2010 General Legislative Session: Issues to Watch
by Tricia Jack, MPA and Jennifer Robinson, MPA of CPPA

Introduction
With economic woes continuing to affect revenue, this year’s legislative session will once again be dominated by tough budget decisions. This preview begins with a discussion of the key budget issues and then addresses three other important policy areas for 2010: state retirement funds, healthcare reform, and ethics.

Budget
Over the past several years Utah’s economy has slowed, resulting in shortfalls in the state’s revenue. This shortfall has implications for both the current fiscal year and upcoming year. The appropriated budget for FY 2010 was $11.5 billion, yet due to the reduction in revenues throughout the fiscal year, the budget will need to be reduced further. The Legislature will also need to balance the FY 2011 budget with lower revenues than in years past.

Some of the many questions facing the Legislature this year will include: Will there be a tax increase to generate additional revenues? What types of taxes should be increased and by how much? Where will additional budget reductions be made? Should money from the Rainy Day Funds be used and how much should be used?

A recent survey completed by the Center for Public Policy & Administration and The Exoro Group measured the public’s opinions on these questions. The survey asked “In general, do you personally prefer the notion of cutting services or increasing taxes?” Forty-six percent of respondents said they definitely or probably preferred cuts in services. Thirty percent said they definitely or probably preferred a tax increase. Fifteen percent said that a combination of tax increases and cuts in services was their preferred choice. Citizens were also asked if Rainy Day Funds should be saved for the future or should be used now. More than half (54%) believe money from the Rainy Day Fund should be used now; 33% said the Fund should be saved for the future. The survey report, with more results, can be found at: www.imakenews.com/cppa/e_article001655250.cfm?x=b11,0,w

State Retirement Funds
Related to budgetary issues, retirement is another key issue that will be on the list for discussion. While the legislature is not expected to change retirement benefits significantly for current state employees because the state is contractually obliged to pay retiring employees what they were expecting, there may be some changes for new state employees.

Utah’s state retirement system, like most other states, was put in place many years ago when it was much cheaper for employers to pay for retirement benefits rather than to give pay increases. However, as costs have risen, this is no longer the case. As the stock market plummeted in recent months, Utah Retirement Systems has been left with around $6.5 billion in long term liabilities that it cannot currently fund. Although the projected rate of growth for 2009 of 7.75% was significantly lower than the actual 13% growth rate, there is still a huge shortfall.

In his projected budget, released in December 2009, Governor Herbert supports funding the entire 2.1% contribution rate increase for public employees’ contributory and non-contributory retirement systems. However, Senator Dan Liljenquist is sponsoring three bills that propose changes to the Utah Retirement System.

1. SB94, “Supplemental Benefit Amendments for Non-Contributory Public Employees” proposes modifications to the Public Employees’ Noncontributory Retirement Act by
amending provisions related to the supplemental defined contribution for certain employees. It ends the 1.5% 401(k) contribution for current state and school employees who began full-time employment with the state or its educational institutions on or after July 1, 1986, and requires a participating employer to determine whether an employee is eligible to receive the 1.5% of salary non-elective contribution.

2. SB42, “Retirement Eligibility Amendments” proposes phasing in higher minimum retirement service years across all systems. The service requirement would increase from 30 years to 35 years depending on how vested employees are in the system. Firefighters and public safety service requirements would be increased from 20 to 25 years.

3. Finally, SB43, “Post Retirement Employment Amendments” proposes changes to the post-retirement system, effectively ending “double dipping.” This means that employees who retire and are then rehired into a full time position after July 1, 2010 will have their pension payments suspended but they could still earn additional service credit.

Further details and a tracking system for these bills can be found at www.le.utah.gov/asp/billsintro/SubResults.asp?Listbox4=02004

**Healthcare Reform**

The Utah Health Exchange (exchange.utah.gov) is now in place for small employers, but further discussion and improvements will be on the agenda at this year’s general session. The current “dual market” means that insurers can sell insurance on the exchange or on the open market and many employers are finding that their premiums are higher when they buy insurance through the exchange. A limited launch survey by the Office of Consumer Health Services presented at the Health System Reform Task Force meeting in December 2009[1] showed that, of those surveyed, 77.5% said that the premiums quoted were either “somewhat higher” or “much higher” than their current premiums. At the time of the survey, 99 employers had been approved, but only 13 had purchased insurance through the exchange. Some of these quoted higher premiums as the reason for not purchasing, but there were other reasons too, such as finding the system difficult to use, or disappointment with the range of plans offered.

House Speaker David Clark’s bill[2] aims to address some of these issues. The bill proposes to allow insurers to offer their small-group policies only through the exchange and not on the open market. Additionally, the bill proposes that insurers will no longer be able to calculate premiums based on employees’ pre-existing conditions, and that factors such as ages of employees, geographic location, Body Mass Index (BMI) ratings, tobacco usage, blood pressure and diabetes management be used instead. The idea is that basing premiums on these factors encourages healthier lifestyle choices, and therefore brings claims down.

**Ethics**

There are several aspects to examine when talking about ethics legislation:

- Should there be an independent ethics commission to review complaints about lawmakers?
- Should there be limits on contributions to candidates for statewide races, legislative seats, and the state school board?
- Should gifts to legislators be banned? Should the value of the gift be lowered?
- Should legislators be required to wait a certain amount of time before becoming a lobbyist?
- How can campaign funds be spent?
- Should the state use an independent commission for redistricting?

These issues will be addressed in the upcoming session. To track legislation on this subject go to this link: le.utah.gov/asp/billsintro/SubResults.asp?Listbox4=02208
Conclusion
Last year, our introduction to the Legislative Preview article started with: "This legislative session seems to be about three things: budget, budget, and budget. Indeed, the budget is the critical issue and it affects all the other policy areas in the state." As we conclude this year’s article, we repeat, that the legislative session will be about the budget, and a few other things too.


The bill number was not available at time of publishing. To track progress, please visit www.le.utah.gov/asp/billsintro/RepResults.asp?Listbox3=CLARKD