

# UTAH FOUNDATION

## Research Report

Report Number 633

May 2000

### Fiscal Summary of the 2000 Legislative Session

#### Highlights

- The 2000 legislative session, though dominated by the education funding issue, still found time to allocate the tobacco settlement funds, appropriate \$694 million for capital projects, change Human Right's Day to the Martin Luther King Jr. Holiday, pass mental health insurance reform, delay payments due to the state from the Salt Lake Olympic Committee, pass a firearm restriction law and a \$6.7 billion budget. The legislature also passed a law that will, in one year, dissolve two agencies dealing with public utilities and replace them with the Office of Public Advocate.
- Public education received the bulk of the funding and attention. Public Education will receive \$2.2 billion for FY 2001. The Weighted Pupil Unit, the basic funding formula for public education, increased from \$1,901 to \$2,006 or by 5.5 percent. In addition, schools received one-time appropriations of \$6 million for textbooks and \$4.4 million for teacher supplies and materials.
- The legislature passed Senate Bill 15, *Use of Tobacco Settlement Revenues*, which mandates how the tobacco settlement funds are to be used. The law creates the Tobacco Settlement Restricted Account and the Tobacco Settlement Endowment.
- The Salt Lake Olympic Committee (SLOC) will benefit from two actions by the legislature. Senate Joint Resolution 11 delays a \$58 million payment owed to the state until March 7, 2002. The \$58 million will go back to state and local governments for the diversion of the 1/64 percent of the sales tax which was used to build the park.
- Senate Bill 272 exempts SLOC from charging the sales tax on its ticket sales and admissions. However, there is an agreement that the revenue from the portion of ticket sales equivalent to the sales tax will be distributed to local governments to help defray the cost of providing necessary public safety services. The value of this agreement is approximately \$13 million as SLOC is expecting to derive some \$200 million in ticket sales. SLOC has agreed to augment this with approximately \$4 million of its own funds. It is hoped that this will help leverage federal public safety funds as well.
- The legislature passed House Bill 320 *Public Utility Amendments* which makes changes to the laws governing public utilities. However, these changes will not become effective for one year. The new law dissolves both the Division of Public Utilities and the Committee on Consumer Services and replaces these two agencies with the Office of Public Advocate.
- The legislature passed House Bill 345, *Unemployment Insurance Amendments*, which reduces the state's unemployment tax. According to the Governor's Office of Planning and Budget, the savings to Utah employers will be \$22.2 million over the next five years. The rate reduction is possible because of consistently low levels of unemployment in Utah the past several years. This has resulted in a surplus in the Unemployment Trust Fund.
- The legislature appropriated \$6.7 billion for FY 2001. Most of the money goes to the following entities: Public Education \$2.2 billion, or 33.3 percent of the total budget; the Department of Health \$1.0 billion or 15.2 percent; Higher Education \$757 million or 11.3 percent; the capital budget \$694 million (mainly for highways) or 10.3 percent; and Human Services \$438 million or 6.5 percent. Combined these four categories account for \$5.5 billion or 76.6 percent of the total budget.

**UTAH FOUNDATION** is a private, nonprofit public service agency established to study and encourage the study of state and local government in Utah, and the relation of taxes and public expenditures to the Utah economy.

## Fiscal Summary of the 2000 Legislative Session

The 2000 legislative session, though dominated by the education funding issue, still found time to allocate the tobacco settlement funds, appropriate \$694 million for capital projects (mostly highways), change Human Right's Day to the Martin Luther King Jr. Holiday, pass mental health insurance reform, delay payments due to the state from the Salt Lake Olympic Committee until after the Olympics in 2002, and pass a \$6.7 billion budget.

Public Education received most of the attention during the session and most of the money. The legislature passed a law that will, in one year, dissolve two agencies dealing with public utilities and replace them with the Office of Public Advocate and passed a crime fighting package that dealt with who can and cannot have a gun. These and other legislative actions are discussed in this report.

### Overview of FY 2001 Appropriations

The 2000 legislative session focused on education. No other issue took as much time and got as much attention. **Table 1** shows the appropriations by department for FY 2001 and the two previous years. Public education received \$103.7 million increase, or 41.4 percent of the \$252.4 million appropriated increase in the operations budget from FY 2000 (see column 8). The Health Department received \$55.9 million, or 22.3 percent and higher education received \$41.6 million or 16.6 percent of the total operations increase. Combined, these three agencies received \$201.3 million or 80.3 percent of the \$252.4 million operations budget increase.

**Table 2** shows appropriated federal funding for state programs of \$1.6 billion or 23.7 percent of the total state budget. However, the bulk of these grants is focused in just a few areas. The Department of Health received \$675.8 million or 42.4 percent of all federal funds. This grant provides the federal share of the Medicaid program. The balance must be paid by the state.

Second to Health is Public Education, which received \$244 million or 15.3 percent of the federal funds. Most of these federal dollars go for the school lunch program and for handicapped and disadvantaged programs. The state's capital budget,

most of which goes to the Department of Transportation, received \$218.6 million or 13.7 percent of all federal funds. Combined these four entities received \$1.1 billion, or 71.4 percent of all federal funds.

### Public Education

Public education as mentioned, received the bulk of the funding and attention. Public Education will receive \$2.2 billion for FY 2001, a 4.9 percent increase over what was authorized for FY 2000. This is the largest increase in several years. The Weighted Pupil Unit (WPU), the basic funding formula for public education, increased from \$1,901 to \$2,006 or by 5.5 percent. In addition, schools received one-time appropriations of \$6 million for textbooks and \$4.4 million for teacher supplies and materials. Schools also received \$28.4 million for the Capital Outlay Foundation Program which is administered by the State Office of Education. The legislature appropriated \$3.5 million toward the development of a system for regular assessment and reporting of educational progress.

Last year the legislature created the Task Force on Learning Standards and Accountability in Public Education consisting of legislators, members of school boards, and others. They were given a two-year assignment to look at ways of improving the performance of Utah's public education system. The Task Force made its first report to the legislature before the session recommending significant changes to public education's testing and accountability systems. **House Bill 177** *Assessing, Reporting and Evaluating Student Performance*, incorporates the Task Force's recommendations. The law implements the Utah Performance Assessment System or U-PASS.<sup>1</sup> The law states that the

---

<sup>1</sup> Many of the testing procedures in U-PASS such as the statewide norm-referenced test, have been in place for some time. Others like the criterion referenced test, have been in place a short time and some procedures are new, like the writing assessment and basic skills testing. U-PASS places them into a single, structured system as part of a comprehensive accountability system.

**Table 1**  
**SUMMARY OF APPROPRIATIONS BY DEPARTMENT**  
**Appropriations from All Sources of Funding**

	Actual FY 1999	Authorized FY 2000	Appropriated FY 2001	As a Percent of Total			Change in Funding (in thousands of dollars)		Percent Change	
				FY 1999	FY 2000	FY 2001	FY 99 to 00	FY 00 to 01	FY 99 to 00	FY 00 to 01
<b>Sources of Funding</b>										
General Fund	\$1,536,480	\$1,587,115	\$1,671,839	25.1%	24.6%	24.9%	\$50,635	\$84,724	3.3%	5.3%
School Funds*	1,711,754	1,776,433	1,886,212	28.0%	27.6%	28.1%	64,679	109,779	3.8%	6.2%
Transportation Fund	353,164	368,700	388,940	5.8%	5.7%	5.8%	15,536	20,240	4.4%	5.5%
Federal Funds	1,480,299	1,543,850	1,594,161	24.2%	24.0%	23.7%	63,552	50,311	4.3%	3.3%
Dedicated Credits	409,171	406,331	430,275	6.7%	6.3%	6.4%	(2,841)	23,945	-0.7%	5.9%
Mineral Lease	31,634	31,825	31,475	0.5%	0.5%	0.5%	191	(350)	0.6%	-1.1%
Restricted and Trust Funds	176,616	179,173	199,733	2.9%	2.8%	3.0%	2,557	20,560	1.4%	11.5%
Local Property Tax	291,450	311,575	331,713	4.8%	4.8%	4.9%	20,125	20,138	6.9%	6.5%
Other Funds	126,255	234,093	190,113	2.1%	3.6%	2.8%	107,838	(43,980)	85.4%	-18.8%
<b>TOTAL</b>	<b>\$6,116,822</b>	<b>\$6,439,094</b>	<b>\$6,724,460</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$322,272</b>	<b>\$285,366</b>	<b>5.3%</b>	<b>4.4%</b>
<b>Expenditures</b>										
<b>Operations Budget</b>										
Administrative Services	\$30,044	\$30,547	\$23,121	0.5%	0.5%	0.3%	504	(7,427)	1.7%	-24.3%
Commerce and Revenue	364,627	374,119	379,744	6.0%	5.8%	5.6%	9,492	5,625	2.6%	1.5%
Corrections (Adult & Youth)	227,545	258,496	270,154	3.7%	4.0%	4.0%	30,951	11,658	13.6%	4.5%
Courts	91,300	95,738	99,527	1.5%	1.5%	1.5%	4,439	3,789	4.9%	4.0%
Econ. Dev. and Human Res	70,602	82,329	86,181	1.2%	1.3%	1.3%	11,727	3,852	16.6%	4.7%
Elected Officials	52,703	61,231	63,722	0.9%	1.0%	0.9%	8,529	2,491	16.2%	4.1%
Environmental Quality	31,746	38,937	36,453	0.5%	0.6%	0.5%	7,191	(2,484)	22.7%	-6.4%
Health	919,486	966,412	1,022,367	15.0%	15.0%	15.2%	46,927	55,955	5.1%	5.8%
Higher Education	684,430	714,072	757,324	11.2%	11.1%	11.3%	29,642	43,251	4.3%	6.1%
Human Services	397,133	421,606	438,517	6.5%	6.5%	6.5%	24,474	16,910	6.2%	4.0%
Legislature	12,022	12,960	14,055	0.2%	0.2%	0.2%	938	1,095	7.8%	8.4%
National Guard	19,365	15,247	14,784	0.3%	0.2%	0.2%	(4,118)	(462)	-21.3%	-3.0%
Natural Resources	107,194	129,492	122,838	1.8%	2.0%	1.8%	22,298	(6,655)	20.8%	-5.1%
Public Education	2,039,651	2,134,235	2,237,990	33.3%	33.1%	33.3%	94,584	103,755	4.6%	4.9%
Public Safety	84,871	96,458	108,926	1.4%	1.5%	1.6%	11,587	12,468	13.7%	12.9%
Transportation	186,650	188,129	196,672	3.1%	2.9%	2.9%	1,479	8,543	0.8%	4.5%
<b>Subtotal Operations</b>	<b>5,319,367</b>	<b>5,620,010</b>	<b>5,872,373</b>	<b>87.0%</b>	<b>87.3%</b>	<b>87.3%</b>	<b>300,643</b>	<b>252,363</b>	<b>5.7%</b>	<b>4.5%</b>
<b>Capital Budget</b>										
Administrative Services	51,673	44,478	53,269	0.8%	0.7%	0.8%	(7,196)	8,791	-13.9%	19.8%
Econ. Dev. and Human Res	3,820	2,097	0	0.1%	0.0%		(1,723)	(2,097)	-45.1%	
Environmental Quality	3,265	9,617	9,617	0.1%	0.1%	0.1%	6,352	0	194.5%	0.0%
Higher Education	19,519	23,391	11,309	0.3%	0.4%	0.2%	3,872	(12,082)	19.8%	-51.7%
Natural Resources	5,408	16,072	12,620	0.1%	0.2%	0.2%	10,664	(3,452)	197.2%	-21.5%
Public Education	30,858	33,292	31,130	0.5%	0.5%	0.5%	2,434	(2,162)	7.9%	-6.5%
Transportation	529,371	532,245	576,096	8.7%	8.3%	8.6%	2,874	43,852	0.5%	8.2%
<b>Subtotal Capital</b>	<b>643,915</b>	<b>661,191</b>	<b>694,041</b>	<b>10.5%</b>	<b>10.3%</b>	<b>10.3%</b>	<b>17,276</b>	<b>32,850</b>	<b>2.7%</b>	<b>5.0%</b>
<b>Debt Service</b>	<b>153,540</b>	<b>157,893</b>	<b>158,046</b>	<b>2.5%</b>	<b>2.5%</b>	<b>2.4%</b>	<b>4,353</b>	<b>154</b>	<b>2.8%</b>	<b>0.1%</b>
<b>TOTAL EXPENDITURES</b>	<b>\$6,116,822</b>	<b>\$6,439,094</b>	<b>\$6,724,460</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$322,272</b>	<b>\$285,366</b>	<b>5.3%</b>	<b>4.4%</b>

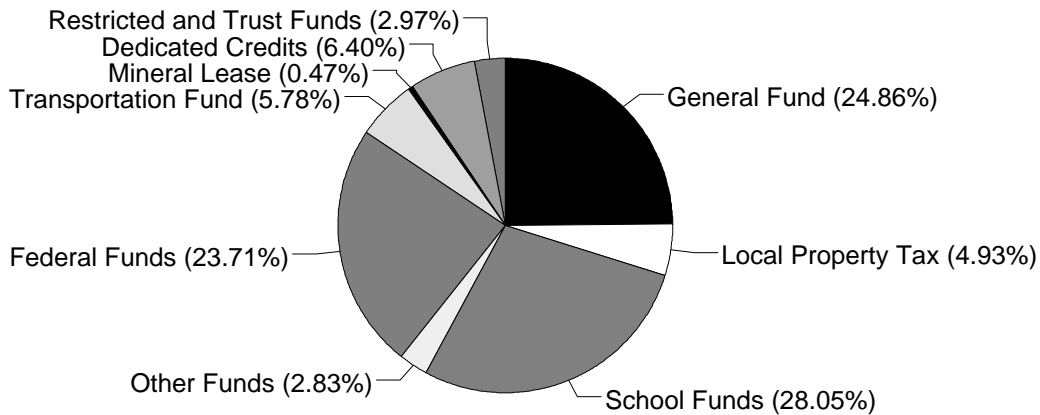
Note: The Authorized FY 2000 column includes the original appropriations by the 1999 Legislature plus supplemental appropriations by the 2000 Legislature.

\*Includes Uniform School Fund and Income Tax Revenue for Higher Education.

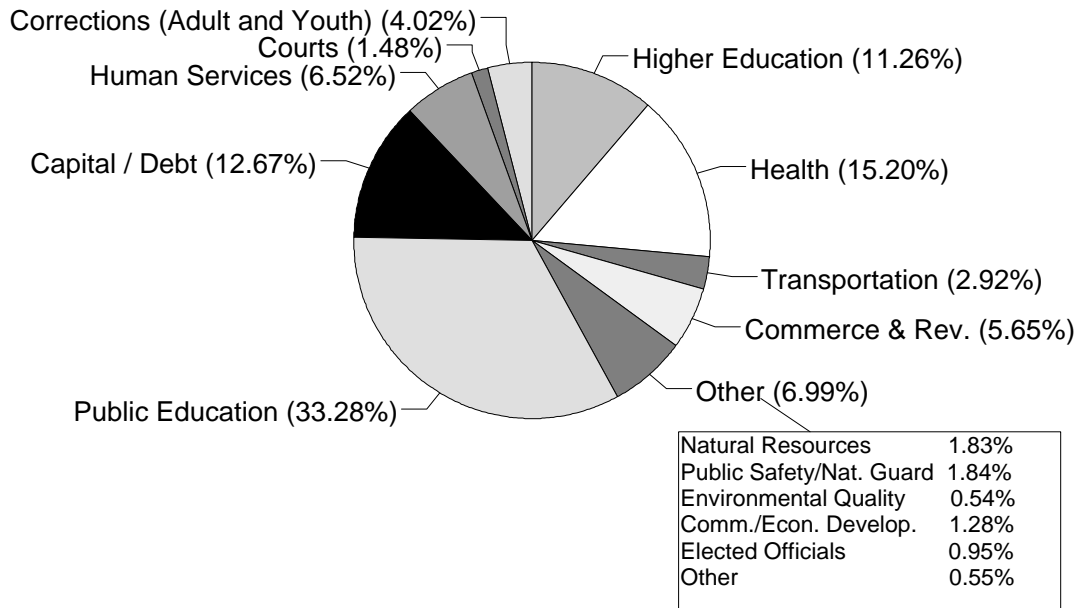
Source: Governor's Office of Planning and Budget, State of Utah.

Figure 1

## Where the Money Comes From All Sources of Funding: FY 2001



## Where the Money Goes All Sources of Funding: FY 2001



Source: Governor's Office of Planning and Budget, State of Utah.

**Table 2**  
**Expected\* Federal Funding for Fiscal Year 2001**

	Federal Funds		Total Appropriations	
	Amount	As a % of Total	Amount	Percent Fed. Funds
Administrative Services	\$0	0.00%	\$23,120,500	0.00%
Commerce And Revenue**	196,139,100	12.30%	379,743,700	51.65%
Corrections (Adult & Youth)	3,888,500	0.24%	270,153,800	1.44%
Courts	182,100	0.01%	99,526,700	0.18%
Econ. Dev. and Human Res.	31,652,800	1.99%	86,180,800	36.73%
Elected Officials	17,098,900	1.07%	63,722,300	26.83%
Environmental Quality	12,800,700	0.80%	36,452,600	35.12%
Health	675,770,000	42.39%	1,022,367,200	66.10%
Higher Education	4,592,900	0.29%	757,323,800	0.61%
Human Services	101,507,200	6.37%	438,516,500	23.15%
Legislature	0	0.00%	14,055,100	0.00%
National Guard	10,963,500	0.69%	14,784,300	74.16%
Natural Resources	20,113,100	1.26%	122,837,500	16.37%
Public Education	243,994,000	15.31%	2,237,990,212	10.90%
Public Safety	27,120,400	1.70%	108,926,400	24.90%
Transportation	29,756,400	1.87%	196,671,700	15.13%
Capital Budget***	218,581,600	13.71%	694,040,600	31.49%
Debt Service	0	0.00%	158,046,300	0.00%
<b>GRAND TOTALS</b>	<b>\$1,594,161,200</b>	<b>100.00%</b>	<b>\$6,724,460,012</b>	<b>23.71%</b>

\*Actual federal funding may be somewhat different.

\*\*Workforce Services federal funding is the majority of this, or about \$193 million.

\*\*\*Federal highway funding is \$203 million or 93 percent of federal capital appropriated funding.

Source: Utah Governor's Office of Planning and Budget.

following tests and assessments make up U-PASS:

1. systematic norm-referenced achievement testing of all students in grades 3, 5, 8, and 11;
2. criterion-referenced achievement testing of students in all grade levels in basic skills courses;
3. beginning with the 2001-2002 school year, a direct writing assessment in grades 6 and 9;
4. beginning with the 2002-2003 school year, a tenth grade basic skills competency test;
5. beginning with the 2002-2003 school year, the use of student behavior indicators in assessing student performance.

The new law requires the State Board of Education to “develop a plan to analyze the results of the U-PASS scores for all grade levels . . .” The plan is to include components designed to “assist school districts and individual schools . . . in planning, evaluating, and enhancing programs” within the schools. Beginning with the 2003-2004 school year, the plan must also “identify schools not achieving state-established acceptable levels of student performance in order to assist those schools in raising their student performance levels.” As part of the “budget recommendation” for each year, the state board is to include recommendations for the “resources required to assist schools” that are not meeting state standards.

The State Board of Education is also to cooperate with the 40 school districts to “develop a school performance report to inform the state’s residents of the quality of schools and the educational achievement of students . . .” The law requires that this report include the following information for every public school in the state:

- a. test scores and trends over the previous four years on both the norm-referenced and criterion-referenced test;
- b. writing assessments;

- c. tenth grade basic skills competency tests;
- d. college entrance examinations for the previous four years;
- e. advanced placement and concurrent enrollment data;
- f. the number and percent of students in elementary schools reading at or above grade level;
- g. the number and percent of students classified as chronic absentees;
- h. achievement gaps that reflect the differences in achievement of various student groups;
- i. the number and percent of student dropouts within the district;
- j. course-taking patterns and trends in secondary schools;
- k. student mobility;
- l. staff qualifications;
- m. the number and percentage of parents who participate in the schools’ parent teacher conferences and plans;
- n. the number and percentage of students who participate in extracurricular activities, to include a statement on the amount of class time missed by students and faculty for those activities which require them to miss normal class time during the school day and the total number of individuals involved in missing normal class time; and
- o. average class size by grade level and subject.

The law requires the State Board to standardize the collecting of this information from the 40 school districts so that the Superintendent of Public Instruction can issue a statewide report every October beginning 2003. The report will be available to anyone.

Lastly, the law assigns the Task Force the responsibility to seek input from all players in the public education community regarding the following issues:

- a. recognition and rewards for schools and districts which display exemplary student performance or show significant improvement gains in student performance;
- b. interventions, including identification of available resources, at the school and district level to assist schools whose students are not achieving acceptable levels of performance;
- c. determining what constitutes an acceptable level of performance and whether the level should remain constant or be adjusted over time;
- d. how best to in-service teachers and administrators;
- e. discontinuing social promotions; and
- f. using surveys that deal with parental satisfaction as a component of assessing school performance.

These final areas of discussion will be as difficult as anything the Task Force addressed in its first year. In December of last year Utah Foundation stated in its report *Accountability in Public Education: An Analysis and Overview*, “A system of rewards and interventions is one of the most important elements of an accountability system. Schools which meet the established standard should be rewarded. These rewards can be symbolic (positive rankings and public recognition), monetary or a combination of both . . . Once schools not meeting the standards are identified . . . the state must decide how to help those schools meet the standards in the future. Many types of interventions have been tried in other states with varying degrees of success. Current research does not show that one system of intervention is best but does show that interventions work best when they are seen as offers of help rather than as

punishment.”<sup>2</sup>

### **Higher Education**

Utah’s higher education system consists of: 1) four universities (Utah State, Weber State, Utah and Southern Utah); 2) five community colleges, (Salt Lake, Utah Valley, Snow, Eastern Utah, and Dixie); 3) the State Board of Regents (which administers the entire system); and 4) the Utah Education Network (which includes two public television stations and a statewide education technology network).

The Legislature appropriated to Higher Education \$757.3 million, a 6.1 percent increase over that authorized for FY 2000. Of this amount, \$5.0 million is one-time funding so the on-going increase amounted to 5.7 percent. The Legislature provided for a total compensation increase of 4.7 percent. This includes a 4.3 percent increase in salaries, and a 5.0 percent increase in health and dental benefits costs. In addition, \$2.3 million was appropriated to address salary inequities with peer institutions.

Funding for Higher Education comes from several sources. For FY 2001, the general fund provides 50.7 percent and school funds (state income tax) 23.3 percent. Combined these two sources account for 74 percent of higher education’s total appropriation. Dedicated credits (mainly student tuition and fees) ranks third at 24.8 percent. The remaining sources (federal funds, mineral lease, restricted and trust funds) combined account for only about 2 percent of total funding.

---

<sup>2</sup> Utah Foundation, *Research Report*, 629, “Accountability in Public Education: An Analysis and Overview,” The report states further on page 165, “Outcome-based accountability systems are very new and are based on the premise that all students will meet higher standards of achievement. Schools must be given the training they need to meet those goals. Interventions must include ample opportunities for teachers and administrators to learn how to use test results to adjust instruction, learning improved methods for working with students who are struggling, and preparing the school to function successfully once the intervention period is completed. Students who are struggling may need to be taught in different ways, receive more one on one instruction or tutoring. Classes teaching critical subject areas may need to be smaller. Regardless of what the components are of the system of rewards and interventions, they must be fair and consistent and based on clearly understandable rules.

## Health

The Department of Health received an appropriation of \$1.0 billion, a 5.8 percent increase over that authorized for last year. The single biggest portion of the department's budget is the Medicaid program. This federal/state cooperative health care program for the poor has been one of the two fastest growing programs in the state budget for years.<sup>3</sup> Of the total appropriation for Medicaid, general fund monies account for only 19 percent, almost 70 percent comes from federal grants, the balance from dedicated credits and restricted funds.

Two years ago, the legislature passed the Children's Health Insurance Program (CHIP) which provides health care for children under the age of 19 who live in families making between 101 percent and 200 percent of poverty, currently \$16,700 to \$33,400. In the two years since the program began, some 15,000 children have been insured. This is about half of what is believed could qualify. Approximately 200 to 300 children per week are being enrolled

This is a national program funded mainly with federal funds. In Utah, the balance comes from an assessment on hospitals and other surgical facilities. The hospital assessment has been controversial and its existence as the state's funding source has been in jeopardy from the beginning. Last year the legislature passed a bill repealing the assessment upon the first annual payment of the tobacco settlement. The governor vetoed the bill.

This year, with the tobacco settlement completed and the first year payment in hand, the legislature passed **Senate Bill 15** *Use of Tobacco Settlement Revenues* (discussed in detail later in this report) and appropriated from that revenue \$5.5 million to CHIP to pay for the state's portion of the program. The tobacco settlement money will be the source of the state's matching funds for as long as there are tobacco settlement payments.

The Legislature addressed the issue of access to mental health coverage with the passage of **House Bill 35** *Catastrophic Mental Health Insurance Coverage*. For some time, many health care providers especially those in the mental health care area have been pressing for insurance companies to provide catastrophic mental health insurance coverage in their insurance plans. Many have argued that it is an issue of parity. Proponents believe that mental health care should not be considered nor treated differently than physical health care. This issue has been a concern of health care professionals for some time and has been before the legislature for the last three years. **House Bill 35** is the result of these years of discussion.

The new law requires that "an insurer shall offer to each small employer that it insures or seeks to insure a choice between catastrophic mental health insurance and 50/50 mental health coverage." The small employer (up to 50 employees) does not have to buy the mental health coverage but the insurer must make it available. For large employers (over 50 employees), insurers must offer catastrophic mental health coverage only, but they are not required to buy it.

For a person whose company has mental health coverage, "a diagnosis or treatment of a mental health condition must be rendered.. ." by "mental health therapist," or in a "health care facility licensed or authorized to provide mental health services.."

Not surprisingly, the bill was a compromise. Mental health care professionals and other supporters, wanted more, seeing a need for such coverage. Employers were mainly concerned about the costs of such additional health care coverage. Though employers are not required to provide mental health care coverage for their employees, the fact that insurers must now make it available for purchase will begin the process of making it more available to people.

## Courts and Corrections

The Department of Corrections received an appropriation of \$270.2 million. Of that total, Adult Corrections received \$178.8 million and Youth Corrections \$88.6 million. The Board of

---

<sup>3</sup> For details on how fast this program has been growing see, Utah Foundation *Research Report*, 625, "A Look At Utah State Government Growth," (June 1999)



Pardons received the balance -- \$2.7 million. The legislature approved the establishment of a 75-bed private parole transition center in Salt Lake County. Because of slower than expected growth in the inmate population,<sup>4</sup> a 288-bed expansion of the Gunnison prison has been delayed as has a 500-bed privatized medium-security prison in Grantsville. Several years ago, the state contracted with Camp Williams to house minimum security inmates. A new 210-bed facility is nearing completion at the main prison in Draper and the Camp Williams facility will be closed this year and the inmates transferred to the new facility.

The legislature passed **House Bill 281 Drug Courts and Drug Board Pilot Project** which allows for the expansion of drug courts in the state. According to the governor's office these "courts provide an alternative to prison for felony drug offenders and have been successful in reducing substance abuse by participants."<sup>5</sup> The law specifically establishes a drug board pilot project in Weber and Davis counties. The pilot projects require released inmates to participate in drug treatment, testing and reporting programs. It is hoped that this project will prove successful in reducing recidivism.

### Public Safety

The Department of Public Safety received an appropriation of \$108.9 million, an increase of 12.9 percent over that authorized the previous year. The growth is the result of a 54 percent increase in federal funds (\$9.6 million) over last year. The additional federal funds, allocated to the commissioner's office, are to help the state in preparation for the 2002

---

<sup>4</sup> Utah's prison population experienced no growth from July 1998 to June 1999. Since then it has increased by some 400 inmates. The Department of Corrections is now projecting an annual increase in the prison population of approximately 325 over the next five years. This is down from the average increase of 450 over the last several years. The Department to date has no explanation for the one year of no net growth in inmate population.

<sup>5</sup> State of Utah Budget Summary: Fiscal Year 2001, (Governor's Office of Planning and Budget, April 2000), p.62.

Olympics. The federal government provided \$9.6 million above what was provided the previous year for planning and development of security measures.

The Highway Patrol received funding for two new officers for State Route 6 (in Utah, Carbon and Emery counties) and \$250,000 to expand laptop technology in officer's vehicles in Utah and Juab counties. The legislature also amended laws dealing with possession of handguns. Three bills were passed during the session. One bill, in essence, absorbs the other two. **Senate Bill 72 Criminal Code - Restricted Persons** repeals and/or amends current law regarding the restrictions on gun ownership. The new law prohibits the ownership or possession of firearms or dangerous weapons to two types of persons: Category I and Category II restricted persons.

A Category I restricted person is someone who:

- 1) has been convicted of any violent felony;
- 2) is on probation or parole for any felony;
- 3) is on parole from a secure facility;
- 4) within the last ten years has been adjudicated delinquent for an offense which if committed by an adult would have been a violent felony;

A Category II restricted person is someone who:

- 1) has been convicted of or is under indictment for any felony;
- 2) within the last seven years has been adjudicated delinquent for an offense which if committed by an adult would have been a violent felony;
- 3) is an unlawful user of a controlled substance;
- 4) is in possession of a dangerous weapon and is knowingly and intentionally in unlawful possession of a controlled substance;
- 5) has been found not guilty by reason of insanity for a felony offense;

- 6) has been found mentally incompetent to stand trial for a felony offense;
- 7) and has been adjudicated as mentally defective as provided by the Brady Handgun Violence Prevention Act;
- 8) is an alien who is illegally or unlawfully in the United States;
- 9) has been dishonorably discharged from the armed forces;
- 10) has renounced his citizenship after having been a citizen of the United States.

A Category I restricted person is guilty of a second degree felony if that person “purchases, possesses, uses, or has under his custody or control” any firearm. That person is also guilty of a third degree felony if he “purchases, possesses, uses, or has under his custody or control” any “dangerous weapon.” For the same offenses, a Category II restricted person is guilty of a third degree felony and a class A misdemeanor respectively.

Another reaction to the gun control issue is **House Bill 199** *Limits on Gun Manufacture’s Liability*. This law makes it unlawful for the “state or any of its political subdivisions” to sue a gun manufacturer for the “subsequent use, whether lawfully or unlawfully, of the firearm or ammunition, unless the suit is based on the breach of contract or warranty . . .”

**Senate Bill 12** *Safety Belt Law Amendments* requires Utah drivers and vehicle occupants to wear safety belts. All children under the age of five must be in a child restraint device and children from five to 16 either in child restraint devices or safety belts. Previously, this requirement stopped at age 10. If a person 18 years of age or younger is in violation of the law, an officer can ticket the person as a “primary offense.” By comparison, persons “19 years of age or older” (whether driver or passenger) found in violation of the law can only be cited if they are first detained for a violation of another motor vehicle regulation. In other words, the enforcement for those 19 or older can be done only as a “secondary offense.”

## **The Tobacco Settlement Money**

In September 1996, Utah’s Attorney General Jan Graham filed a law suit against the tobacco companies to recover the medical costs associated with smoking incurred by the state. In doing so, Utah became the twelfth state to file such a suit. In November 1998, the tobacco companies agreed to a settlement that will pay \$206 billion over the next 25 years to the states that filed suit. It is expected that Utah’s portion will be approximately \$900 million over the next 25 years.<sup>6</sup> One of the important discussions in all states receiving the settlement funds is what to do with the payments the states will receive.

In the session, the legislature passed **Senate Bill 15** *Use of Tobacco Settlement Revenues* which mandates how the tobacco settlement funds are to be used. The law creates the Tobacco Settlement Restricted Account and the Tobacco Settlement Endowment. Initially all funds received from the tobacco settlement are placed in the Tobacco Settlement Restricted Account. The law requires that the payments received from the tobacco companies are to be split equally between the Tobacco Settlement Endowment and the Tobacco Settlement Restricted Account over the next three years. Beginning July 1, 2003, 60 percent of the annual payments go into the Endowment Fund and 40 percent into the Restricted Account. The endowment fund becomes a permanent fund from which only one-half of the interest earned from investing the fund balances can be appropriated.

The Restricted Account, by contrast appropriates moneys annually “to the extent that funds will be available.” The appropriations from the account for FY 2001 are:

- a. \$5,500,000 to the Department of Health for the Children's Health Insurance Program;
- b. \$4,000,000 to the Department of Health for alcohol, tobacco, and other drug prevention, reduction, cessation, and control programs;

---

<sup>6</sup> The settlement goes in perpetuity, as long as the tobacco companies are in existence they are obligated to pay the states. However, the annual payments are set for only the next 25 years.

- c. \$193,700 to the Administrative Office of the Courts and \$1,296,300 to the Department of Human Services for the statewide expansion of the drug court program;
- d. \$77,400 to the Board of Pardons, \$81,700 to the Department of Corrections, and \$350,900 to the Department of Human Services for a drug board pilot program;
- e. \$4,000,000 to the University of Utah Health Sciences Center to benefit the health and well-being of Utah citizens through in-state research, treatment, and educational activities.

In addition to Senate Bill 15, the legislature passed **Senate Joint Resolution 14**, which creates a constitutional trust fund which then would receive the portion of the tobacco payments that will go into the Endowment Fund. The purpose of this resolution is to make the funds more secure from appropriation because the fund could only be changed by a future constitutional amendment.

### **Olympics**

The Salt Lake Olympic Committee (SLOC) will benefit from two actions by the legislature. **Senate Joint Resolution 11** delays a \$58 million payment owed to the state on January 10, 2002 until March 7, 2002 -- or just after the 2002 Winter Games. This \$58 million will go back to state and local governments to repay the 1/64 percent of the sales tax revenue which was used to build the park. The money will be paid into the Olympic Special Revenue Fund. The state will then keep one-half of the SLOC payment and the other half will be distributed to local governments.

SLOC will also pay \$40 million to the Utah Athletic Foundation, which will be the operating organization of the Park after the 2002 Olympics on or before March 7, 2002. One million dollars has already been paid to the Utah Sports Authority, most with in-kind contributions. The delaying of the payments will help with SLOC's cash-flow through

the Winter Games.

**Senate Bill 272** *Sales and Use Taxation of Admissions or User Fees - Olympic Winter Games of 2002* exempts SLOC from charging the sales tax on its ticket sales and admissions. However, there is an agreement that the revenue from the portion of ticket sales equivalent to the sales tax will be collected by SLOC and then distributed to local governments to help defray the cost of providing necessary public safety services. The value of this agreement is approximately \$13 million as SLOC is expecting to derive some \$200 million in ticket sales. SLOC has agreed to match this with approximately \$4 million of its own funds. It is hoped that this will help leverage federal public safety funds as well.

### **Capital Budget**

As **Table 3** shows, the capital budget received \$694.0 million, a 5.0 percent increase over the previous year. Eighty-three percent of the capital budget, or \$576.1 million went for transportation projects. Administrative Services received \$53.3 million, most of which goes for statewide capital improvements.

The Department of Natural Resources received \$12.6 million, most of this amount going to the Division of Parks and Recreation. The Department of Environmental Quality received \$9.6 million for environmental site remediation. Public Education received \$2.8 million for a maintenance building at the Ogden/Weber ATC and for expansion at the Center for the Deaf, and \$28.4 million for their Capital Outlay Foundation Program.

Higher Education was appropriated \$11.3 million for various capital projects. Eleven additional Higher Education capital projects were funded by donations and revenue bonds.

**Senate Bill 235**, *Bonding for State Fairpark Corporation*, specifically approves the use of \$10.5 million in revenue bonds for a new multipurpose building. **House Bill 2** *Bond Bill and Capital Facilities Authorizations*, provides \$8 million in lease revenue bonds for the construction of a new office building for the State

**Table 3**  
**FY 2001 Capital Budget**

Capital Projects by Agency	General Fund	School Funds	Transportation Fund	Federal Funds	Mineral Lease	Restricted & Trust Funds	Other	Total* Appropriations
<b>Administrative Services</b>								
Statewide Capital Improvements	36,753,000							36,753,000
State Capital Strategic Plan	2,050,000						36,500	2,086,500
Corrections - Privatized Transition Center				2,777,800				2,777,800
Youth Corrections - St. George Expansion				1,170,000			130,000	1,300,000
Courts - Logan Property/Design	2,000,000							2,000,000
State Hospital - Rampton Phase II	5,700,000							5,700,000
Fairpark - Multipurpose Facility								0
Natural Resources - Bear Lake Campground	305,800						1,889,200	2,195,000
Heber Valley Railroad - Depot	260,000							260,000
Workforce Services - Logan Property				197,000				197,000
<b>Subtotal</b>	<b>47,068,800</b>	<b>0</b>	<b>0</b>	<b>4,144,800</b>	<b>0</b>	<b>0</b>	<b>2,055,700</b>	<b>53,269,300</b>
<b>Higher Education</b>								
USU - Heat Plant Design/Phase I	1,836,500	6,934,300					428,000	9,198,800
UVSC - Classrooms		1,465,000						1,465,000
Snow College South - Property		425,000						425,000
Dixie State College - Fine Arts Demolition		220,000						220,000
Board of Regents - Office Building								0
SLCC - Jordan School District Tech Centers								0
Snow College South - Student Housing								0
SUU - Athelte's Weight Training Facility								0
UofU - Bookstore Expansion								0
UofU College of Science Math Center								0
UofU - Burbidge Athletics Academic Center								0
UofU - Health Sciences Center								0
USU - Edith Bowen Lab School Renovation								0
UVSC - Baseball Stadium								0
WSU - Stadium addition								0
<b>Subtotal</b>	<b>1,836,500</b>	<b>9,044,300</b>					<b>428,000</b>	<b>11,308,800</b>
<b>Natural Resources</b>								
Parks & Rec - Soldier Hollow Day Lodge						700,000		700,000
Parks & recreation - Other	1,054,800			550,000		525,000	3,974,000	6,103,800
Wildlife Resources	800,000			1,311,000		1,205,000	500,000	3,816,000
Water Resources	1,652,500						(1,652,500)	0
Trust Lands Administration						2,000,000		2,000,000
Water Resources								0
<b>Subtotal</b>	<b>3,507,300</b>			<b>1,861,000</b>	<b>0</b>	<b>4,430,000</b>	<b>2,821,500</b>	<b>12,619,800</b>
<b>Public Education</b>								
Ogden/Weber ATC - Maintenance Complex		1,669,800						1,669,800
Center for the Deaf - Expansion		1,102,000						1,102,000
Capital Outlay Program		28,358,000						28,358,000
<b>Subtotal</b>	<b>0</b>	<b>31,129,800</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>31,129,800</b>
<b>Transportation Maintenance Facilities</b>								
Cache Junction - Maintenance Complex			611,000				300,000	911,000
Lehi - Maintenance Complex								0
Kimbal Junction - Maintenance Complex								0
Orem - Region III Headquarters Remodel								0
Construction			83,903,700	125,796,100		1,000,000	1,550,000	212,249,800
Sidewalk Construction			500,000					500,000
B & C Road Fund			92,744,800			18,000,000		110,744,800
Centennial Highway Fund	133,896,000		60,031,000	77,163,000			(32,399,400)	238,690,600
Mineral Lease Programs					13,000,000			13,000,000
<b>Subtotal</b>	<b>133,896,000</b>	<b>0</b>	<b>237,790,500</b>	<b>202,959,100</b>	<b>13,000,000</b>	<b>19,000,000</b>	<b>(30,549,400)</b>	<b>576,096,200</b>
<b>Economic Development</b>								
Community Assistance					14,734,700		(14,734,700)	0
<b>Environmental Quality</b>								
Environmental Site Remediation				9,616,700				9,616,700
<b>Total Capital Projects</b>	<b>\$186,308,600</b>	<b>\$40,174,100</b>	<b>\$237,790,500</b>	<b>\$218,581,600</b>	<b>\$27,734,700</b>	<b>\$23,430,000</b>	<b>(\$39,978,900)</b>	<b>\$694,040,600</b>

\*Capital projects that show zero appropriated funds are funded by private donations, general obligation bonds, or revenue bonds.  
Source: Utah Governor's Office of Planning and Budget.

Board of Regents and **House Bill 210** *Higher Education Revenue Bonding*, authorizes the State Board of Regents to issue \$13.5 million to build a new student services center at Utah Valley State College.

**Senate Bill 273** *Highway Bonding* approved a general obligation bond of \$6 million for the reconstruction of the interchange at Interstate 80 and 5600 West. This project is necessary for development of the Grand Salt Lake Mall planned west of the airport. Before the bonds can be issued by the state, the developer of this large mall must sign an agreement with the Department of Transportation guaranteeing the debt repayment.

### Salary Increases for Elected Officials

Legislators gave themselves a \$20 increase in their per diem compensation. Despite this increase, legislative compensation in Utah is very low by national standards. This is because Utah legislators are considered part time or citizen-legislators. As a result, they receive no salary, only a per diem for each day of the session, for all interim days (10) and for any other day they are serving. It is this per diem rate that was raised. Legislators will now get \$140 per day.

At this per diem rate, legislators receive \$6,300 for the 45 day session and \$1,400 for the assigned 10 interim days when not in session. This totals \$7,700 for the year in per diem compensation. Any additional days of work for task forces or special committee meetings would provide \$140 per day as well.

Utah is one of only eight states that provides no salary to legislators. In the other 42 states salaries range from \$7,200 per year in Texas to \$75,000 per year in California, plus a per diem. Twenty-six states pay legislators \$15,000 a year or more, 19 states pay their legislators \$20,000 a year or more.

Utah's elected officials received salary increases of 4 percent. This is less than the increases for public or higher education or state employees. The current salaries and the FY 2001 salaries are listed below.

<b>Office</b>	<b>FY 2000</b>	<b>FY 2001</b>
Governor <sup>7</sup>	\$93,000	\$96,700
Lt. Governor	\$72,300	\$75,200
Att. General	\$78,200	\$81,300
Auditor	\$74,600	\$77,600
Treasurer	\$72,300	\$75,200

### Public Utilities Regulation

The legislature passed two bills dealing with public utilities. Currently, the Public Service Commission, created in 1933, is charged with "exercising the legislative, adjudicative, and rule-making powers"<sup>8</sup> and is vested with the "power and jurisdiction to supervise and regulate every public utility in this state, and to supervise all of the business of every such public utility . . ." <sup>9</sup> Its main purpose is to see that the rates and service rendered by public utilities "are just and reasonable."<sup>10</sup>

The commission has the authority to set the rates charged by the utilities. In the 1950s, the legislature created the Division of Public Utilities. The DPU has the responsibility to provide the PSC with "objective and comprehensive information . . ." that provides "safe, healthy, economic, efficient, and reliable operation of all public utilities and their services . . ." and for "just, reasonable, and adequate rates . . ." <sup>11</sup> In 1977, the legislature created the Committee of Consumer Services to act as an advocate of "positions most advantageous to a majority of residential consumers . . ." in the state. Together, the DPU and the CCS are to provide the commission with the information necessary to make sound decisions in regards to public utility service in the state. However, critics of the current system say it is too adversarial, litigious and inefficient.

---

<sup>7</sup> In 1998, Utah's gubernatorial salary ranked 31st in the nation. In that year 16 states paid their governors \$100,000 or more.

<sup>8</sup> Utah Code Annotated, 54-1-1.

<sup>9</sup> Utah Code Annotated, 54-4-1.

<sup>10</sup> Utah Code Annotated, 54-3-1.

<sup>11</sup> Utah Code Annotated, 54-4a-6.

**House Bill 320** *Public Utility Amendments* makes changes to the laws governing public utilities. However, these changes will not become effective for one year. The new law dissolves both the DPU and CCS and replaces these two agencies with the Office of Public Advocate (OPA). The OPA has authority to, “initiate and participate in initial conferences, commence original proceedings, file complaints, appear as a party, present factual information and evidence, examine witnesses, advocate policy recommendations, commence appeals, otherwise participate in proceedings before the commission . . . ;” and to “otherwise represent the public interest in matters and proceedings involving regulation of a public utility pending before any officer, department, board, agency, commission, governmental authority, or court of Utah . . . .”

Probably the biggest criticism with **House Bill 320** centered on the dissolution of the Committee on Consumer Services. Critics of the bill say that the CCS provided the residential consumer a voice in the hearing process before the PSC when rate cases were deliberated. They claim that the new law eliminates that independent voice.

Proponents disagree. They say the consumer is still represented and cite a section of the law which states, “Notwithstanding the requirement . . . to balance the interests of consumers and the public utility, the director of the Office of Public Advocate: shall designate one or more members of the staff of the Office of Public Advocate to take positions and testify for the interests of residential or small commercial consumers . . . and shall provide adequate resources . . . to members of the staff of the Office of Public advocate to perform their duties.”

The Committee on Consumer Services was created when energy prices were increasing rapidly. Clearly one reason for the increase in energy prices during that time was the dramatic increases in energy prices driven by the Oil Petroleum Exporting Countries (OPEC) which reduced supplies and increased prices twice in the 1970s. The CCS was created in the wake of this inflationary environment in hopes of providing some representation for Utah gas and electricity consumers. Interestingly, energy prices have stabilized in actual terms and gone down

significantly in real terms since then in Utah and across the nation.<sup>12</sup>

Proponents of the new law say the more significant issue today is not energy prices but the need to meet the increasing demands for public utility service in a growing state and providing for improved services. In order to meet the growing demand for services, Utah’s utilities believe they need a less adversarial hearing process. They also believe these changes may allow them to make the profits, that in their view, are needed to meet the increasing utility demands of a growing population and satisfy stockholders who provide an important part of the capital necessary for meeting those demands.

The Office of the Public Advocate Advisory Board, which is created by **House Bill 320**, has the statutory responsibility to:

- C initiate and participate in conferences, commence original proceedings, file complaints present factual information and evidence, advocate policy recommendations;
- C investigate or study any matter within the jurisdiction of the PSC;
- C conduct audits and inspections;
- C require any person subject to the PSC to provide information, access to inspect and copy any records, permit inspection of properties;
- C make recommendations regarding public utility, regulatory policy and long-range planning;
- C after **balancing the interests of consumers and the public utility**, take a position in a matter before the commission, but **may not**

---

<sup>12</sup> From 1980 to 1997, average natural gas prices rose from \$2.96 cents per thousand cubic feet to \$3.90. However, in 1997 dollars, the price of natural gas has actually declined, from \$5.77 per thousand cubic feet in 1980 to \$2.96 in 1997. Similarly, electricity prices have increased from 4.3 cents per kilowatt-hour in 1980 to 5.2 cents in 1997. In 1997 dollars, electricity has declined from 8.4 cents per kilowatt-hour in 1980 to 5.2 cents in 1997.

**specifically appear on behalf of any individual, organization or entity.**

The Office of the Public Advocate will consist of eight members, six of which shall be appointed by the governor to represent the following users of public utilities: large industrial users, small industrial or commercial users, agriculture, residential users, low income residents, and retired persons. The remaining two members of the board are the executive director of the Department of Commerce and the director of the Office of the Public Advocate.<sup>13</sup>

It is the responsibility of the Office of the Public Advocate to balance the “interests of the consumers and the public utility” that concerns opponents of the new law. They note that the CCS was not required to be balanced but was an advocate for consumers. Proponents of the bill feel that this more balanced approach to rate hearings will be less adversarial while still providing all the information essential for the PSC to make fair decisions.

A second utilities bill also passed the legislature -- **House Bill 338 Changes to Telecommunications Laws**. This bill deals with the telephone industry. The bill accomplishes three main things. First, the new law allows for regulated telecommunication providers to be in “substantial compliance” with Public Service Commission rules and orders rather than in complete compliance. The additional flexibility was sought by U.S. West, the dominant local telephone service provider in the state. Critics of the law say that the problem with such a change in the law is determining what “substantial compliance” means. Second, the new law allows for greater pricing flexibility. Currently, local telephone rates are frozen, but that freeze will end January 1, 2001. With the end of the freeze, and if there is competition in the marketplace, telephone companies can set their rates by providing the PSC with their “price list.” This will eliminate the need for the PSC to set rates for telephone use. It is this part of the law that upsets

critics.

Third, the law allows the PSC to adopt rules “governing service quality standards to telephone users” and the authority to enforce those rules by “granting billing credits to the affected” telephone users. This provision was placed into law to “promote continued investment in the public telecommunications network . . .” by U.S. West and “to improve the quality of service for end users . . .” Several years ago, U.S. West was unable to meet the substantial increase in demand for new telephone lines in parts of the Wasatch Front where new subdivisions were sprouting up. The law now establishes incentives to meet future needs by providing credits to customers who want service but cannot get it.

### **Other Bills**

**Senate Bill 121** *Dr. Martin Luther King Jr. Day* changed Utah’s Human Right’s Day (third Monday in January) to the Martin Luther King Jr. Holiday. Creating such a holiday has been a goal of many Utahns for some time. The prior creation of Human Rights Day was a compromise to the supporters of a holiday in honor of Dr. King. Because of some opposition to naming the holiday after King, the legislature created Human Rights Day.

**House Bill 61** *Distribution of Sales and Use Tax Revenues - Botanical, Cultural, Recreational, and Zoological Organizations or Facilities* changes the distribution of the one-tenth of a cent sales tax that can be imposed by counties for the support of recreational, arts and cultural organizations. It allows all counties “except for a county of the first class” (Salt Lake County is the only county of the first class), to increase the amount of the tax revenue that goes to “recreational facilities” to as high as 45 percent. Currently the law allows only 30 percent of the revenue to be used for recreational facilities. The purpose of the law is to allow counties with fewer cultural and arts organizations than Salt Lake County (the one county excluded from the law’s modifying language) to spend an increased amount for recreational purposes.

The legislature passed **House Bill 345**,

---

<sup>13</sup> The executive director of the Department of Commerce is appointed by the governor with the approval of the Senate. The director of the Office of the Public Advocate is appointed by the Director of the Department of Commerce.

*Unemployment Insurance Amendments*, which reduces the social portion and reserve factor of the state's unemployment tax. According to the Governor's Office of Planning and Budget, the savings to Utah employers will be \$22.2 million over the next five years. The social portion of the rate covers unemployed workers whose benefits may not be charged back to a specific employer. The rate reduction is possible because of consistently low unemployment rates in Utah the past several years. This has resulted in a surplus in the Unemployment Trust Fund.

### **Conclusion**

In a productive session, the legislature spent most of its time focusing on education funding and reform. Public education received its biggest increase in the WPU in many years. In addition, the legislature passed House Bill 77, which created a comprehensive statewide testing and evaluation program of the state's public schools. This is the first phase in implementing a public education accountability program. The next phase, that of implementing a standards, reward and intervention program is probably the hardest phase. The Task Force given this assignment is to present their findings

before the next legislative session.

The state lowered the state unemployment tax, established the Martin Luther King Jr. Holiday, helped the Salt Lake Olympic Committee by postponing some payments due the state and rewrote the state's gun restriction laws. Legislators appropriated the tobacco settlement money with half of the revenue going into a new permanent endowment fund and half going to special programs such as the Children Health Insurance Program and tobacco use prevention. Two new bills dealing with public utility regulation passed. One streamlines and makes less adversarial the hearing process for public utilities and the other reforms parts of Utah's telecommunications rules.

The legislature appropriated \$6.7 billion for FY 2001. Most of the money goes to the following entities: Public Education \$2.2 billion, or 33.3 percent of the total budget; the Department of Health \$1.0 billion or 15.2 percent; Higher Education \$757 million or 11.3 percent; the capital budget \$694 million (mainly for highways) or 10.3 percent; and Human Services \$438 million or 6.5 percent. Combined these four categories account for \$5.5 billion or 76.6 percent of the total budget.