bonds. The remaining seven will require higher education revenue bonds. He informed committee members that the University of Utah Dental School Building will be paid for through an anonymous cash donation of $30 million.

Sen. Niederhauser asked who pays for the difference in the power rates. Sen. Adams stated that the University of Utah forwards the power bills on to the state.

Sen. Niederhauser asked why there is no state O & M on some of the non-state funded projects. Vice Chair Brown stated that the projects have built in fee structures that pay for O&M.

Sen. Waddoups asked for a clarification on the $30 million donation to the Dental School Building. The full cost of the project is $37,400,000. Vice Chair Brown stated that the University of Utah anticipates an additional $7.4 million will come from additional donations.

Sen. Jenkins wanted to know what caused the U of U Utility Distribution Infrastructure to jump to the top of the list. Sen. Adams said that over the years, the U of U has used some capital improvement money to make electrical and heating repairs. Rep. Froerer stated that this has been a developing problem over the last five to six years if not longer. This is basically an age based problem.

Vice Chair Brown presented the fees on pages 5-3 through 5-22. The fees for FY 2013 were mostly the same as the fees for FY 2012. The subcommittee approved two DAS internal service fund rate increases for FY 2013: 1) Central Mail - $388,000 and 2) DFCM - $593,300 - of which $500,000 is for the Capitol Preservation Board. DTS internal service fund rates in general, which includes Mainframe rates, decreased in FY 2013 as well.

Sen. Adams referred to the "Memo: Infrastructure and General Government motions affecting other Subcommittees" dated February 21, 2012. The memo states that the subcommittee reduced IGG subcommittee budgets by $250,000 ongoing from the General Fund to fund the ongoing Operation and Maintenance of the Davis Applied Technology College warehouse in the Higher Education Appropriations Subcommittee.

Sen. Waddoups wanted to know if the state is self-funding the liability fees for insurance. Mr. Amon responded that the fees go into the Risk Management internal service fund. The fees are based on actuarial assumptions, claim history, and the size of the budget. Risk Management bills a premium annually to participating agencies. Mr. Amon estimated that the fund balance is about $6 million.

Co-Chair Brown thanked the subcommittee co-chairs and vice chair for their report.

**c. Higher Education Appropriations Subcommittee - (Tab 4)**

Sen. Stephen H. Urquhart and Rep. Michael T. Morley, Co-Chairs, presented the report. They were assisted by LFA staff analysts Spencer Pratt and Angela Oh.

Sen. Urquhart presented the "Ongoing Subcommittee Priority Lists, 2012 General Session"on page 4-68. The subcommittee recommended 1% Compensation (Item 1) - $7,123,500 as its highest priority. Its second highest priority was Equity Funding - $4,000,000 and Institutional Priorities - $4,000,000. Equity Funding will be used to offset funding inequities primarily at Salt Lake Community College and Utah Valley University. Institutional Priorities will be used to move towards performance based funding.

Other funding priorities included: CTE Waiting List A (Item 3) and CTE Waiting List B (Item 13), Regents' Scholarship (Item 9), Regional Campus Funding (Item 14), Technology Intensive Concurrent Enrollment (Item 15), Utah Academic Library Consortium Funding (Item 16), School of Medicine Funding

(Item 17), and the Engineering Initiative (Item 18). Sen. Urquhart stated that Business, Economic Development, and Labor had placed the Engineering Initiative high on its priority list.

Sen. Waddoups asked for a clarification on the prioritization of the Engineering Initiative in the two subcommittees. Sen. Urquhart thought that Business, Economic Development and Labor will probably end up funding the Engineering Initiative, which was listed as number two on its priority list.

Sen. Waddoups inquired about the O & M Transfer (USHE) (Item 8). Mr. Pratt explained that last year the Legislature approved four buildings for higher education on the last day of session but there wasn't enough time to put the associated O & M funding into the institutions' budgets. Consequently, the O & M funding went to DFCM. This year, DFCM is transferring the funding to the institutions. Sen. Urquhart commented that the subcommittee wanted to include this item on the priority list even though it is not new money.

Rep. King inquired further about the subcommittee's request for $2.5 million for the Engineering Initiative. Rep. Morley stated that the subcommittee felt it would be important to prioritize the Engineering Initiative knowing that Business, Economic Development, and Labor had prioritized it as well.

Rep. King wanted to know why the Engineering Initiative was heard in both subcommittees. Mr. Ball stated that there were a number of items that were heard by more than one subcommittee and all of those items are competing for the same fixed amount of revenue. In the end, the House and the Senate will work it out to avoid double funding.

Sen. McAdams inquired about the CTE Waiting Lists A and B. Sen. Urquhart stated that funding for the CTE Waiting Lists A and B will fund 100 percent of the growth for students waiting to enroll in job training programs. Sen. McAdams stated that there are other higher education and post high school education needs that are not being funded. He felt that the Committee needs to determine if it wants to fund 100 percent of growth or if it has other priorities. Sen. Urquhart pointed out the CTE Waiting Lists A and B would fund some positions at Salt Lake Community College, where there are also students who are eager to take CTE courses.

Rep. Dougall asked how the subcommittee would have ranked the Engineering Initiative if it had not been ranked in Business, Economic Development, and Labor. Rep. Morley stated that it would have been ranked toward the top of the list. He stated that subcommittee also adopted some language in support of the Business, Economic Development, and Labor's prioritization of the Engineering Initiative.

Rep. Dougall inquired about the subcommittee's decision to ask for 1 percent compensation for higher education. Sen. Urquhart felt that higher education should be compensated equal to what state employees receive. The subcommittee was not in favor of funding increased compensation out of tuition.

Rep. Dougall wanted to know if the subcommittee had performed any type of compensation study to see how faculty and staff were compensated in higher education or what their compensation increases have been over the last few years before making a recommendation. Rep. Morley indicated that they had not conducted any studies. However, the institution presidents and the Board of Regents had indicated that compensation was their number one priority.

Rep. Dougall asked if the subcommittee is proposing any changes to the Regents Scholarship Program. He raised some concerns about students taking a smaller class load to avoid penalties for not achieving academic success. Sen. Urquhart stated that the subcommittee did not recommend any changes.

Sen. Jones asked for a summarization on financial aid and scholarships. Rep. Morley stated that the $1.7 million for the Regents' Scholarship fully funds the growth in that scholarship. The subcommittee is also recommending $1.5 million one-time for Need-Based Financial Aid.

Sen. Romero spoke in support of the 1 percent compensation for higher education which was included in the Governor's budget. He felt that it was a modest request and that the subcommittee recognized that it was an omission and ranked it number one.

Sen. Urquhart presented the "One-time Subcommittee Priority Lists" on page 4-71. He stated that the top priority is College Readiness Assessment Tool - $500,000, which will address college completion rates. He stated that students are entering college and are not prepared. The College Readiness Assessment Tool will identify subject areas where a student's knowledge is lacking, and in turn, the student will take college readiness courses.

Co-Chair Brown asked if there are products already on the market that would be useful to the students. Sen. Urquhart said that there are many products but they are primarily geared for the college student.

Sen. Hillyard raised two concerns. The first item is the legislative intent language on pages 4-65, 4-66, and 4-67, specifically, the even numbered paragraphs, which reads:

> *The Legislature intends that institutions of higher education do not assess any programmatic tuition surcharge to students in engineering program.*

Staff had indicated that this probably should not be intent language. Sen. Hillyard stated that the subcommittee co-chairs have agreed to take the language out and refer the item to interim study. The other concern had to do with whether or not the College Readiness Assessment Tool will require a separate bill or intent language to create that tool. Sen. Hillyard said that they should have this information by tomorrow.

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

**5. Other Business**

Co-Chair Brown stated that the Committee will hear the remaining subcommittee reports tomorrow night.

**MOTION:** Sen. Hillyard moved to adjourn. The motion passed unanimously.

Co-Chair Brown adjourned the meeting at 7:30 p.m.

| Sen. Lyle W. Hillyard, Co-Chair | Rep. Melvin R. Brown, Co-Chair |
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