

# Budget and Policy Investments for Utah Life Elevated 2020



## Governor Gary R. Herbert Budget Recommendations **FISCAL YEAR 2019 – FISCAL YEAR 2018 SUPPLEMENTALS**



# Budget and Policy Investments for Utah Life Elevated 2020



## Life Elevated 2020

Effective & Efficient Government

Qualified Workforce

Affordable, Thriving Communities

Equitable & Competitive Revenue

Utah's unparalleled population and economic growth are key contributors to the life elevated experience. Ensuring that growth translates to accessible opportunities requires careful forethought and a willingness to face challenges head on. Life Elevated 2020 is a collaborative, statewide growth strategy to further enhance the prosperity and quality of life of all Utahns.

This budget not only considers how to spend new revenue but how well the state is maximizing existing resources.

One of only nine states to maintain  
**AAA** bond rating

**\$16.7 billion**  
balanced budget

**\$382 million**  
new ongoing money

**\$102 million**



In new one-time funds after \$35 million deposit to rainy day funds

**\$276 million**  
new ongoing money  
for education

**-- Education --**  
**72%** of new revenue  
going to education

**\$9 billion**  
total budget for education  
(state, local, federal)

Through year 3, reached **67 percent** of Governor's 5-year goal of  
**\$1 billion** for public education and **\$275 million** for post-secondary education

### K - 12

**\$208 million** in new funding

**\$170 million increase**  
in flexible, local education funding

**Weighted Pupil Unit (WPU) increase of \$121 million (4%)** allows local school boards flexibility to focus on local investments for:

- Professional development
- Teacher salary increases
- Technology development
- Counseling



**Amount equal to a 1.6% WPU increase**

- ✓ **\$34 million** WPU add on for children at risk of academic failure
- ✓ **\$25 million** (\$14.8 million ongoing and \$10.2 million one time) for property tax equalization

Enrollment growth of 7,700 students  
**\$36 million**

### Post-Secondary Education

**\$102 million** in new funding (\$68 million ongoing and \$34 million one time)

- ✓ Increase of **\$33.2 million** for USHE compensation (including \$8 million to avoid mandatory tuition increases) and a flexible funding increase of **\$24 million**
- ✓ Increase of **\$1.7 million** for technical college compensation, a flexible funding increase of **\$7 million**, and **\$0.7 million** for new O&M
- ✓ **2018: the Year of Technical Education**

#### Objectives

- Dramatically increase completion rates while lowering cost per-student
- Lead the nation in students completing high-quality technical education
- Ensure access and equity to include 1<sup>st</sup> generation and non-traditional students
- Support training programs for sectors experiencing skill gaps and labor shortages—improve alignment between graduate skills and workforce needs



# Budget and Policy Investments for Utah Life Elevated 2020



## Air Quality

- ✓ Utah Division of Air Quality has set an ambitious goal to **reduce annual statewide per capita emissions by 25 percent by 2026**
- ✓ **\$500,000** to conduct Utah-specific air quality research
- ✓ **\$350,700** for air quality personnel in areas with heavy backlogs and unmet needs
- ✓ **Recognize connection** between transportation, land use, and air quality

## Water

- ✓ **Executive Water Finance Board** established by the Governor in 2017 to conduct financial and economic reviews of state-funded water projects
- ✓ **Received water strategy recommendations**
- ✓ **\$1 million** to better measure and study agricultural water use
- ✓ **\$8.4 million** for dam safety upgrades
- ✓ **\$305,000** for algal bloom costs

## Transportation

- ✓ Re-emphasis on users paying for transportation costs according to use
- ✓ **\$1.9 billion total transportation budget** (including highway debt service)
- ✓ Allow flexibility to use Transportation Investment Funds (TIF) for all modes of transportation to ensure transportation projects with the best return on investment prioritized

## Social Services

- ✓ Rigorous review of suicide prevention programs
- ✓ **\$21.5 million** for Medicaid consensus items
- ✓ **\$3.7 million** for Accountable Care Organization rate increases
- ✓ **\$10 million one-time** for Operation Rio Grande

## Tax Modernization

- ✓ Modernize the tax code for all taxes
- ✓ Reduce the state sales tax rate and broaden the base in a way that reduces unfair loopholes and creates a more sustainable revenue model to meet Utah's critical needs (such as education)
- ✓ Re-emphasize user fees and reduce earmarks

## SUCCESS

- ✓ Improve the quality of government while bending the cost curve
- ✓ **27% improvement** in performance over the past 5 years
- ✓ SUCCESS+ identifies ambitious projects to enhance the quality of life for the citizens of Utah

## Rural Utah

- ✓ Create **25,000 jobs** by 2020
- ✓ **\$2 million** to rural school districts to meet unique educational needs
- ✓ **\$1.5 million** in tourism marketing funds for tourism development in under-served areas
- ✓ **\$10 million** to improve and expand state park system and **\$5 million** to the Outdoor Recreation Infrastructure Grant Program

## Capital Development

- ✓ **New buildings:** Department of Agriculture, Nephi National Guard Armory, Davis Applied Technology Allied Health building
- ✓ **Pre-committed buildings:** U of U Hospital, Dixie State Human Performance building, Weber State Social Science building
- ✓ **\$5.9 million** to improve Olympic venues



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# BUDGET & POLICY BRIEF

## Life Elevated 2020

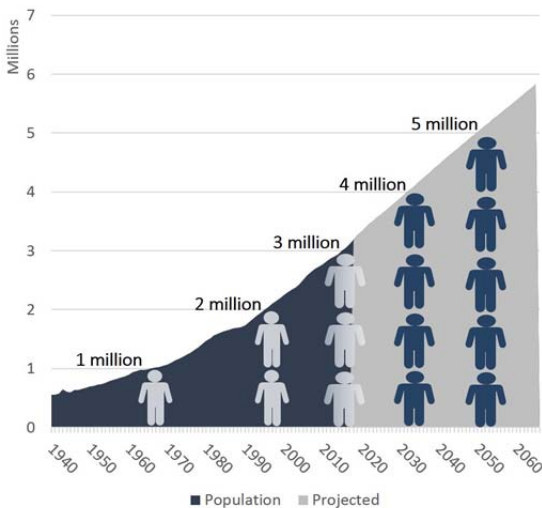


*Identifying and achieving ambitious goals for Utah's continue prosperity*

### CALL TO ACTION

As the State of Utah concludes another year of impressive increases in population, tourism, and economic growth, it is once again confirmed that Utah is an attractive place to do business, visit, and put down roots. While people converge to Utah for a myriad of reasons, its enviable quality of life and economic performance are major factors impacting why 3.1 million people ultimately choose to call Utah home.

**FIGURE 1. UTAH POPULATION GROWTH**



Maintaining and enhancing Utah's quality of life and economic position in the face of significant growth pressures and a dynamic, worldwide, and competitive business environment is one of the state's greatest challenges and opportunities. The decisions made today will set the stage for continued prosperity. Fortunately, Utahns have inherited a state built upon a heritage of strong values, an industrious work ethic, wise

stewardship of natural resources, prudent investments of taxpayer dollars, a spirit of volunteerism and cooperation, and purposeful and meaningful investments in the future. It's the Utah way.

Past decisions and planning have yielded invaluable dividends for current residents who benefit from competitive tax rates, healthy budgetary reserves, a good education system, an enviable economic climate, and world-class outdoor recreation. Ensuring responsible choices and investments for both the short- and long-term future is the call to action for the Herbert/Cox administration. Utah's future will be a direct by-product of the expectations, vision, and investments embraced today.

### THE CHALLENGE

Utah's enviable quality of life and the resulting population and economic growth are not without challenges. Children and adults need to be educated; people, goods, and services need to be moved; business and industry require oversight to ensure a level playing field; air quality needs to continue to improve, and services are required to maintain a healthy, safe, and secure state.

Creating a place where people want to live, businesses want to locate, and where taxes are low isn't easy. Some of the investments we need to make today are hindered by a tax system that isn't pacing with the economy (see *Tax Modernization: A Call to Action* budget and policy brief). Utah's challenges are represented in the vicious cycle depicted in Figure 2.

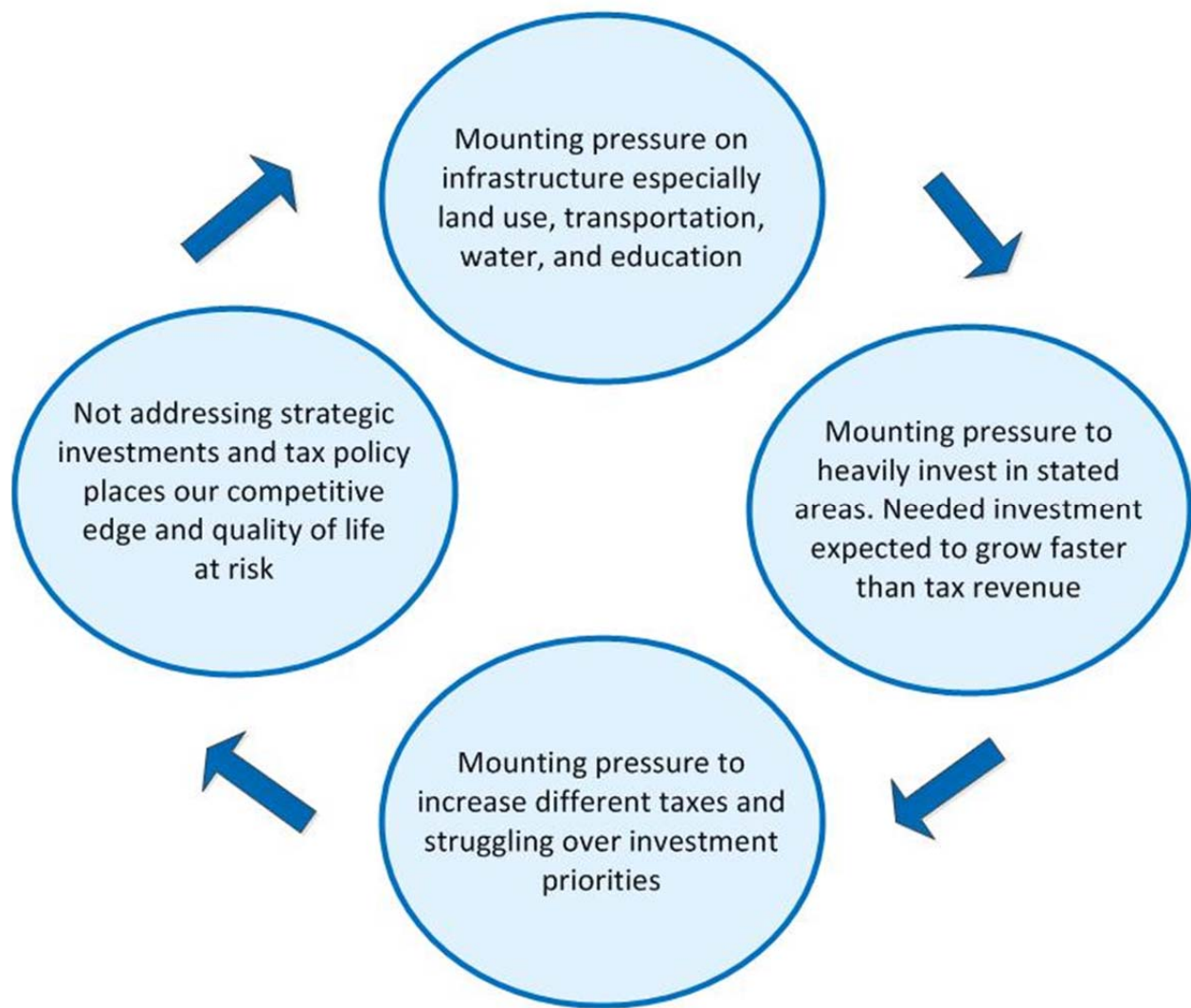


FIGURE 2. VICIOUS CYCLE FOR MAINTAINING ECONOMIC PROSPERITY AND QUALITY OF LIFE

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### Utah is Attractive to Businesses and Individuals and Faces Rapid Growth



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#### LIFE ELEVATED 2020: AN INITIATIVE FOR THE FUTURE

Keeping the momentum of past success and meeting the demands of a growing population while maintaining an unmatched quality of life and economic prosperity require careful planning and a willingness to face challenges head on. As in the past, future successes will require working within the constraints of finite financial and natural resources. This requires focusing limited time, attention, and financial resources toward

the highest-value strategies. Through a collaborative approach, the Herbert/Cox administration has identified four key growth strategies. Dubbed “Life Elevated 2020,” these four objectives are the bedrock of true economic development and are the catalyst for an unsurpassed quality of life.

The four key objectives include:

1. **Effective and Efficient Government.** Improve the quality of government services while bending the cost curve.
2. **Qualified Workforce.** Prepare a critical mass of skilled workers for high-paying jobs by creating innovative and affordable training programs for selected economic clusters, thereby allowing Utah to lead the nation in high-skill job growth.
3. **Affordable, Thriving Communities.** Ensure infrastructure is in place to allow people (through market-based choices) to live in communities with access to ample opportunities for housing, jobs, education, recreation, and shopping within a short walk, drive, transit trip, or bike ride. This will require a responsive multi-modal transportation system and strong collaboration between state and local governments. It will require good air quality that allows people to enjoy Utah's great outdoors year-round. It will also require a sufficient water supply to meet judicious water use demands where users increasingly bear the true cost of the water they use. In addition, a wide array of housing choices will open up affordable, market-driven options for Utah's future posterity and lead to more efficient use of limited land.
4. **Equitable and Competitive Revenue System.** Modernize the tax code for all taxes. Increasingly emphasize paying for services with user fees, particularly infrastructure such as transportation and water. Reduce the state sales tax rate and broaden the base in a way that reduces unfair loopholes and creates a more sustainable revenue model to meet Utah's critical needs (such as education).

**Effective and Efficient Government.** As demand for services naturally increases through population growth, government can respond by providing better quality services at less cost. Providing high-quality services that are reliable

and responsive to customer needs better enables citizens and the private sector to get what they need when they need it.



### Effective and Efficient Government

From building roads to law enforcement and from business permitting to child welfare, Utah government strives to fulfill its various missions with a commitment to minimizing taxpayer burden. The goal to improve the quality of government services while bending the cost curve is the foundation of the Governor's budget recommendations. Effective government influences the culture of the state on a daily basis and is a critical long-term strategy for accommodating continued growth while maintaining and improving the quality of services delivered.

Additional information about the effective and efficient government initiative can be found in *Investing in What Works* budget and policy brief.

**Qualified Workforce.** Growth alone will not ensure economic prosperity. Utah's workforce must evolve with the economy to attract and fill high-paying jobs.

To maintain its competitive advantage, Utah will prepare a critical mass of skilled workers for high-paying jobs by creating innovative and affordable training programs in selected economic clusters, thus allowing Utah to lead the nation in high-skill job growth. This goal will be achieved through innovative solutions to ensure education is affordable now and in the future.



Recognizing that not all growth is equal, programs must be oriented toward meeting employer demand for high-skill labor that will best facilitate an economic cycle of increased employment and wages for workers and higher revenues for business and government alike.

Additional information about the qualified workforce initiative can be found in the *Post-Secondary Education and a Skilled Workforce* budget and policy brief.



**Affordable, Thriving Communities.** Another key focus of Life Elevated 2020 is to understand the structural interrelationships between land use, housing, transportation, water, air quality, and revenue. Thriving communities need physical infrastructure such as transportation and water infrastructure. Land use decisions heavily influence the type and amount of infrastructure needed and the associated cost. As communities decide how to grow through land use decisions,

some types of growth cost more than others. Market-driven land use choices should increasingly reflect the true costs of those different types of growth.

As with all programs, the state's focus should be to maximize the return on every dollar invested in infrastructure, including allowing multi-modal use of state transportation funds, including for transit. Doing so may require the enactment of appropriate governance changes and increasingly incorporating air quality impacts and the true cost of different development patterns into the decision-making process, such as an increased reliance on user fees to fund infrastructure.

To ensure Utah embraces transportation solutions rather than transportation silos, the Governor recommends expanding the use of the Transportation Investment Fund to allow strategic investments in transit and active transportation where such options provide higher returns than traditional roads alone.

The high-skill workforce that fuels today's economy demands a high-quality community with quick access between housing, jobs, recreation, entertainment, and services. Such communities not only attract high-skill workers, but also provide improved economic opportunities and mobility for all residents. Utah will work to ensure a majority of residents have access to ample opportunities for affordable housing, jobs, education, recreation, and shopping within a short walk, drive, transit trip, or bike ride.

Rapidly growing metropolitan areas like Utah's urban centers face growth challenges and land development impacts. A growing population brings more transportation challenges. To further improve air quality, future land use planning and market-driven development that is less automobile-dependent will be increasingly important. Efforts that promote telecommuting and encourage land zoning practices that



promote more transit use will slow the growth of cars on the road and create better air quality.

Utah is known for having communities where people want to live, work, and play. Ensuring this ideal in the face of significant growth is key to our shared future prosperity. The goal will be accomplished by working with community leaders, planners, and developers to promote a pattern of well-planned and dispersed livable communities with a vibrant mix of jobs and affordable, market-driven housing and transportation choices that better reflect the full cost of such choices, including impacts on air quality. Failure to provide an appropriate mix of affordable housing options close to major job centers risks pricing Utah's posterity out of the market over time.

Access to sufficient water to meet appropriate water use demands is also vital to a growing community. Through optimization of existing water resources, Utah's economy can continue to grow while meeting key water needs. Water user fees and more efficient land use will encourage more efficient use of existing water and help pay for repair and replacement of aging infrastructure and, as appropriate, new development.

Utah's quality of life extends beyond the borders of our cities and towns. For many Utahns, quality of life requires a connection to Utah's unmatched parks, trails, and rugged backcountry. To improve access to Utah's world-class outdoor recreation and ensure Utahns can live a healthy and active lifestyle, our first-in-the-nation Office of Outdoor Recreation will leverage about \$5 million of dedicated funding recently provided to enlarge the Outdoor Recreation Infrastructure grant program. Working in cooperation with local communities, these funds will help expand and enhance recreation infrastructure and serve to distribute the burgeoning demand for outdoor

recreation opportunities from residents and visitors alike.



In Utah homes and workplaces, the front door becomes the trailhead as the state aims to develop an additional 1,000 miles of family-friendly trails and bike paths over the next 10 years to provide and promote active connections between home, school, work, and outdoor recreation in urban and rural communities throughout the state.

Utah has earned the reputation as a world-class vacation destination due to natural scenery combined with smart marketing, hospitable communities, and the infrastructure ready to welcome the world. In 2016, Utah welcomed over 10 million visits to our national parks and logged over 4.5 million skier days, contributing to an estimated \$8.4 billion in direct, travel-related spending. The secret is out and in the coming years, more residents and visitors will continue to flock to Utah's red rock canyons, snow-covered peaks, and its vibrant urban cities and idyllic rural communities.

To ensure a memorable experience for visitors and residents alike, the Governor recommends reinvesting \$10.3 million (\$2.3 million ongoing) of state park entrance and camping fee revenue back into the parks to improve access, expand camping opportunities, rehabilitate well-traveled roadways, and maintain the cleanliness of facilities. Furthermore, Utah's state parks will further expand recreational opportunities by adding Echo Reservoir as the newest gem in the state parks system.



Additional information about the affordable, thriving communities initiative can be found in the *Transportation and Land Use, Water, and Air Quality* budget and policy briefs.

**Equitable and Competitive Revenue System.** An equitable and competitive revenue structure is vital for government to provide services without disrupting economic momentum. While past policies have generally served the state well, changing economic realities make it the right time to modernize the tax code for all taxes—including reducing the state sales tax rate and broadening the sales tax base in a way that will allow for the collection of sufficient revenues to meet Utah’s critical needs, and increasingly emphasizing user fees, particularly for infrastructure such as transportation and water.



Equitable and Competitive Revenue

Forty years ago, Utah’s state sales tax rate was below 4 percent and covered about 70 percent of the Utah economy as measured by personal income. Today, a little over 40 percent of the economy is covered by sales tax. Extending the sales tax base to a broader portion of the economy and reducing the rate will improve tax equity without reducing state tax revenues and will allow the state to accomplish critical goals without increasing the overall tax burden. Additional information about this initiative can be found in the *Tax Modernization: A Call to Action* budget and policy brief.

## KEEPING THE MOMENTUM

Achieving these ambitious goals for Utah’s future will require a dedicated, long-term commitment and continuous effort over years and decades rather than weeks and months. The Governor’s budget recommendations represent tangible and necessary next steps to build upon past successes that move the state in the right direction. Just as Utah’s current prosperity was not created by accident, the future created for coming generations will rely on prudent management and thoughtful investments of the state’s limited resources.

The Governor’s budget and policy recommendations represent a commitment to the strategies that return the highest yields in preparing the workforce of tomorrow, maintaining and enhancing Utah’s high quality of life, and ensuring affordable, thriving communities. This can only be accomplished through an effective and efficient government that serves the taxpayer by working within an equitable and competitive revenue model. These principles ensure a cultivation of conditions to ensure Utah’s future prosperity and unprecedented quality of life.

# BUDGET & POLICY BRIEF

## Governor's Budget Overview



### ELEVATING UTAH'S HIGH QUALITY OF LIFE

Utah continues to receive recognition as a top-performing economy and now appears on the radar of national and global business decision makers. Moreover, unlike some states that remain highly reliant on a single economic sector such as energy or tourism, Utah enjoys one of the most diverse economies in the United States. With this diverse economy, downturns in any one economic sector do not create an extraordinary negative impact on the state's overall economy.

Although Utah emerged from the Great Recession as a top state economy, recent successes must not lead to inaction. To maintain momentum, Utah must commit to strategic investments in the state's future high quality of life. Failure to do so places Utah's future economic prosperity at risk.

The Life Elevated 2020 initiative focuses on the steps Utah must take to continue its healthy economic growth and to maintain and enhance a high quality of life. It aims to create the conditions for strong economic development while ensuring Utah remains a great place to live. As detailed throughout various budget and policy briefs, the four key objectives are:

- an effective and efficient government that maximizes the benefit of every tax dollar invested,
- a qualified workforce that delivers the highly skilled labor demanded by businesses,
- affordable, thriving communities that provide access to housing, employment, education, air quality, and recreation opportunities and maximize the benefits from limited physical and financial resources, and

- an equitable and competitive revenue system that couples a broad tax base with low and competitive tax rates and emphasizes user fees, particularly for infrastructure costs.

### BUDGET PRINCIPLES

Maintaining Utah's competitive edge and quality of life requires proactively managing and addressing multiple demands placed on limited taxpayer dollars. Utah's growing and changing population, along with new dynamics in our revenue streams (as detailed in the *Tax Modernization: A Call to Action* budget and policy brief) place an increased demand on everything from education to physical infrastructure and from our natural resources to the state's correctional system.

A reactionary approach to new budget demands and changes within the economy, as opposed to an intentional proactive approach to budget design and strategy, could potentially leave Utah vulnerable to a diminished future prosperity. An intentional proactive focus on doing a limited number of high-value activities very well will yield better results than trying to do too many things and losing focus. The Governor's budget recommendations reflect strategic investments of scarce taxpayer resources to best manage the state's many demands.

The Governor's budget proposal is based on five major principles:

- optimize the conditions for a healthy and growing free market economy that empowers the private sector;
- strategically invest in the people of Utah to maintain an enhanced quality of life, including the Life Elevated 2020 initiative;
- live within our means;

- operate government efficiently while delivering high-quality outcomes for the people of Utah; and
- focus on the root cause(s) of an issue rather than the symptoms.

## BUDGET TOTALS

The Governor's total recommended budget for FY 2018-19 (FY 2019) is \$16.7 billion, including state, federal, and certain local sources. The recommended budget financed by state-collected funds (i.e., excluding federal funds, local property tax for schools, and higher education tuition) totals about \$10.6 billion. The recommended budget for the General Fund and the Education Fund, the state's two largest accounts, totals over \$7 billion. Major categories of General Fund and Education Fund expenditures include public education (about \$3.5 billion), higher education (about \$1.3 billion), Medicaid and other social services (about \$1 billion), and corrections, public safety, and justice (about \$700 million). In addition, the transportation budget from state-collected funds totals about \$1.5 billion (including debt service payments for transportation projects). These expenditures are funded through various transportation funds outside the General Fund.

## BUDGET BOOK OUTLINE

There are many ways to view the various components of Utah's budget. This document summarizes the major budget components and proposed changes. The Governor's budget recommendation book is divided into two segments. The first deals with budget and policy issues that are more narrative in nature. The second provides additional technical details. Both can be found online at [gomb.utah.gov](http://gomb.utah.gov).

## REVENUE FORECAST

Utah's growing economy continues to provide significant additional funds to invest in Utah's

long-term future. Growing state government revenues reflect a solid economy and broad-based economic growth. In November 2017, the Governor's Office of Management and Budget (GOMB), the Office of the Legislative Fiscal Analyst (LFA), and the Utah State Tax Commission revised the state's FY 2018 revenue forecast and developed a new consensus revenue forecast for FY 2019 (see Table 5).

The Governor's budget recommendations are based on this forecast, which yields about \$102 million in new one-time funds and \$382 million in new available ongoing unrestricted General Fund and Education Fund revenues, after automatic deposits into various rainy day accounts and adjusting for a small structural imbalance, \$60 million of growth in earmarked sales tax revenues, and various technical adjustments. These revenue increases come primarily from increases in individual income taxes (nearly \$257 million above the February forecast for FY 2018) and sales and use taxes (about \$153 million, of which about \$93 million is deposited into the General Fund and \$60 million allocated for earmarked funds).

## TAX MODERNIZATION

A key element of the Life Elevated 2020 initiative is modernizing Utah's revenue structure. As detailed in the *Tax Modernization: A Call To Action* budget and policy brief, Utah's revenue structure, particularly the sales tax, is not well aligned with the modern economy. In addition, the state needs to re-emphasize the user-pays principle. In light of this, the Governor recommends that the state modernize its tax structure by broadening the tax base and lowering the tax rate, and by re-emphasizing user fees when feasible, particularly for transportation and water.

Although the Governor proposes a tax modernization framework, his budget recommendation is based on the consensus

revenue estimates under the existing tax structure.

## PRUDENT FISCAL MANAGEMENT

Through sound budgeting practices, the state has prudently managed its resources. Rainy day fund balances have now been restored and exceed totals prior to the Great Recession, with \$570 million in the state's various rainy day funds, including the Education Fund Budget Reserve (\$362 million), General Fund Budget Reserve (\$146 million), Medicaid Growth Reduction and Budget Stabilization (\$44 million), and Wildland Fire Suppression and Disaster Recovery (\$18 million) accounts. The Governor recommends an additional \$5 million be allocated to the General Fund Budget Reserve account.

In addition, budget stress testing conducted in recent years shows that the state has set aside meaningful formal and informal budget reserves to protect against various economic scenarios and also has various other tools available to manage the budget during an economic downturn. While any economic downturn would present challenges, the stress test review suggests that Utah is generally well positioned for a "typical" recession.

Although bonding approved by the legislature in the 2017 session reduces "working rainy day funds" in the form of cash-funded capital expenses, hundreds of millions of dollars in ongoing revenue amounts not committed to bonding remain allocated to cash-funded capital items such as transportation, capital development, and capital improvement projects for state and higher education buildings, including an additional \$60 million in revenue growth earmarked for transportation and water.

The Governor's budget seeks to set aside sufficient funds for an economic downturn while also ensuring that precious taxpayer dollars remain working in the economy and in the pocketbooks of the people of Utah.

Utah is recognized nationally for its prudent fiscal management, including maintaining its AAA bond rating, which creates sizable interest savings relative to states with lower bond ratings. Utah is one of only nine states with this rating from all three major rating agencies.

The Governor's budget funds long-term obligations, including bond payments and actuarially-estimated amounts for state employee retirement pensions, and various employee benefit programs, including the impacts of action in recent years to reduce the amortization period for certain employee benefit liabilities from 20 to 10 years.

One concerning budget practice in recent years has been the proliferation of General Fund earmarks. As detailed in the *Revenue Earmarks* budget and policy brief, continuing this practice can create significant budgetary problems. The Governor discourages any further earmarking to protect the General Fund from further erosion, including the further proliferation of automatic end-of-year surplus transfers.

With these prudent fiscal management practices in place, the Governor's budget proposes to use growing state revenues to strategically invest in the people of Utah.

## EDUCATION INVESTMENTS

Education is a key focus area of Life Elevated 2020. As the budget and policy briefs on *Public Education Priorities* and *Post-Secondary Education and Skilled Workforce* highlight, to achieve long-term success, Utah must invest in its people. In the 21st century, a dynamic economy requires a skilled and educated population. Education drives innovation, attracts employers looking to fill high-skill jobs, and provides for a higher quality of life.

To help meet these needs, the Governor's budget begins with education, providing about \$276 million in new ongoing funds and \$34



million in one-time funds for the state's public and higher education systems (see Table 2), which represents about 72 percent of all new ongoing revenue. This brings total state education funding from all sources to a little over \$5 billion.

These recommendations put the state on track to reach the Governor's five-year goals of \$1 billion of new ongoing revenue for public education and \$275 million of new ongoing revenue for post-secondary education by FY 2021 with both at about 67 percent of the respective targets through 3 years.

## PUBLIC EDUCATION

The Governor recommends \$208 million in new public education funding support (\$207.5 million ongoing, \$500,000 one-time), bringing total state funding from all sources to \$3.7 billion.

In the fall of 2018, nearly 7,700 additional students are projected to enter the doors of Utah's schools. The budget funds this anticipated enrollment growth as traditionally defined, at a cost of over \$36 million (\$33.5 million ongoing and \$2.5 million one-time). In addition, the Governor recommends that four additional programs (\$275,000) and Carson Smith scholarships (\$300,000) receive enrollment growth funding and that the Schools for the Deaf and Blind receive their equivalent of enrollment growth funding (over \$900,000).

In addition to \$5 million of ongoing existing funding, the Governor's budget provides \$1 million in one-time funds for teacher supplies. And, in addition to \$9.9 million of ongoing existing funding, the budget provides \$1.6 million for the Beverley Taylor Sorenson arts learning program.

Unlike those who want to micromanage the public education system from the state level, the Governor believes that the state should establish general education policy goals. Just as the

Governor advocates for more state rights when it comes to federal government overreach, he also believes that the state should respect the role of local officials. For this reason, the Governor's budget proposes a substantial increase in locally controlled funding through a \$170 million increase, an amount equivalent to a 5.6 percent increase in the value of the weighted pupil unit (WPU). The largest amount of this total is a 4.0 percent increase in the value of the WPU, estimated at nearly \$121 million. Such a sizable increase is provided to allow local school boards flexibility as they focus on needed local investments, including professional learning for educators and effective counseling for students. Our teachers, principals, and other educators are key to reaching the Governor's goal of being the top state for student achievement.

Additionally, the Governor recommends \$33.7 million ongoing for a flexible WPU add-on for students at risk of academic failure and \$25 million (\$14.8 million ongoing and \$10.2 million one-time) for further equalization of local property taxes for school districts that make a strong local property tax effort, both of which also provide local control.

These sizable funding increases represent a good-faith effort to meaningfully increase resources for public education. Meaningful accountability must accompany this investment. Over time, improved student outcomes from this investment, as measured on the state accountability dashboard, should be expected. Important benchmarks include elementary school reading proficiency levels, middle school math proficiency levels, graduation rates, and disadvantaged student outcomes. In addition, educational agencies should continue to maximize resources and find measurable ways to provide more efficient and effective services.

## POST-SECONDARY EDUCATION

Following up on the state's efforts to increase funding in recent years, the Governor

recommends \$102 million (\$68 million ongoing and \$34 million one-time) for the state's post-secondary institutions.

The budget includes over \$33 million ongoing to fund a 2-percent compensation and a 5.7-percent health insurance increase for employees in the Utah System of Higher Education (USHE), and provides flexibility for USHE institutions to target funds to retain the best and brightest employees. This funding also includes \$8 million to fund the traditional tuition share of compensation, thereby eliminating the need for a mandatory Tier 1 tuition increase. In addition, the budget includes \$24 million ongoing for the USHE Board of Regents to allocate among its institutions to address its priorities. From budget savings, \$6.5 million one-time is allocated to higher education performance funding and nearly \$9.6 million one-time toward a partnership between the Governor's Office of Economic Development and post-secondary institutions to rapidly deploy training programs meeting key workforce needs.

With rising tuition rates and growing enrollment, it is critical that a meaningful portion of post-secondary funding is tied to outcomes and that post-secondary institutions continually increase efficiencies with a goal of dramatically increasing the number of higher education graduates with a lower cost per student.

The Governor also recognizes the critical role high quality technical education plays in Utah's economy and has declared 2018 The Year of Technical Education. The budget includes over \$1.7 million ongoing to fund 2 percent compensation and a 5.7 percent health insurance increase for employees in the Utah System of Technical Colleges (USTC). The budget also includes \$7 million ongoing for the USTC Board of Trustees to allocate among its institutions to address its priorities. The budget also includes \$0.7 million ongoing for operations and maintenance for the new Davis Technical College Allied Health building.

The Governor will continue to draw attention to the benefits of technical education and the need to expand access to such programs with the goal for Utah to lead the nation in students completing high-quality technical education programs.

The awareness that Utah needs a highly skilled workforce to stay competitive and maintain the state's quality of life has resulted in a gradual proliferation of workforce programs and services. The Governor has called for a review of these services to identify those yielding the best return on investment and how best to synchronize programs across organizations. GOMB will lead this effort over the next year in coordination with cabinet members and stakeholders.

## MEANINGFUL EDUCATION INVESTMENTS

All of these investments are part of the Governor's goal to be the top state for academic performance. The Governor set a five-year goal of \$1 billion in new ongoing revenue for public education and \$275 million for higher education. Based on this year's recommendations, the first three years of the five-year goal brings the Governor's budget recommendations to about \$674 million for public education and about \$186 million for higher education (67 percent of the Governor's target for each category).

## SOCIAL SERVICE PROGRAMS AND SUPPORT

Social service programs should be designed to elevate vulnerable populations to achieve sustainable outcomes, appropriate workforce participation, and self-sufficiency through efficient operational design and effective service delivery. Targeted investments in these programs help to meet these objectives.

As further detailed in the *Social Service Programs and Support* budget and policy brief, the Governor's budget recommends \$21.5 million in ongoing General Fund increases for Medicaid

consensus items, \$3.7 million for Accountable Care Organization rate increases up to 3.5 percent based on established performance measures, \$5 million ongoing to address future state match needs in the Children's Health Insurance Program (CHIP), and \$7.2 million to support youth in custody who are transitioning to Division of Services for People with Disabilities (DSPD) benefits and additional needs for current DSPD recipients. The Governor's budget further recommends \$2.6 million ongoing for forensic competency restoration activities, \$7.3 million (\$4.9 million ongoing and \$2.4 million one-time) to extend benefits and enhance services through various federal waivers providing flexibility under Medicaid, \$1.25 million for the Medical Examiner's Office, and \$10 million one-time for Operation Rio Grande, among other social service recommendations.

On average, 2 Utahns commit suicide every day and 12 others are treated each day as a result of a suicide attempt. Tragically, this trend increases every year. The reasons behind this alarming statistic are becoming more apparent as a result of data collection; however, simply knowing the reasons behind suicide is not sufficient. The Governor is initiating a thorough review of suicide prevention programs currently administered through the executive branch to determine actual effectiveness. The review will determine if programs are comprehensive, reach those in need, simultaneously address multiple risk factors, and provide the necessary supports to effectively reverse the trend.

## **WATER AND AIR QUALITY**

Over the past year, the Governor received recommendations on a long-term state water strategy and established the Executive Water Finance Board to review economic and financial issues related to water supply and demand. The Governor recommends a continued focus on improving water efficiency, water data, and price signals so that water users increasingly bear the true cost of the water they use. The Governor's

budget allocates new funding for water purposes as follows: \$1 million to better measure agricultural water use, \$8.4 million for dam safety upgrades, \$305,000 for algal bloom costs, and \$500,000 to remediate phragmites (an invasive species that consumes large amounts of water).

The Governor and Division of Air Quality have set an ambitious target of reducing per capita emissions by 25 percent by 2026. Fully implementing Tier 3 standards for vehicles and fuel will be a key strategy.

The Governor's budget provides \$850,000 in ongoing funds to address air quality in a number of ways, including \$500,000 to conduct targeted, Utah-specific air quality research, and over \$350,000 for air quality personnel in areas with heavy backlogs and unmet needs. In addition, the Governor allocated \$7.9 million in 2017 from Volkswagen settlement funds to replace 115 old polluting school buses with cleaner modern buses. In 2018, finalization of a mitigation plan for an additional \$35 million of Volkswagen settlement funds is expected. The Governor recommends a holistic approach for prioritizing use of these funds to ensure selected approaches achieve the most enduring and effective emissions reductions for each dollar invested.

The State of Utah is also working to lead by example in the effort to improve Utah's air quality through the management of the state's fleet vehicles and buildings. Older fleet vehicles are being replaced with those that have cleaner-burning engines, resulting in an 11 percent average decrease in emissions. New telematics are being tested on 25 percent of the fleet with the intent to reduce emissions by decreasing unnecessary idling. Older buildings that do not meet efficiency standards are being retrofitted with more up-to-date equipment to reduce emissions and increase efficiency. In addition, all new state buildings must be designed, constructed, and managed to meet energy efficiency standards.

Over the next year and where possible, the Governor also plans to identify opportunities for more of the state workforce to be located in rural parts of the state through the implementation of teleworking arrangements that benefit both the state and the employee. One of the anticipated positive outcomes of the effort is to reduce the number of vehicles on Utah's highways.

## STATE EMPLOYEE COMPENSATION

The Governor's budget proposes a 2 percent salary increase for state employees and targeted funding to increase salaries for employees working in specific classifications with demonstrated needs. In addition, the budget funds ongoing health insurance and 401(k) match program cost increases.

## RURAL UTAH

The Governor has called for an increased focus on rural Utah with a goal of creating 25,000 jobs off the Wasatch Front by 2020. The challenge is not only to create the jobs, but to maintain long-term economic growth and sustainability.

The Governor's budget proposes that rural Utah participate in the state's mega-site economic development program through smaller development-ready sites and that existing economic development incentives be made more conducive for use in rural Utah. The Governor's budget also recommends an additional \$2 million targeted specifically to the state's most rural school districts to help meet their unique educational needs.

For FY 2019, the Governor's budget proposes \$1.5 million in tourism marketing funds be used by the Utah Office of Tourism to focus on rural tourism development in previously under-served rural areas of the state. In addition, over the next year the Governor plans to identify teleworking opportunities for state employment outside the Wasatch Front to create more job opportunities

in rural Utah with the potential to save taxpayer dollars by reducing expensive land and building costs in the urban areas of the state.

## TRANSPORTATION & LAND USE

Understanding the interrelationships between land use, housing, transportation, water, air quality, and revenue structures is another key focus area of Life Elevated 2020. Affordable, thriving communities need physical infrastructure, including transportation and water infrastructure. However, land use decisions heavily influence the type of infrastructure needed and their associated costs as well as the mix and cost of housing. As communities make decisions about how to grow, different types of growth based on different types of land use will have different cost impacts. The true costs of different types of growth should be increasingly reflected in different market-driven land use choices.

As with all programs, the state's focus should be on maximizing the return on every dollar invested in infrastructure. This effort should include multi-modal investments, appropriate governance changes for mass transit agencies, and increasingly incorporating the true costs of different development patterns into the decision-making process—including an increased reliance on user fees.

## SUMMARY

The Governor's budget is rational, reasonable, responsible, and responsive to the needs of the state. It invests in Utah's future by looking ahead to anticipated growth, new demands on services, and the opportunities that are possible if we continue with bold vision and fiscal prudence.





# BUDGET & POLICY BRIEF

## Investing in What Works



*Creating more and more value for every dollar invested*

### SUCCESS: REAL RESULTS

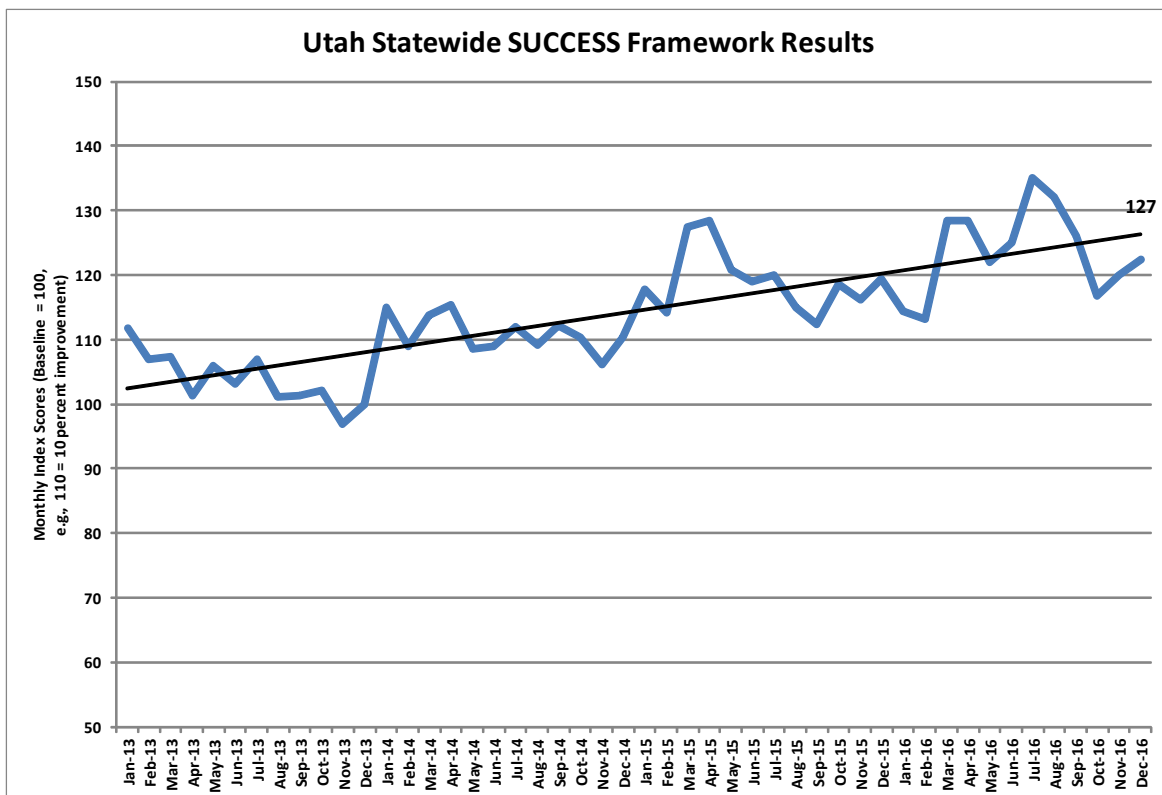
Five years ago, in the aftermath of the Great Recession, the Governor set a bold target to measurably improve state government performance by 25 percent. State agency budgets had already been significantly reduced. By doubling down on proven fundamentals that govern economic success, Utah rebounded from the economic downturn faster than most other states and is now experiencing one of America's strongest and most diverse economies and a truly enviable quality of life.

Thanks to great leadership, fantastic employees, and a strong focus on effective operations, Utah

state agencies exceeded the Governor's goal and collectively achieved a combined 27 percent improvement in performance. This remarkable achievement was broad in scope:

- 24 state agencies participated in the improvement effort
- Improvement efforts focused on applying the SUCCESS Framework operational excellence tools and principles to 110 distinct government systems
- Every type of work setting achieved improvement, including resource, project, regulatory, people, and transactional environments

FIGURE 1. STATEWIDE SUCCESS FRAMEWORK RESULTS



## EXAMPLES OF SUCCESS

The 27 percent improvement in government operations provides tangible positive benefits to enhance the quality of life for all Utahns.

Examples include:

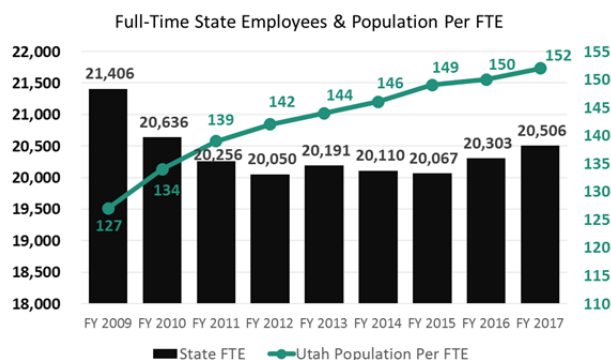
- As the demand for licensed childcare increases in the state, the Office of Licensing at the Department of Human Services thoroughly vets and certifies each applicant while reducing the length of time it takes to approve new providers.
- In light of Utah's serious problem with opioid deaths, the number of chemistry and toxicology assessments required of the laboratory at the Utah Department of Health has increased dramatically. Despite more tests, the lab turns results around faster—enabling the medical examiner, healthcare providers, and law enforcement to develop strategies to better identify and treat addictions.
- The Utah Office for Victims of Crime provides financial assistance to victims who suffer financial loss, physical injuries, and emotional trauma as a result of a violent crime. The office has improved the reparations process and significantly reduced the time to make an eligibility decision, allowing crime victims to be compensated more quickly.
- The Driver License Division at the Department of Public Safety eliminated a chronic backlog of more than 8,000 medical evaluations and went from a two-week processing time to same-day entry. This practice protects all travelers on Utah's roads by more quickly and accurately regulating the driving privileges of those who develop a physical, mental, or emotional impairment.
- Reviewing, issuing, and renewing business licenses quickly and accurately is critical to Utah's professional workforce. The Division of Occupational and Professional licensing has kept pace with the state's growing economy, issuing over 70 percent of licenses

in just seven days and without a substantial increase in operating expense.

## EMPLOYEE PRODUCTIVITY

Employee productivity continues to increase as measured by the ratio of Utah citizens to state employees (there were an estimated 152 Utahns for every full-time state employee in FY 2017). Furthermore, Utah is estimated to have fewer full-time equivalent employees in FY 2017 (20,500) than it did in the year 2002 (20,850). This more efficient workforce and better outcomes provide greater value for every tax dollar invested and will continue to require meaningful efficiencies from every agency.

**FIGURE 2. FULL-TIME STATE EMPLOYEES AND POPULATION PER FTE**



## SUCCESS MEASURES

The SUCCESS initiative focuses on improving one or more of the following performance dimensions critical to any organization:

- **Throughput.** The quantity of measured units that pass through a system during a defined period. A unit may be a project, transaction, person, or project.
- **Quality.** The percentage of units of work completed that meet defined criteria for performance. Examples of quality include accuracy, reliability, or intended outcomes.
- **Operating expense.** The allocated budget to generate quality throughput.

The combination of these three measures creates a quotient indicating if the system generates more value for taxpayer dollars. Using the SUCCESS Framework operational excellence principles to find hidden capacity, Utah's state agencies have shown it is possible to add value while meeting an increased demand for services either with no funding increase or with far fewer additional resources than originally anticipated.

The Governor honored the following agencies for meeting or exceeding the 25 percent improvement target: Heritage and Arts, Public Lands Coordination, Labor Commission, Technology Services, Governor's Office of Economic Development, Human Resource Management, Insurance, Commerce, Administrative Services, Natural Resources, Commission on Criminal and Juvenile Justice, Veterans and Military Affairs, Environmental Quality, Public Safety, Transportation, Agriculture and Food, Tax Commission, Workforce Services, and the Energy Development Office.

As state agencies continue to incorporate the SUCCESS approach, Utahns reap additional benefits. For example, after applying the SUCCESS mindset to the construction lien process, the Department of Commerce proposes to simplify the process for contractors and reduce regulation. Doing so also enables the department to return \$1 million to the General Fund to be used for other budget priorities.

## STEWARDSHIP

The Governor's Office of Management and Budget (GOMB) was created to ensure a strong connection between budget and operations. This connection is necessary to better understand when to invest additional resources into agency operations.

GOMB follows a set of basic principles to determine when new or additional budget allocations may be necessary:

- operational systems have a clear and measurable goal with related process metrics
- the flow of work within the system is effectively managed
- current resources are maximized
- demand is outpacing the ability to reliably meet quality standards
- there is a complete strategy to ensure new funding is used effectively

Using these principles, limited resources can be invested in what works—a necessary condition to meet the demands for new or enhanced government services and to act as responsible stewards of taxpayer dollars.

## MOVING FORWARD

As outlined in the Governor's Life Elevated 2020 initiative, effective government influences the culture of the state on a daily basis and is a critical long-term strategy for accommodating continued growth while maintaining and improving the quality of services delivered.

Despite prior significant accomplishments, the Governor is committed to getting even better results. By building on the established framework, SUCCESS+ (the next phase of the improvement initiative), includes three major objectives:

- build a culture of excellence and high performance
- achieve increasingly better results across government systems
- create measurable agency improvement projects that are central to the organization's core mission

Operational improvement is not a one-time effort—it is the way state government should always do business. Building a culture of excellence and high performance starts by investing in the people doing the work. The cost curve continues to bend and customer service improves when the workforce understands, applies, and becomes experts in applying operational excellence principles to government

operations. Employees become operational excellence experts as learning opportunities are intentionally created.

The Governor believes that the capacity to improve always exists. The challenge is to create increasingly better results over time. To meet the challenge, agencies will continue to implement improvement strategies, monitor results, and identify new systems or processes for improvement efforts.

At the core of SUCCESS+ is the selection of improvement projects central to the core mission of individual state agencies. Ambitious projects support the broader goals of the Governor's Life Elevated 2020 initiative.

The SUCCESS Framework principles and tools will continue to be used to effectively manage SUCCESS+ projects. Project examples include:

- Department of Environmental Quality. The Division of Air Quality set an ambitious goal to reduce the annual statewide air pollution emissions by 100,000 tons by 2026. With Utah's population projected to increase 20 percent during that time period, the goal represents a 25 percent per capita reduction in statewide emissions over the next nine years.
- Department of Commerce. The agency's goal is to reduce opioid deaths and overdoses by providing clear, timely, and accurate information to medical providers to support them in dispensing appropriate prescription amounts.
- Department of Administrative Services. The Division of Facilities Construction Management plans to improve the state building construction process by decreasing the time to construct new facilities and increasing throughput by 20 percent while simultaneously decreasing change orders by 20 percent. Improved facilities support state agencies to fulfill their missions and serve their customers.
- Office of Energy Development. The office plans to expand rural job growth by utilizing innovative strategies in the critical sectors of energy and minerals. This effort directly supports the Governor's goal of creating 25,000 jobs by 2020 in 25 counties outside the Wasatch Front.
- Department of Health. The department plans to focus on decreasing uncontrolled hypertension. Nearly one in four adults in Utah reports having symptoms of hypertension, a leading indicator for heart disease and stroke. The project will focus on synchronizing health systems to improve the prevention, detection, treatment, and monitoring of hypertension.
- Department of Natural Resources. The department plans to create a model multiple-use forest, with a focus on developing a pristine natural area that is open to both recreational and commercial uses and that will become a model for the rest of the nation—proving that Utah can manage its public lands better than the federal government.

These are just a sample of the ambitious projects state agencies are undertaking to enhance Utah's quality of life.

## BUDGET & POLICY BRIEF

### Post-Secondary Education and a Skilled Workforce



*Governor's commitment continues; challenges higher education to increase graduation rates while keeping the cost of education affordable*

#### HIGHLIGHTS

- **\$186 million** of new ongoing funding from FY 2017 to FY 2019 (67 percent of the Governor's goal to invest \$275 million by 2021)
- **\$35.2 million** for compensation, including a fully state-funded 2 percent merit-based salary increase to eliminate the need for a mandatory (Tier 1) tuition increase, consisting of:
  - \$19.8 million for the state's traditional share of compensation
  - Nearly \$8 million to fund the traditional tuition share, thereby eliminating mandatory (Tier 1) tuition increases
  - About \$7.5 million for health benefits
- **\$24 million** for the Board of Regents to address system of higher education needs and **\$7 million** to the Board of Trustees to address technical college needs
- **\$3.3 million** for Utah Education and Telehealth Network
- **\$1 million** for pilot projects to significantly increase graduation rates while lowering costs
- **\$9.6 million** transfer of one-time savings from the performance based funding account to the Governor's Office of Economic Development to support rapid-response training
- **\$6.5 million** in one-time savings to performance funding

#### OBJECTIVE

Prepare a critical mass of skilled workers for high-paying jobs to support significant job growth in the coming years by:

- dramatically increasing the completion rate and number of graduates while lowering the costs per student
- leading the nation in students completing high-quality technical education
- ensuring access and equity for all students including first-generation and nontraditional students
- supporting training and certification programs for sectors currently experiencing skill gaps and labor shortages and improving the alignment between graduate skills and workforce needs

#### BACKGROUND

The 21st century requires a dynamic economy and an educated workforce. Education drives innovation, attracts employers looking to fill high-skill jobs, and supports a higher quality of life. Post-secondary education levels correspond to higher average income and lower levels of government dependence.

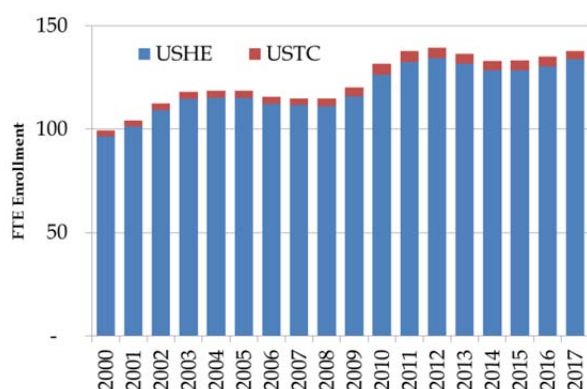
Post-secondary education is among the largest state funding commitments and constitutes approximately 18 percent of the combined Education Fund and General Fund budget.

The Utah System of Higher Education (USHE), the Utah System of Technical Colleges (USTC), and the Utah Education and Telehealth Network (UETN) comprise Utah's post-secondary public education system.



USHE is comprised of eight institutions: the University of Utah, Utah State University (including USU Eastern), Weber State University, Southern Utah University, Utah Valley University, Dixie State University, Salt Lake Community College, and Snow College. After a slight decline in recent years, USHE projects a continued increase in total enrollment to about 192,000 in FY 2019, or about 144,000 annualized full-time equivalent students. USHE granted approximately 36,700 awards in FY 2017, an increase of roughly 8,300 from FY 2010 (see Figure 2).

**FIGURE 1. HIGHER EDUCATION ENROLLMENT**



USTC is comprised of eight institutions: Bridgerland, Ogden-Weber, Davis, Tooele, Mountainland, Uintah Basin, Southwest, and Dixie Technical Colleges. USTC currently serves about 24,000 post-secondary and 9,000 secondary students enrolled in various short-term occupational training programs and traditional certificate programs of varying lengths. In FY 2017, USTC awarded traditional certificates to 5,000 to post-secondary students and approximately 1,500 secondary students. Care should be taken to distinguish the various types of certificates issued by USTC and USHE institutions to ensure clarity about the skill levels students are achieving.

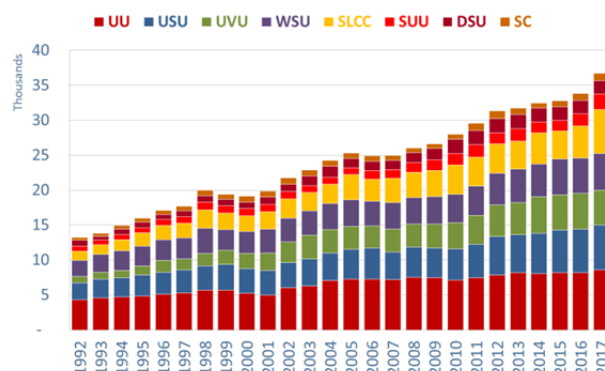
The Utah Education and Telehealth Network manages the robust network infrastructure that connects education and health care entities

statewide. UETN also connects elementary and secondary schools, and post-secondary institutions to quality educational resources.

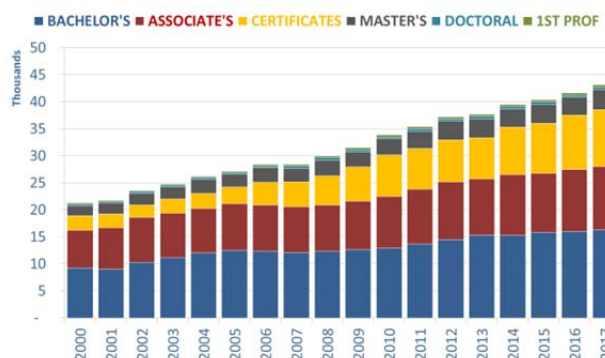
## ACCESS AND AFFORDABILITY

Access and affordability are key issues for post-secondary education. Some students remain largely uninformed or have misconceptions about the value of career and technical education certificate programs. Although Utah boasts the third lowest average tuition rate in the nation, Utah's tuition rates have increased at a much higher rate than overall inflation and wages. This dynamic has many contributing factors.

**FIGURE 2. NUMBER OF AWARDS BY INSTITUTION**



**FIGURE 3. HIGHER EDUCATION AWARDS BY TYPE**

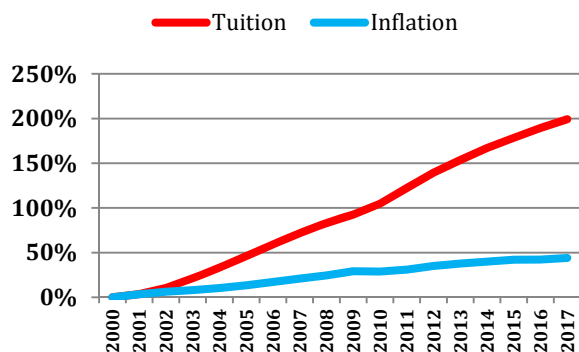


The rising cost of tuition is a significant obstacle to enrollment and persistence for many students and, in turn, jeopardizes Utah's ability to prepare a critical mass of skilled workers.

State appropriations and tuition are the two major sources of post-secondary education funding. In FY 2018, state appropriations of unrestricted General Fund and Education Fund accounted for 57 percent of the state post-secondary education budget while tuition revenue accounted for 43 percent. To limit future tuition increases without compromising educational quality, institutions must challenge and change the status quo for serving students or find other revenue sources. Notably, increasing state appropriations at an accelerated rate creates pressure to increase taxes. The Governor recommends fully funding USHE's compensation increase with state funds (typically funded through tuition increases) in order to eliminate the need for a mandatory (Tier-I) tuition increase.

Many students rely on federal financial aid to offset high tuition costs. Between 2008 and 2017, the number of students awarded federal Pell Grants doubled from approximately 57,000 to 114,000 and the total amount awarded nearly doubled to \$413 million.

**FIGURE 4. PERCENTAGE CHANGE IN TUITION RATE AND INFLATION**



Federal student loans significantly impact how students pay for tuition. In FY 2017, Utah students borrowed \$413 million in federal student loans. However, while the national media regularly relate horror stories about the amount of debt some college students assume, Utah's students generally remain debt averse and have the lowest average student loan debt in the nation (\$18,810 as compared to the national

average of \$27,975). The Governor is committed to identifying opportunities to minimize tuition costs so Utah students do not have to rely as heavily on student loans.

While the state has a role in funding post-secondary education, leaders of post-secondary institutions also have a responsibility to actively seek internal efficiencies to avoid pricing students out of critical educational opportunities. For example, Utah's post-secondary education systems should seek to maximize the efficient use of existing facilities, including building use at night and during the summer months. Implementation of a standardized building utilization methodology would assist state and higher education policymakers in understanding opportunities to better leverage existing resources.

The Governor proposes empowering the Board of Regents and Technical Colleges Board of Trustees with the responsibility to make funding decisions that serve students' and the state's best interests. In addition to other funding, the Governor recommends discretionary funding of \$24 million ongoing for the USHE Board of Regents and \$7 million ongoing for the USTC Board of Trustees to address growth, completion, workforce demand, scholarships, and other issues that they deem important. With rising tuition, growing enrollment, and improvable graduation rates, post-secondary governing bodies must take responsibility for systemic outcomes and have the authority to allocate funding to drive requisite improvements within their respective organizations.

## SKILLED WORKFORCE INITIATIVE

With finite resources, it is imperative that Utah have clear and strategic criteria in place to guide investments in academic programs. As part of his recently-announced Life Elevated 2020 initiative, the Governor has been engaged in a collaborative effort with USHE and USTC to develop a more robust and transparent approach

to post-secondary investments and to explore opportunities to increase the number of students who graduate each year. The Governor anticipates this initial effort continuing through the remainder of FY 2018 and culminating in the implementation of up to three pilot projects designed to increase graduation rates using existing resources. The Governor recommends that a one-time amount of \$1 million be allocated to the Governor's Office of Management and Budget to support these pilot projects. The goal of these projects is for Utah to lead the nation in students completing high-quality technical education and to dramatically increase the number of higher education graduates with a lower cost per student.

The Governor applauds the Board of Regents' recent decision to update its strategic plan to include an emphasis on workforce alignment. The Governor appreciates the Board's incipient efforts to identify and implement key strategies that will yield improvements in access, affordability, timely completion, and better alignment to workforce needs.

The Governor recommends \$6.5 million for performance funding and \$9.6 million in one-time savings from performance funding be transferred to the Governor's Office of Economic Development (GOED) to support rapid-response training and certification programs for sectors currently experiencing skill gaps and labor shortages such as those found in information technology, engineering, and healthcare.

The awareness that Utah needs a high-skill workforce to stay competitive and maintain the state's quality of life has resulted in a gradual proliferation of workforce programs and services. The Governor has called for a review of these services to identify those yielding the best return on investment and how best to synchronize programs across organizations. GOMB will lead this effort over the next year in coordination with cabinet members and stakeholders.

## **YEAR OF TECHNICAL EDUCATION**

The Governor recognizes the critical role career and technical education play in Utah's economy and has declared 2018 the year of technical education. The Governor will lead the way by continuing to draw attention to the benefits of career and technical education and the need to expand access to technical programs.

## **POST-SECONDARY EDUCATION GUIDING PRINCIPLES**

- Improve the completion rates of post-secondary education students
- Focus on ways to deliver education more economically and provide access to additional funding for students
- Develop mechanisms to support post-secondary education access and success for non-traditional students
- Incentivize innovations in instructional delivery that reduce the costs of educating students
- Offer programs that meet the workforce demands of high-wage industries
- Actively seek opportunities to identify, exploit, and improve efficiencies across post-secondary programs and services

## **BUDGET RECOMMENDATIONS**

- \$35.2 million for employee compensation, including \$27.7 million in flexible merit-based compensation funding to USHE, USTC, and UETN to help retain highly qualified employees and \$7.5 million for health benefits
- Full (100%) state funding for USHE's compensation increase to eliminate the need to increase Tier 1 tuition
- \$24 million of discretionary funding for the Board of Regents to address USHE's most pressing needs
- \$7 million of discretionary funding for the Board of Trustees to address USTC's most pressing needs

- \$2 million (\$1.5 million one-time and \$0.5 million ongoing) to UETN to replace equipment
- \$1.3 million to UETN to expand and strengthen its network, establish 24/7 coverage in its network operations center, and improve Telehealth operations
- \$2 million one-time from non-lapsing balances to Utah Futures
- \$34.4 million for the Davis Technical College Allied Health building
- \$25 million for University of Utah Hospital
- \$17 million for Dixie State University Human Performance building
- \$15.9 million for Weber State University Social Science building
- \$1 million one-time to support completion-focused pilot projects at the discretion of the

Governor's Office of Management and Budget

- Directly appropriate \$6.5 million in one-time savings to performance funding
- Redirect \$9.6 million in one-time performance funding account savings into a Governor's Office of Economic Development post-secondary education institutions partnership to support rapid-response training and certification programs for high-demand and difficult to fill labor areas such as information technology, engineering, and healthcare

For a summary of all education funding increases, see Table 2.





## BUDGET & POLICY BRIEF

### Transportation and Land Use



*Laying the groundwork for a more integrated transportation system that encourages efficient land use patterns and improves air quality*

#### HIGHLIGHTS

- The Governor recommends a re-emphasis on **users paying for transportation costs according to use.**
- The Governor supports **opening up state transportation funds for all modes of transportation** to ensure transportation projects with the best return on investment are prioritized
- Proposals from the Transportation Governance Task Force include **a road usage fee pilot study, UTA governance reform, and strengthening the focus on economic development to enhance the long-term health of the transportation system and economy**
- **\$1.9 billion** total transportation budget from all funding sources (including highway debt service)
- **\$599 million** in state sales tax earmarks for transportation
- **\$502 million** in state fuel taxes
- **22 percent** of state sales tax earmarked for transportation

#### LAND USE

Understanding the interrelationships between land use, housing, transportation, water, air quality, and revenue structures is a key focus area of Life Elevated 2020. Affordable thriving communities need physical infrastructure, including transportation and water infrastructure. However, land use decisions heavily influence the types of infrastructure needed and their associated costs.

As communities make local decisions about how to grow, different types of growth based on different types of land use will have different cost impacts. The true cost of different types of growth should be increasingly reflected in different market-driven land use choices.

As with all programs, the state's focus should be on maximizing the return on every dollar invested in infrastructure, and increasingly incorporating the true cost of different development patterns into the decision-making process, including by increasingly relying on user fees to fund infrastructure.

#### A NEW PATH FOR TRANSPORTATION

As part of his Life Elevated 2020 initiative, the Governor is committed to maintaining and enhancing Utah's transportation system—a vital contributor to the state's well-performing economy. Utah's transportation system includes 46,000 miles of public roads, a sizable mass transit system, and numerous walking and bicycle paths. With the state's population projected to increase over 40 percent by 2040, there will be a significant need—not only for new roads, highways, and bridges—but also for mass transit and other methods of transportation.

The transportation system should integrate a broad range of reliable and accessible transportation options and ensure access to economic opportunity for both urban and rural residents. The Governor's Office of Management and Budget (GOMB), the Department of Transportation (UDOT), and other stakeholders

are actively working to develop a transportation system that minimizes travel times, reduces congestion, improves long-term air quality, and helps communities thrive. A convenient, reliable, and viable transportation system is a necessary component in promoting economic development and improving Utah's quality of life.

To ensure the long-term health of Utah's transportation system, the Governor signed into law legislation creating the Transportation Governance and Funding Task Force following the 2017 General Legislative Session. The Task Force was charged with evaluating a broad spectrum of transportation issues, including long-term transportation funding mechanisms; transportation governance, oversight, and operational structures; and models of land use and development.

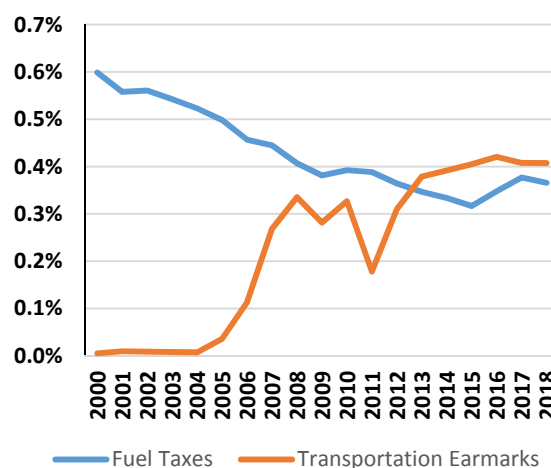
While the Task Force's work continues, key alternatives include increasing emphasis on user fees, allowing transit projects to compete for state funding, and designating economic development as a criterion in the transportation prioritization process. The Governor supports these reforms, which are important components for maintaining Utah's quality of life and aligning use of services with paying for those services.

**Road Usage Fees.** Road usage fees are a fuel tax alternative that are increasingly attracting attention from policymakers as automobiles become more fuel efficient and fuel tax bases decline. While fuel taxes indirectly link taxes paid with road usage, road usage fees directly levy a fee based on the amount of miles driven. Depending on the fee structure, drivers may also be charged higher rates during times of peak traffic.

Road usage fees have several advantages over more traditional funding mechanisms such as fuel taxes. First, fuel tax revenues are declining relative to miles driven due to cars becoming more fuel efficient. This issue will become even more pronounced as the number of electric

vehicles increase. Road usage fees are, therefore, a much more stable and viable long-term revenue source. Second, road usage fees adhere to the benefits principle, which states that taxes paid should be based on the benefits received. Last, features such as congestion pricing can more efficiently allocate road usage, reduce congestion during rush hours (which may improve air quality as cars idle less), and create better traffic flow.

**FIGURE 1 - FUEL TAXES AND SALES TAX EARMARKS FOR TRANSPORTATION AS A PERCENTAGE OF PERSONAL INCOME**



The current approach used by lawmakers is to subsidize inadequate fuel tax revenue with sales tax earmarks that fund “pay-as-you-go” projects as well as debt service on bond-funded projects (the legislature authorized \$1 billion in additional transportation bonds during the 2017 General Session). In FY 2019, these earmarks account for nearly \$600 million in funding, nearly \$100 million more than the \$500 million in state fuel taxes. Federal funds provide roughly an additional \$350 million, primarily from federal fuel taxes.

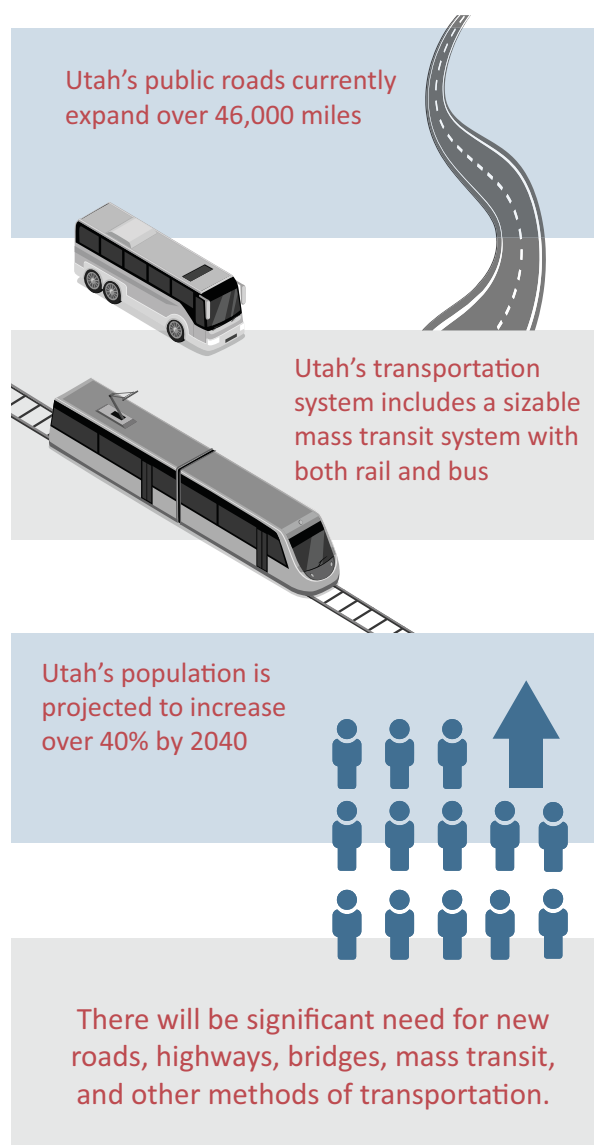
Figure 1 shows the declining fuel tax revenues and increasing earmarks as a percentage of the Utah economy as measured by personal income. This increasingly heavy reliance on sales taxes rather than user fees siphons revenue from the General Fund and compromises the state's ability to pay for other critical programs such as

education, corrections and public safety, and social services. Transferring more of the financial burden of building and maintaining roads onto drivers is a critical element of ensuring that both transportation revenue and General Fund revenue are adequate and sustainable in the long-term.

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### A well-functioning transportation system is critical to a well-performing economy

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Enabling UDOT to begin a road user fee pilot program would allow the state to begin the process of determining the best method of

charging for road usage—an important step toward modernizing the state's revenue system.

**Multi-Modal Transportation Funding.** Another issue addressed by the Task Force is the desire to open up state funding to the highest-value transportation infrastructure projects across modes. This would give transportation planners the ability to better serve Utah taxpayers by allowing them to fund whichever projects best optimize mobility and provide the highest return on investment. In practice, this would mean that any transportation project, including UTA transit projects, could receive money from the state Transportation Investment Fund (TIF), which is primarily funded with state sales tax earmarks.

A more integrated approach to transportation planning and funding will lead to more efficient use of taxpayer resources and better provide the infrastructure that communities throughout the state need to thrive. However, allowing UTA to receive TIF funding will also require governance reform to ensure that transit expenditures are accountable and transparent. Replacing the current 16-member UTA board with a smaller commission appointed by the Governor and giving UDOT control over state-funded transit projects would help ensure this accountability.

**Economic Development.** Rapidly growing metropolitan areas like Utah's urban centers face growth challenges and land development impacts. A growing population brings more transportation challenges. To further improve air quality, future land use planning and market-driven development that is less automobile-dependent will be increasingly important. Efforts that promote telecommuting and encourage land zoning practices that promote livable communities and more transit use will slow the growth of cars on the road and create better air quality.

Ideally, transportation planners are able to align transportation infrastructure, land use, air quality, and economic development. One

potential way to encourage this alignment would be to give efficient economic development patterns and air quality impacts more consideration in the Transportation Commission's new capacity prioritization process.

Another is the use of the State Infrastructure Bank (SIB). The SIB is an existing revolving loan fund that provides loans and assistance to local governments, enabling infrastructure development throughout the state that may not otherwise be possible. Encouraging economic development was one of the primary purposes for initially establishing the SIB. Currently, SIB guidelines allow the Transportation Commission to use the creation of economic benefits as a criterion for approving loans, but it is not required. Requiring the Transportation Commission to evaluate projects based on strict return-on-investment criteria would allow for the state to use the SIB more strategically. In addition, ensuring that the SIB is adequately capitalized would enable the state to more aggressively incentivize economic development.

Encouraging smart infrastructure planning by local governments that include features such as innovative and flexible approaches to parking, mixed uses, multiple housing options, access to transit, and pedestrian- and bicycle-friendly design can reduce state infrastructure costs and help ensure that residents have access to abundant opportunities for housing, jobs, education, recreation, and shopping within a reasonable drive, transit trip, walk, or bike ride—a foundational element of affordable, thriving communities.

## CONTINUOUS PROCESS IMPROVEMENT

The SUCCESS Framework is a set of management principles designed to boost the quality and efficiency of government services with the goal of creating more and more value for every tax dollar invested. The tools provide assistance in meeting the complex challenges facing

government services, including fragmentation, increased demand, and constrained budgets.

GOMB is currently working with UDOT to finalize measures for the department's three strategic goals:

- optimize mobility
- eliminate crashes, injuries, and fatalities
- preserve infrastructure

Using the SUCCESS Framework, the access management system is approving permits faster and has increased the percentage of applications approved within 45 days; the procurement system has significantly increased the percent of completed contracts that meet associated reliability standards; the heavy equipment management system has increased the percentage of trucks available during the snow season; and the ports of entry system has increased the percentage of trucks that use the bypass system and that pass through the ports of entry within established time standards. Overall, seven UDOT systems have experienced a 44 percent improvement from January 2013 through October 2017.

## GUIDING PRINCIPLES

- Prioritize existing infrastructure maintenance by developing new roads, highways, and bridges only after appropriately preserving the existing infrastructure and enacting feasible solutions that optimize mobility
- Focus on continuous improvement by ensuring that transportation planners maximize current resources and continually find more efficient and effective ways to build and maintain the transportation system
- Encourage increased transparency about the full costs of the transportation system, including air quality impacts
- Increase public awareness by encouraging individuals to make sustainable and responsible transportation decisions
- Seek ways to improve and achieve more efficiency and use in local mass transit systems

- Balance the transportation needs of urban and rural Utah

## PROPOSED SOLUTIONS

The Unified Transportation Plan provided a high-level transportation road map, including projected costs. While the plan is a useful tool for thinking about future needs, it assumes current and past behaviors, technology, and models for future construction.

New and better tools and strategies will help to maximize capacity and create structures with potentially longer life cycles, such as:

- Implementing additional techniques like Critical Chain Project Management to complete new transportation projects faster and more cost effectively
- Allowing money currently allocated for roads to be used for transit and other modes of transportation to empower decision makers and planners to consider the best return on investment across all modes of transportation, not just roads
- Encouraging local governments to invest in infrastructure and land zoning practices that reduce costly infrastructure and improve air quality
- Exploring intelligent highway systems, road usage fees, congestion pricing, and other innovative methods to pay for Utah's future transportation needs
- Identifying road usage policies that encourage maximum movement of people through the system (people throughput)
- Encouraging bus-based transit development and identifying "last mile" Uber-type services that support bus service
- Identifying potential approaches for improved reliability and increased use of buses, which may include local investment, federal funds, and/or modification of Transportation Investment Fund eligibility
- Identifying ways to promote and fund increased transportation investment in rural Utah





## BUDGET & POLICY BRIEF

### Tax Modernization: A Call to Action



*A better approach to tax change; Governor calls for a major tax modernization effort to ensure fairness, reduce loopholes, enhance stability, and maintain low and competitive tax rates*

## INTRODUCTION

“Don’t tax you, don’t tax me, tax that fellow behind the tree.” This old tax adage highlights the idea that while most people are not excited to pay taxes, the reality is that taxes are necessary to pay for public services that are provided every day. The challenge is finding the most efficient and fair way to collect revenue needed to pay for those services.

While the total revenue amount collected is an essential tax policy consideration, how government generates such revenue is also key. Utah is facing a critical tipping point when it comes to tax policy. The Governor highlighted the need for a tax review during his 2017 State of the State, and is now calling for a bold, broad-based tax modernization effort. This brief outlines ideal tax policy, Utah’s current challenges, and a framework for moving forward.

## IDEAL TAX POLICY

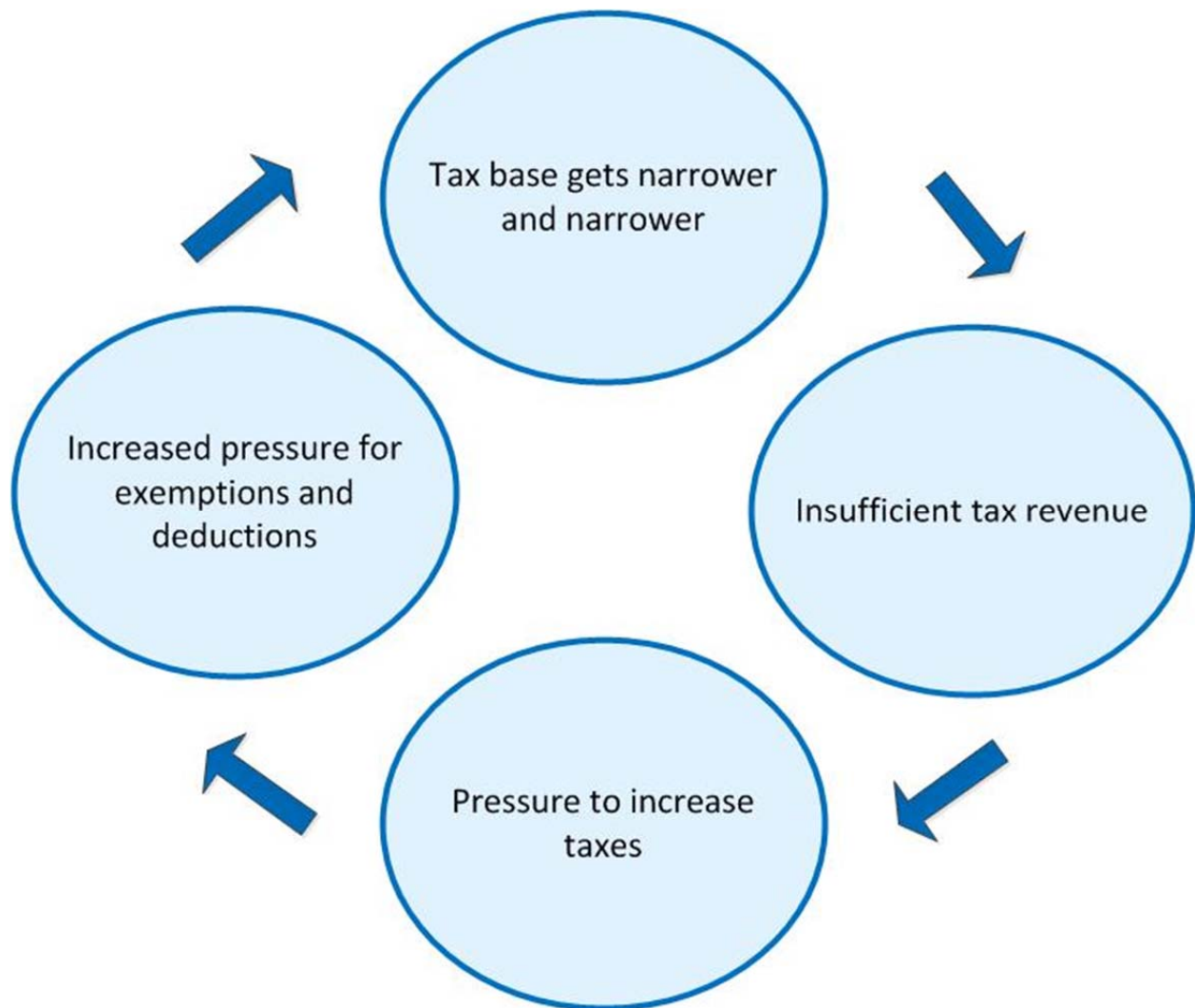
Tax systems exist primarily to generate the revenue needed to provide public services such as education, transportation, and public safety. A key feature of the tax system is to send price signals to citizens about the cost of providing government services, thereby allowing citizens to make decisions about desired service levels based on a cost and benefit comparison. Properly-aligned user fees and user-oriented taxes can often balance demand and supply for services, particularly for infrastructure such as transportation and water. Consumers tend to spend more judiciously when paying directly for a service than when someone else pays for the service.

While user fees are appropriate in many circumstances, mandatory taxes are also a necessity. When imposing such mandatory taxes, policies should reflect the public finance mantra of a “broad base and low rate,” thereby distributing the tax burden widely at a low and competitive tax rate. This model promotes fairness as everyone pays a little rather than policies that exempt some and consequently place a higher burden on others. A broad base also tends to minimize the damage to the economy, ensures economic neutrality so that government isn’t selecting winners and losers through the tax code, minimizes reliance on any particular segment of the economy, and simplifies compliance and administration.

Ultimately, money is a neutral indicator of the value of a product or service. When government tips the scales through tax policy or incentives that alter economic prices, the perceived value of the product or service can be distorted. Notably, those not bearing a full share of the tax burden may demand more public services because services appear less expensive than they truly are.

Adhering to good tax policy is often difficult as policymakers feel pressure to address a short-term or specific company/industry request. However, these types of policy decisions are often made in a vacuum and fail to take into account the opportunity cost or long-term impacts that include a tax base narrowing, price signal distortion, and tax burden shift. Moving away from the ideal of a broad base results in a vicious cycle that exacerbates the problem, as represented in Figure 1.

FIGURE 1. TAX POLICY VICIOUS CYCLE



As the tax base narrows, pressure increases for tax increases to generate sufficient revenue for needed services. In turn, higher tax rates further increase economic distortions and create pressure for additional exemptions or special rate reductions. All of this results in a more complicated tax system that is onerous to administer, frustrating for citizens, and erodes confidence in a fair and neutral structure.

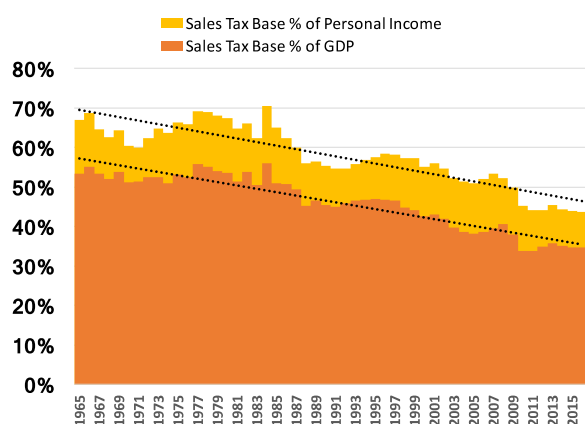
## UTAH'S CHALLENGES

Utah's revenue policies should ensure that the state and local governments, as well as taxpayers, follow a fiscally-viable long-term path that leads to increased prosperity and quality of life. Unfortunately, shortcomings in Utah's existing tax structure create obstacles in meeting that goal. Utah's tax structure—particularly the sales tax—is outdated, does not reflect the modern economy, and relies on general taxes to fund

services where user fees or user-oriented taxes would be more appropriate.

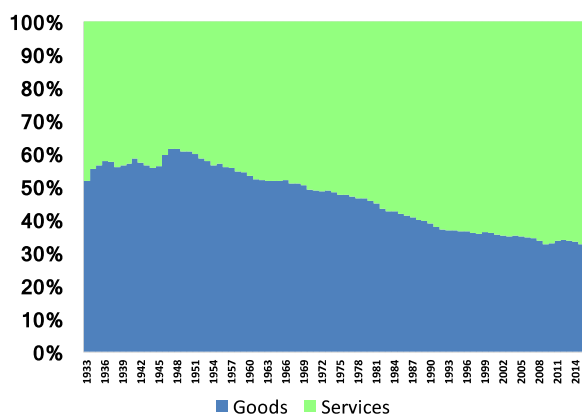
As with many other states, Utah's sales tax base and economy are increasingly mismatched. As Figure 2 illustrates, Utah's sales tax base previously covered approximately 70 percent of the state's economy as measured by personal income, while now it covers just over 40 percent. A narrowing tax base creates pressure to increase tax rates to maintain sufficient revenue.

**FIGURE 2. UTAH SALES TAX BASE AS PERCENT OF ECONOMY**



This narrowing of the base results from a changing economic structure and tax policy decisions. When the sales tax was imposed in 1933, the economy was largely goods-based. As shown in Figure 3, the economy has become increasingly more service-based.

**FIGURE 3. U.S. PERSONAL CONSUMPTION EXPENDITURES**



Some services such as hotel accommodations, dry cleaning, car repairs, and restaurant services are taxed, while other services remain excluded from the sales tax base. In addition, the digitization of goods has eliminated or reduced some segments of the economy (like compact discs and books now available as digital downloads). Finally, collecting the sales tax due on remote sales continues to present a challenge. In addition to the structural economic issues, policy decisions have also reduced the sales tax base through over 90 sales tax exemptions and reduced tax rates on specific items.

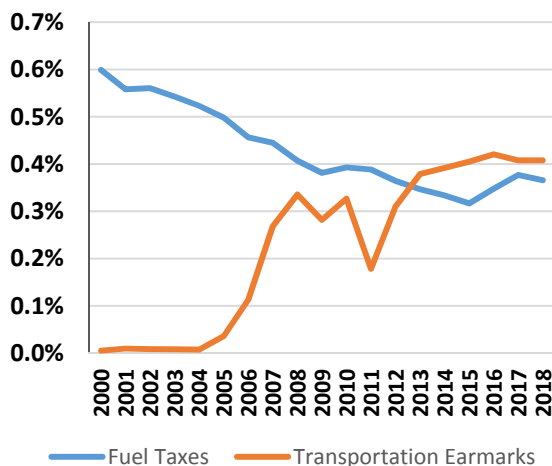
As the principle revenue source for the state's General Fund, sales tax is a major component of the state's revenue structure. Sales tax also serves as an important revenue source for local governments. Currently, 50 percent of the one percent local option rate is distributed based on population with the remaining 50 percent based on point of sale. Some argue this arrangement creates an inordinate focus on retail sales over the broader economy and good planning. The Governor proposes working with local governments to adjust local sales tax distribution to more heavily emphasize growth in high-paying jobs and population in conjunction with other changes that facilitate local government fiscal sustainability.

Although not always appropriate due to ability-to-pay considerations, user fees and user-aligned taxes create a more direct alignment between costs and payment for public services, akin to free market transactions. Appropriate user fees include water user fees, state park user fees, and transportation user fees.

Utah has drifted away from the user-pays principle for infrastructure. The direction over the past decade in particular has been to reduce market price signals by more heavily subsidizing infrastructure services through general taxes, which, in turn, discourages price signals and encourages higher consumption. As detailed in the *Revenue Earmarks* budget and policy brief

and shown in Figure 4, sales tax earmarks have grown dramatically over the past decade. For transportation, earmarks of state sales tax nearly \$600 million far exceed the user-oriented gas tax of about \$500 million.

**FIGURE 4 – FUEL TAXES AND SALES TAX EARMARKS FOR TRANSPORTATION AS A PERCENTAGE OF PERSONAL INCOME**



## GUIDING PRINCIPLES AND OBJECTIVES

In many cases, Utah's tax system is drifting away from the ideal by imposing higher tax rates on a narrower tax base—rather than lower taxes on a broader base—and course corrections are needed. The Governor recognizes such course corrections may not be easy and recommends a balanced approach that considers fundamental principles of good tax policy.

The Governor's tax modernization framework is founded on the following principles:

- re-emphasizing the role of user fees, particularly for infrastructure (such as transportation and water) to provide price signals that better align the payment of services with the use of services
- lowering tax rates to preserve competitiveness and economic efficiency
- broadening the tax base and enhancing fairness by reducing tax exemptions, exclusions, and credits

- improving uniformity to provide for a more level playing field
- aligning state and local fiscal incentives—particularly for economic development—to create fiscal structures that encourage growth in high-paying jobs and population
- respecting the taxpayer by ensuring that government services are efficient and deliver high-quality results

The tax modernization effort should be guided by respect for the taxpayer while taking into consideration the need to generate sufficient funds for the key services, such as education and transportation, required for a well-functioning economy. Although the total amount of taxes collected is an essential part of the conversation, tax modernization needs to occur regardless of the total amount of taxes as compared to current collections. For this reason, the tax modernization framework assumes overall revenue neutrality.

## THE FRAMEWORK

The Governor recommends that the legislature consider the following tax modernization framework.

### Infrastructure User Fees

- Increasingly emphasize transportation user fees through direct road user charges, fuel taxes, and registration fees
- Simplify fuel tax administration
- Increasingly emphasize user fees to pay for water

### Sales and Use Tax

- Establish a lower uniform sales tax rate
- Broaden the sales tax base to tax final consumption (not investment), including both goods and services
- Reduce sales taxes on business inputs
- Collect taxes from remote sales
- Adjust local sales taxes to more heavily emphasize high-paying jobs and population over retail

### Individual Income Tax

- Create a low-income tax credit or rebate specifically to offset sales tax regressivity
- Withhold estimated taxes on non-wage income
- Reduce the individual income tax rate

### Corporate Taxes

- Adjust income allocation methodology for multi-state businesses
- Ensure all firms with an economic nexus (not just physical location) pay corporate taxes
- Eliminate carryback of net operating losses while preserving carryforward

### Property Tax

- Simplify business personal property taxation
- Allow inflationary adjustments to property taxes, including school basic tax rate
- Consolidate discretionary local school property tax levies
- Cap exemption for primary residences for high-value properties
- Improve transparency of redevelopment and economic development areas and eliminate use for retail
- Expand property tax “circuit breaker” for low-income seniors

### Cigarette and Tobacco Taxes

- Tax e-cigarettes similar to other tobacco products

Utah’s tax system should be simple, economically neutral, reliable, equitable, responsive to interstate and international competition, designed to minimize burdens for compliance and administration, and accountable and transparent. The Governor’s tax modernization framework strives to appropriately balance these principles.

The Governor recognizes that as lawmakers contemplate the tax modernization framework, it

will be essential to implement the more challenging components of the framework (including user fees and broadening the tax base) to create the ability to accomplish the other components (lowering tax rates). To be successful, the two must go hand in hand.

**Infrastructure User Fees.** To counteract the trend of using general taxes when user fees are more appropriate, the Governor recommends re-emphasizing the role of user fees and user-oriented taxes to pay for infrastructure and, in turn, to reduce sales tax earmarks. Transportation-related examples include an increased emphasis on different types of direct road user charges, such as HOV fees lanes and charges based on number of miles traveled or congestion at time of travel; taxes on motor and special fuel; and registration fees, particularly for those not paying for use through fuel taxes. Similar to transportation, water development projects in which the State of Utah participates should increasingly emphasize water users paying for projects through water rates, rather than through taxes.

**Sales and Use Tax.** Another key focus of tax modernization should be Utah’s sales and use tax. The state, counties, cities, and towns all rely heavily on sales taxes to fund basic government services. The Tax Foundation summarizes most public finance economists’ views of the proper sales tax base:

- Sales taxes should apply to all final personal consumption, yet partly due to historic accident and partly due to policy efforts to exempt some goods, most sales tax bases are smaller than ideal.
- The narrow tax bases undermine neutrality, favoring some products or industries over others.
- Sales tax base expansion allows for greater tax neutrality and revenue stability, and can be paired with more targeted relief for low-income households.
- Consumption by businesses should be exempt, not due to a preference for

businesses over the general public, but rather to avoid “tax pyramiding.”

The Governor recommends that Utah broaden the sales and use tax to better align with the proper economic base of final consumption, with the goal of creating a lower uniform state sales tax rate, cutting the current 4.7 percent tax rate to between 2.7 and 3.7 percent (a rate reduction of about 20 to 40 percent).

**Individual Income Tax.** Congress is contemplating changes to the federal individual and corporate income tax systems, with the U.S. House and Senate recently passing separate tax reform bills. Because Utah’s income tax base is directly tied to the federal system, many of the federal tax changes will translate to the state’s income tax system. While various portions of the proposals remain in flux, for the individual income tax, an expansion of the standard deduction (which reduces the tax base) is offset by elimination of personal exemptions and reductions in itemized deductions (which expand the tax base). State policymakers should carefully monitor the federal tax reform proposals to understand impacts on state revenues and on Utah’s citizens.

**Property Tax.** Under Utah’s truth-in-taxation system, the certified property tax rate provides the same dollar amount of revenue (exclusive of value of new properties as in the prior year). While this system has served the state well overall, it does not allow the certified tax rate to increase for inflation. The Governor recommends allowing inflationary adjustments to property taxes, including freezing the mandatory

statewide school basic tax rate. In addition, the Governor recommends consolidating discretionary school property taxes to: (a) enhance local flexibility by eliminating funding silos, (b) highlight tradeoffs between spending on school buildings and school operations, and (c) returning to uniform rate caps.

Although the state clearly has a role in funding increases for public education through various state guarantees provided through revenue sources it controls, this change to property taxes will better allow school districts to take responsibility for shouldering their share of the school funding burden.

## CONCLUSION

The Governor’s tax modernization framework creates a sustainable long-term path for state and local governments while also respecting the taxpayer. Re-emphasizing user fees, broadening the tax base, and maintaining low and competitive tax rates improve the fairness of the tax system, allow sufficient revenue to provide key government services, support a growing economy, and respect the taxpayer.

People expect access to government services (good schools, roads, public safety), but many are reluctant to pay the full associated costs. While government can and should do everything possible to provide services efficiently, the demand for services must ultimately align with the revenue structure. The bottom line—it takes resources to provide public services that maintain Utah’s quality of life.



## BUDGET & POLICY BRIEF

### Prudent Fiscal Management



*Prudent fiscal management means thinking long-term to both balance the budget and invest in the future*

#### HIGHLIGHTS

- **Maintaining and elevating Utah's quality of life** is the focus of the Governor's budget
- **\$570 million** in combined rainy day fund balances
- **1 of only 9** states with a AAA bond rating from all three major rating agencies

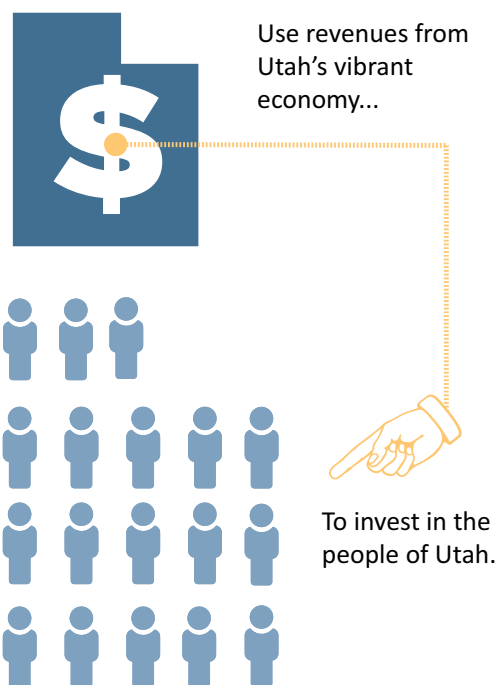
Utah is recognized nationally for its prudent fiscal management. An important key to Utah's success is considering the long-term impacts of budget decisions, not simply the short-term impacts over the coming fiscal year. One important aspect of long-term thinking is managing a budget over the ups and downs of the economic cycle. Equally important is understanding how today's budget decisions—such as investing in education to promote an educated future workforce or improving the state's tax structure—can alter the state's economic trajectory years down the road.

#### PRUDENT FISCAL MANAGEMENT AND LIFE ELEVATED 2020

While Utah is the envy of other states in terms of quality of life and economic prosperity, the Governor's Life Elevated 2020 initiative provides a framework for continued wise fiscal management and long-term economic health. The elements of this framework—effective and efficient government; investing in a skilled workforce; providing and incentivizing the right infrastructure to establish affordable, thriving communities; and modernizing the tax system—work together synergistically to secure long-term economic performance and quality of life. Additional details about the Life Elevated 2020 initiative are found in the various budget and policy briefs that make up the Governor's budget and policy recommendations.

#### PRUDENT BUDGET PHILOSOPHY

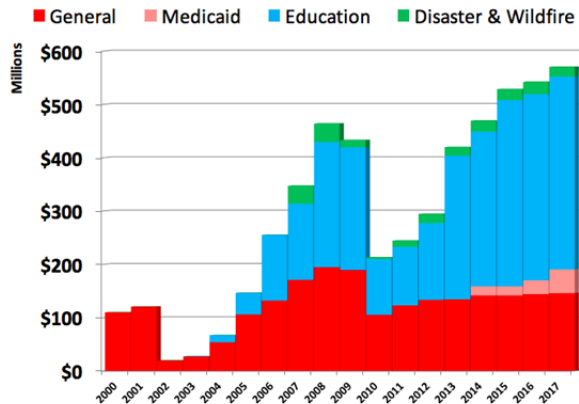
Long-Term Investments in the People of Utah



#### UTAH'S RAINY DAY FUNDS ARE AT HEALTHY LEVELS

As shown in Figure 1, Utah's rainy day fund balances have been restored and exceed pre-recession totals. Including \$35 million in deposits made at the end of FY 2017, the state's combined rainy day fund balances total approximately \$570 million. This figure includes the Education Fund Budget Reserve (\$362 million), General Fund Budget Reserve (\$146 million), Medicaid Growth Reduction and Budget Stabilization (\$44 million), and the Disaster Recovery and Wildland Fire Suppression (\$18 million) accounts.

**FIGURE 1 – RAINY DAY FUND BALANCES**



The Governor also proposes adding \$5 million to the General Fund Budget Reserve Account.

To preserve budget flexibility, the Governor recommends re-focusing year-end surplus transfers on the core rainy day funds and that no further year-end transfers of surplus funds be enacted.

### **AUTOPILOT BUDGETING REDUCES BUDGET FLEXIBILITY**

One concerning trend that has emerged over the past decade is the advancement of what could be termed “autopilot budgeting,” including revenue earmarks and other automatic funding allocations. Rather than allowing policymakers to make annual budget decisions, statutes passed during previous legislative sessions have established automatic spending priorities. While statutes can be changed, automatic funding has created a higher budgeting priority (where at times no vote is needed) as compared to funds appropriated through the regular budget process and that require an affirmative action to appropriate funds.

Although autopilot decisions may have seemed a good idea when enacted, these policies lead to less budget flexibility and make prudent budget management increasingly difficult. Revenue earmarks and automatic funding cause a great deal of effort to be spent identifying ways to get

around rigid budget mechanisms to respond to current issues and to meet the state’s core needs. One of the strengths of Utah’s historic budget process is its flexibility—giving policymakers the ability to act on their responsibility to meet current needs within the accepted institutional structure and to accomplish public policy objectives. For this reason, the Governor discourages further expansion of earmarks and other similar automatic budget mechanisms, including automatic transfers of a year-end surplus.

### **MEETING FINANCIAL OBLIGATIONS**

The Governor’s budget fully funds long-term obligations including pensions and various employee benefits. Even with more conservative assumptions on rates of return, funded ratios in these programs are increasing based on consistent full funding of actuarially-determined contributions and improved investment returns as compared to the reductions in funded ratios created by investment losses during the Great Recession. The state’s payments are based on actuarial estimates of the amounts required to fully fund the programs over the long term. Funded ratios in some of the non-pension employee benefits have allowed the state to cut the amortization period in half (20 years to 10 years). However, continued payments will be required to reach full funding over time.

### **UTAH MAINTAINS AAA BOND RATING**

Through sound and fundamental budgeting practices, Utah has prudently managed its financial resources, allowing the private sector to flourish. Utah’s longstanding AAA bond rating and ability to attract financial capital reflect the private market’s confidence in the state’s budget management practices. As one of only 9 states with a triple AAA bond rating, this market confidence allows Utah to enjoy sizable interest savings as compared to states with lower bond ratings.

# BUDGET & POLICY BRIEF

## Revenue Earmarks



*Autopilot budgeting reduces budget flexibility and program scrutiny*

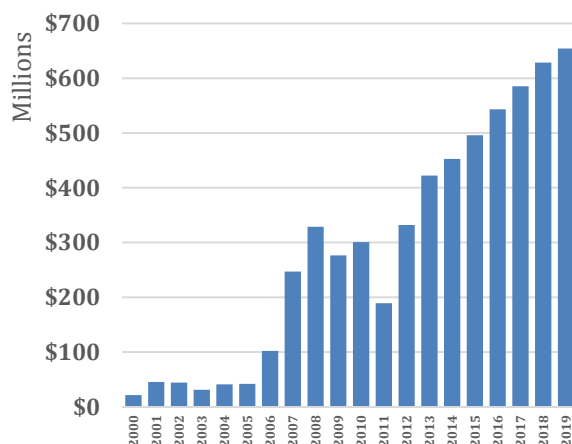
### HIGHLIGHTS

- **39 percent** of new state sales and use tax growth is earmarked under current law
- **24 percent** of all state sales and use tax is earmarked
- **\$740 million** in General Fund earmarks and set asides, including **\$654 million** from sales tax
- **2900 percent increase** in earmarks since the year 2000

### SALES TAX EARMARKS

As used in this summary, the term “earmark” refers to revenue set aside for a specific purpose that would otherwise be directed to the General Fund. Over the past decade, the legislature has dramatically increased the use of earmarks, particularly sales tax earmarks (see Figure 1). Historically, the legislature had previously resisted revenue earmarks because programs funded through earmarks tend to receive far less scrutiny than those subject to the intense examination and prioritization of General Fund revenue through the annual budget process.

FIGURE 1 – SALES TAX EARMARK AMOUNTS



Under current law, 39 percent of new sales and use tax revenue growth for FY 2019 and 24 percent of total sales tax is earmarked—primarily for transportation and water (see Table 1).

### EARMARKS ARE PROBLEMATIC

Statutory earmarks of General Fund revenues are problematic because they are not fully transparent to the public. Such earmarks tend to be viewed as captured revenue that belongs to the program benefiting from the earmark rather than as general taxpayer dollars. In addition, programs funded with earmarked revenues are often not fully prioritized against competing needs (including education), as an integral part of the annual budget process.

When considering the impact of previous legislative actions to current budgeting decisions, it should be noted that references to “new revenue” have historically included only Education Fund and General Fund increases even though actual growth in state tax collections, which includes earmarked revenue, is higher than the reported new revenue. Similarly, the term “state funds” has historically been used synonymously with Education Fund and General Fund revenue—implying that earmarked general state tax revenues outside of the General Fund are somehow not fully available state funds subject to policy decisions, even though they are generated by a general state tax.

A better approach would be for user fees to cover a larger share of programs that currently receive earmarked sales tax revenue. For example, drivers currently pay user fees in the form of registration fees and fuel taxes. In addition, road usage fees that directly charge

drivers based on miles driven are beginning to attract more attention from policymakers as a potential fuel tax replacement.

However, revenue currently produced by the existing user fee structure does not meet demand for services, which means drivers do not currently cover their full share of transportation costs. Increasing user fees for transportation would allow for a reduction in sales tax earmarks.

Similarly, sales tax earmarks going to water projects could be reduced by more directly charging water users through monthly water charges and impact fees.

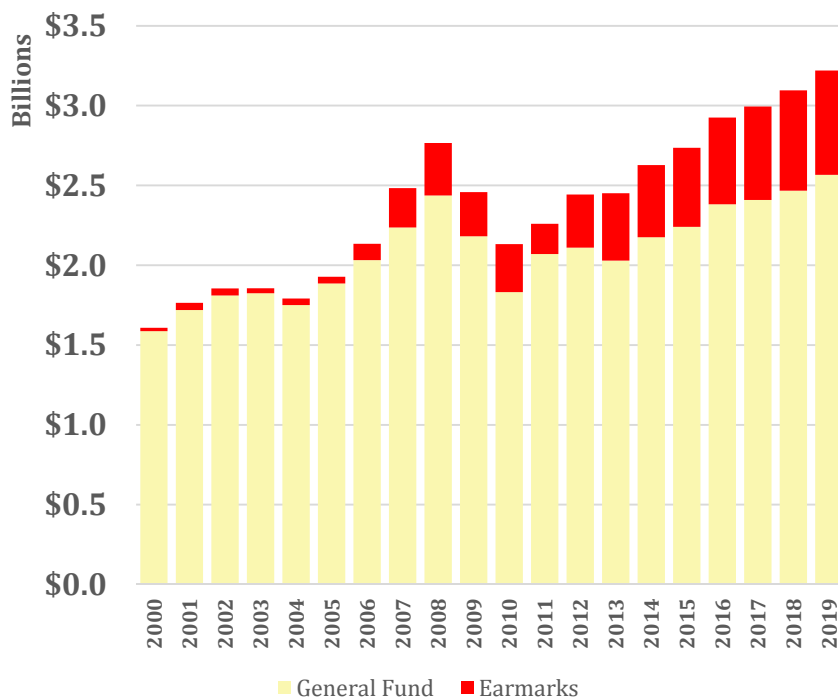
## GROWTH IN GENERAL FUND & SALES TAX EARMARKS

Figure 2 illustrates that since the Great Recession, revenues that were historically deposited into the General Fund have experienced steady growth. One reason for the slow growth of General Fund revenue is the significant portion of total revenue growth that has been earmarked.

If earmarking General Fund revenue continues to be viewed as a successful budget strategy to permanently fund programs, it is likely that program advocates will continue to advance proposals to dedicate general revenues for other programs and services in order to bypass the annual scrutiny and prioritization of the budget process. The Governor opposes the expansion of existing earmarks or the enactment of new earmarks.

Most insurance premium tax revenue is deposited into the General Fund. A portion of the insurance premium tax has been earmarked for the fire academy and local firefighter retirement. Due to various tax reporting changes, the portion of this revenue source deposited into the General Fund has significantly increase, with a corresponding decrease in the revenues flowing through the earmark to restricted funds for various fire-related issues. As he did last year, the Governor recommends that funds be appropriated from the General Fund to cover these important programs but opposes efforts to revise or expand earmarks for the program, especially earmarks that grow automatically.

FIGURE 2 – SALES TAX EARMARKS AND GENERAL FUND REVENUES



## Table 1 - General Fund Earmarks and Set-Asides FY 2017 - FY 2019

Earmarks are revenues set aside for a certain purpose rather than deposited into the General Fund. This table includes earmarks from revenues that have historically been deposited into the General Fund. As shown in the table, General Fund earmarks total about \$740 million in FY 2019, with \$654 million coming from sales tax earmarks. All numbers are in millions of dollars.

Earmark Item	Statute	Actual FY 2017	Authorized FY 2018	Consensus FY 2018*	% Chg. FY 17 - FY 18*	Consensus FY 2019*	% Chg. FY 18* - FY 19*
<b>Sales and Use Tax</b>							
<b>Transportation:</b>							
Transportation Investment Fund of 2005 (8.3% of sales tax)	59-12-103(8)	202.7	213.2	214.9	6.0%	223.4	3.9%
Transportation Investment Fund of 2005 (30% of growth above FY 11)	59-12-103(8)	195.6	223.5	225.3	15.2%	234.2	3.9%
Transportation Investment Fund of 2005 (3.68% of sales tax in FY19)	59-12-103(9)	64.0	63.0	63.0	-1.6%	99.0	57.2%
Transportation Investment Fund of 2005 (1/16%)	59-12-103(6)	35.7	30.1	30.2	-15.3%	23.6	-22.0%
Transportation Investment Fund of 2005 (0.025% non-food)	59-12-103(11)	25.2	22.1	22.3	-11.7%	18.5	-16.9%
<b>Subtotal - Sales and Use Tax Transportation</b>		<b>523.2</b>	<b>551.9</b>	<b>555.7</b>	<b>6.2%</b>	<b>598.7</b>	<b>7.7%</b>
<b>Water:</b>							
Water development (85% of \$ over \$18.5M gen. by 1/16%)	59-12-103(5)(d)	16.5	18.3	16.7	1.3%	18.0	7.7%
Water Infrastructure Account	59-12-103(6)	0.0	7.5	7.6	N/A	15.7	108.0%
Water development (41% of \$17.5M)	59-12-103(4)(e)	7.2	7.2	7.2	0.0%	7.2	0.0%
Drinking water (20.5% of \$17.5M)	59-12-103(4)(g)	3.6	3.6	3.6	0.0%	3.6	0.0%
Water quality (20.5% of \$17.5M)	59-12-103(4)(f)	3.6	3.6	3.6	0.0%	3.6	0.0%
Endangered species (14% of \$17.5M)	59-12-103(4)(b)(i)	2.5	2.5	2.5	0.0%	2.5	0.0%
Water rights (15% of \$ over \$18.5M gen. by 1/16%)	59-12-103(5)(e)	1.1	1.3	2.9	173.7%	3.2	7.7%
Agricultural resource development (3% of \$17.5M)	59-12-103(4)(c)	0.5	0.5	0.5	0.0%	0.5	0.0%
Watershed rehabilitation (\$ over \$18M gen by 1/16%, up to \$500K)	59-12-103(5)(b)	0.5	0.5	0.5	0.0%	0.5	0.0%
Water rights (1% of \$17.5M)	59-12-103(4)(d)	0.2	0.2	0.2	16.7%	0.2	0.0%
Cloud seeding (\$ over \$18M gen by 1/16%, up to \$150K)	59-12-103(5)(c)	0.2	0.2	0.2	0.0%	0.2	0.0%
<b>Subtotal - Sales and Use Tax Water</b>		<b>35.7</b>	<b>45.3</b>	<b>45.3</b>	<b>27.1%</b>	<b>55.0</b>	<b>21.3%</b>
<b>Other:</b>							
Qualified Emergency Food Agency Fund	59-12-103(10)	0.5	0.5	0.5	0.0%	0.5	0.0%
Throughput Infrastructure	59-12-103(12)	26.0	27.0	27.0	3.8%	0.0	-100.0%
<b>Subtotal - Sales and Use Tax Other</b>		<b>26.5</b>	<b>27.5</b>	<b>27.5</b>	<b>3.8%</b>	<b>0.5</b>	<b>-98.1%</b>
<b>Subtotal - All Sales and Use Tax Earmarks</b>		<b>585.4</b>	<b>624.7</b>	<b>628.6</b>	<b>7.4%</b>	<b>654.2</b>	<b>4.1%</b>
<b>Severance Tax:</b>							
Permanent State Trust Fund	Article XIII, Sec. 5	6.8	8.0	7.8	13.6%	9.8	26.6%
<b>Subtotal - Severance Tax</b>		<b>6.8</b>	<b>8.0</b>	<b>7.8</b>	<b>13.6%</b>	<b>9.8</b>	<b>26.6%</b>
<b>Cigarette Tax:</b>							
Dept. of Health - tobacco prevention and control media campaign	59-14-204(5)(c)(i)	0.3	0.3	0.3	0.0%	0.3	0.0%
Dept. of Health - tobacco prevention, reduction, cessation, control	59-14-204(5)(c)(ii)	2.9	2.9	2.9	0.0%	2.9	0.0%
University of Utah - Huntsman Cancer research	59-14-204(5)(c)(iii)	2.0	2.0	2.0	0.0%	2.0	0.0%
University of Utah - medical education	59-14-204(5)(c)(iv)	2.8	2.8	2.8	0.0%	2.8	0.0%
<b>Subtotal - Cigarette Tax Earmarks</b>		<b>8.0</b>	<b>8.0</b>	<b>8.0</b>	<b>0.0%</b>	<b>8.0</b>	<b>0.0%</b>
<b>Beer Tax:</b>							
Alcohol law enforcement	59-15-109	5.4	5.6	5.6	3.5%	5.9	4.6%
<b>Subtotal - Beer Tax</b>		<b>5.4</b>	<b>5.6</b>	<b>5.6</b>	<b>3.5%</b>	<b>5.9</b>	<b>4.6%</b>
<b>Insurance Premium Tax:</b>							
Fire Academy Support Account	53-7-204(2)	2.7	2.8	4.5	69.7%	2.9	-36.4%
Relative Value Study Restricted Account	59-9-105	0.1	0.1	0.1	-3.5%	0.1	11.8%
Workplace Safety Account	34A-2-701	1.4	1.4	1.5	9.4%	1.5	-1.3%
Employers' Reinsurance Fund	34A-2-702	20.0	20.8	18.0	-9.8%	21.6	19.6%
Uninsured Employers' Fund	34A-2-704	5.7	5.9	2.2	-61.2%	6.2	178.4%
Firefighters' Retirement Trust & Agency Fund	49-11-901(5)	5.3	5.5	9.0	69.6%	5.7	-36.4%
<b>Subtotal - Insurance Premium Tax</b>		<b>35.2</b>	<b>36.5</b>	<b>35.4</b>	<b>0.7%</b>	<b>38.0</b>	<b>7.2%</b>
<b>General Fund Set-Asides</b>							
Economic Development - Tax Increment Financing	63N-2-109	2.9	3.3	3.3	13.1%	3.3	0.0%
Economic Development - Tourism Marketing Performance Account	63N-7-301	21.0	21.0	21.0	0.0%	22.0	4.8%
<b>Subtotal - General Fund Set-Asides</b>		<b>23.9</b>	<b>24.3</b>	<b>24.3</b>	<b>1.6%</b>	<b>25.3</b>	<b>4.1%</b>
<b>Total - General Fund Earmarks</b>		<b>664.6</b>	<b>707.0</b>	<b>709.5</b>	<b>6.8%</b>	<b>741.1</b>	<b>4.4%</b>

\*Consensus revenue estimates adopted by GOMB, LFA, and Tax Commission in October 2017

**Table 2 - Governor's Budget Recommendations for Education**

<b>Public K-12 Education</b>	<b>One-time</b>	<b>Ongoing</b>	<b>Total</b>
<b>A. New Education Fund and General Fund</b>			
4% Increase in the Weighted Pupil Unit (WPU)	\$0	\$121,182,300	\$121,182,300
New WPU Add-on for Students At Risk of Academic Failure <sup>1</sup>	\$0	\$33,833,200	\$33,833,200
Consensus Enrollment Growth (7,681 New Students) <sup>2</sup>	\$0	\$33,488,500	\$33,488,500
Increase in Local Levy Guarantee (Equalization of Local School Property Taxes)	\$0	\$12,800,000	\$12,800,000
New Local Levy Guarantee for Rural Schools (Equalization of Local School Property Taxes)	\$0	\$2,000,000	\$2,000,000
Board of Education Staff Compensation (2%) and Internal Service Fund Costs	\$0	\$1,113,000	\$1,113,000
Beverly Taylor Sorenson Arts Learning Program	\$0	\$1,000,000	\$1,000,000
Utah State Instructional Materials Access Center (USIMAC) Expansion	\$500,000	\$450,000	\$950,000
Statutory Increase for USDB Educators (Steps & Lanes)	\$0	\$765,800	\$765,800
Discretionary Funding for Board of Education to Address Staffing Priorities	\$0	\$313,000	\$313,000
Statutory Increase for Carson Smith Scholarship	\$0	\$300,000	\$300,000
Enrollment Growth for Four Additional Below-the-line Programs <sup>3</sup>	\$0	\$274,900	\$274,900
<b>K-12 EF/GF Subtotal</b>	<b>\$500,000</b>	<b>\$207,520,700</b>	<b>\$208,020,700</b>
<b>B. Re-prioritized Funding (Nonlapsing Balances, Dedicated Credits, and Transfers)</b>			
New WPU Add-on for Students At Risk of Academic Failure <sup>1</sup>	\$0	\$28,034,600	\$28,034,600
Consensus Enrollment Growth (7,681 New Students) <sup>2</sup>	\$2,556,100	\$0	\$2,556,100
Increase in Local Levy Guarantee (Equalization of Local School Property Taxes)	\$10,200,000	\$0	\$10,200,000
CANVAS Learning Management System K-12 Schools	\$0	\$1,900,000	\$1,900,000
Teacher Supplies & Materials	\$1,000,000	\$0	\$1,000,000
Beverly Taylor Sorenson Arts Learning Program	\$625,600	\$0	\$625,600
<b>K-12 Re-prioritized Subtotal</b>	<b>\$14,381,700</b>	<b>\$29,934,600</b>	<b>\$44,316,300</b>
<b>Post-secondary Education</b>			
<b>C. New Education Fund and General Fund</b>			
Wage and Wage-based Benefits Compensation (2%)	\$0	\$19,767,600	\$19,767,600
Health Insurance Increase <sup>4</sup>	\$0	\$7,465,300	\$7,465,300
Additional Compensation - Elimination of Mandatory (Tier I) Tuition Increase (USHE) <sup>5</sup>	\$0	\$7,953,000	\$7,953,000
Discretionary Funding for Board of Regents to Address Budget Priorities	\$0	\$24,000,000	\$24,000,000
Discretionary Funding for USTC Board of Trustees to Address Budget Priorities	\$0	\$7,000,000	\$7,000,000
SUCCESS Framework Pilot Projects	\$1,000,000	\$0	\$1,000,000
UETN Equipment	\$1,500,000	\$500,000	\$2,000,000
UETN Expanded Connectivity	\$0	\$650,000	\$650,000
Telehealth Operations	\$0	\$350,000	\$350,000
UETN Network Operations Center 24/7 Staffing - Stage 2	\$0	\$300,000	\$300,000
Capital - Davis Technical College Allied Health Building	\$34,364,500	\$0	\$34,364,500
Capital - Davis Technical College Allied Health Building Operations and Maintenance (O&M)	(\$661,300)	\$661,300	\$0
New Buildings Operations & Maintenance Savings (Construction Not Yet Completed)	(\$2,378,000)	\$0	(\$2,378,000)
<b>Post-secondary EF/GF Subtotal</b>	<b>\$33,825,200</b>	<b>\$68,647,200</b>	<b>\$102,472,400</b>
<b>D. Re-prioritized Funding (Nonlapsing Balances, Transfers, and Other Existing Funding)</b>			
Utah Futures	\$2,000,000	\$0	\$2,000,000
Performance-based Funding <sup>6</sup>	\$6,500,000	\$0	\$6,500,000
GOED/Post-secondary Partnership for Targeted Training Programs <sup>6</sup>	\$9,583,600	\$0	\$9,583,600
Capital - University of Utah Medical Education and Discovery Rehabilitation Hospital	\$5,000,000	\$20,000,000	\$25,000,000
Capital - Dixie State University Human Performance Center	\$17,000,000	\$0	\$17,000,000
Capital - Weber State Social Science Building Renovation	\$15,940,000	\$0	\$15,940,000
<b>Post-secondary Re-prioritized Subtotal</b>	<b>\$56,023,600</b>	<b>\$20,000,000</b>	<b>\$76,023,600</b>
<b>New State EF/GF Funding (A and C)</b>	<b>\$34,325,200</b>	<b>\$276,167,900</b>	<b>\$310,493,100</b>
<b>Re-prioritized Funding (B and D)</b>	<b>\$70,405,300</b>	<b>\$49,934,600</b>	<b>\$120,339,900</b>
<b>TOTAL</b>	<b>\$104,730,500</b>	<b>\$326,102,500</b>	<b>\$430,833,000</b>

1. Total funding for the new WPU Add-on for Students At Risk of Academic Failure is \$63,333,200 and consists of \$28,034,600 reallocated from the current Enhancement for At-Risk Students program and \$35,156,700 of new funding (\$1,465,400 of which is funding for enrollment growth and the WPU increase for the Enhancement for At-Risk Students program).

2. Consensus enrollment growth will cost \$36,044,700 in state EF (\$33,488,500 ongoing and \$2,556,100 one-time). One-time funding (for FY 2018) is from nonlapsing balances within the MSP; the local revenue contribution from the basic levy is expected to increase by \$9,032,500 in FY 2019.

3. Guarantee Transportation Levy, Title I Paraeducators, K-3 Reading Improvement, Early Intervention

4. This includes a \$181,000 decrease in the cost of dental insurance.

5. This funding is to pay for the portion (25%) of the USHE compensation increase traditionally paid for with tuition revenue.

6. Use of one-time Performance Funding (SB 117) savings.



# BUDGET & POLICY BRIEF

## Public Education Priorities



*Governor and legislature on track to deliver \$1 billion ongoing investment by FY 2021*

### HIGHLIGHTS

- **\$208 million** in **new funding** for public education, bringing 3-year total ongoing increase to \$674 million (67 percent of \$1 billion target over 5 years)
- **\$170 million ongoing** in flexible, local funding consisting of:
  - **4 percent increase** in the **“standard” WPU** (\$121 million)
  - An amount equal to a **1.6 percent WPU increase** to include:
    - **\$34 million** for WPU add-on for students at risk of academic failure
    - **\$25 million** (\$14.8 million ongoing and \$10.2 million one-time) for equalization of property taxes through state minimum funding guarantees, including \$2 million ongoing for rural school districts
- **\$36 million** (\$33.5 million ongoing and \$2.5 million one-time) in new state funds for **enrollment growth** of nearly 7,700 new students
- **\$1.6 million** for Beverley Taylor Sorenson Arts Learning Program
- **\$3.7 billion** in total state spending on public education

### OBJECTIVE

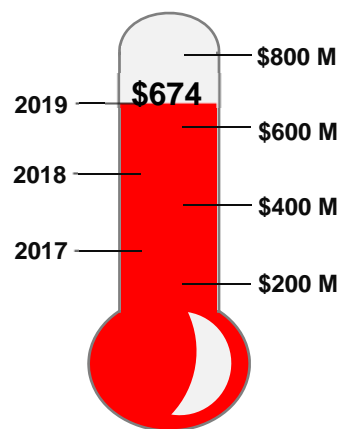
To develop effective public education policies and funding solutions that align with the tenets of the *Utah Education Roadmap* and ensure:

- significant investment in public education to facilitate Utah’s goal to be the number one state for student achievement (the Governor and legislature remain on track to deliver \$1 billion in new ongoing funding by FY 2021)
- meaningful local flexibility with funding to address unique local needs related to

educator compensation, student counseling, professional learning, technology, etc.

- local accountability that enables constituents and policymakers to clearly understand the use of taxpayer dollars
- increased funding support for students at risk of academic failure and for school districts with a lower property tax base per student and a strong local tax effort

**\$1 Billion  
Over 5 Years**



### BACKGROUND

Utah’s future economic prosperity depends on an educated population. Utah’s economy continues to garner the attention of major national and international firms that demand highly skilled workers. Educating Utah’s youth to meet employers’ needs requires time and consistent investment. Failure to invest in education will hamper Utah’s economic growth, both in the short and long-term.

Appropriate investments in education sustain improvement in outcomes that not only promote

economic success for the state by attracting and developing firms offering high-paying jobs, but also ensure our students have the skills needed to be ready for college, careers, and meaningful civic engagement. As the Governor has said, while improving educational outcomes “is not all about the money, it is some about the money.” Adequate resources are necessary to produce desired outcomes.

The Governor’s Education Excellence Commission, comprised of key stakeholders from the education community, recently adopted the *Utah Education Roadmap* to guide decisions about policy and additional funding. The Roadmap identifies critical areas of attention and examples of strategies for consideration. The Commission voted to focus on providing support to students at risk of academic failure in the coming year.

## CELEBRATING UTAH’S EDUCATION SUCCESSES

For years, headlines have noted Utah’s low per-student expenditures and, each year, calls for K-12 funding have focused primarily on increased spending. While funding levels are important, it is also important for taxpayers to know what they are purchasing for the sizeable investment in K-12 education. Utah’s public education system is performing admirably with the



resources currently available.

Results of the National Assessment of Educational Progress (NAEP) provide evidence for the quality of Utah’s K-12 system. Utah’s 8<sup>th</sup> grade students rank 1<sup>st</sup> in the nation on the science assessment while Utah’s 4<sup>th</sup> grade students rank 6<sup>th</sup>. Utah’s 4<sup>th</sup> and 8<sup>th</sup> grade students are in or trending toward the top 10 in math, reading, and science. An independent analysis of 18 distinct NAEP achievement measures ranks Utah 14<sup>th</sup> overall.

A comparison of the average combined NAEP scores and per-student expenditures illustrates the level of student performance states purchase with their K-12 expenditures. The comparison reveals that Utah receives a better return on investment than any state in the nation.

ACT results provide further evidence of the quality of Utah’s K-12 system. Nationally, Utah’s students are tied for 30<sup>th</sup> place. However, a simple ranking of composite ACT scores does not provide an accurate assessment of how Utah’s high school students compare to their peers across the nation because only 17 states, like Utah, require 100 percent of their students to take the ACT. In the 15 states with the highest average composite scores, a mere one-quarter of students take the ACT. Among the states that require all students to take the ACT, Utah’s composite score ranks 5<sup>th</sup>.

In addition to nationally-normed NAEP and ACT measures, graduation rates provide additional evidence of the quality of Utah’s K-12 system. Since 2011, the graduation rate has steadily increased from 76 percent to 86 percent, which exceeds the national average.

## ROOM FOR IMPROVEMENT REMAINS

While the evidence shows that Utah’s students outperform many of their peers, NAEP and ACT scores and graduation rates all show room for improvement. Additionally, not all of Utah’s

students experience the same success. Persistent achievement gaps continue in many student groups. The Governor continues to advocate for resources that enable all of Utah's students to continue improving—ensuring that Utah becomes the top state for educational outcomes in the nation.

The Governor has also committed to increase the return on each taxpayer dollar invested in the public education system. During the next three years, the Governor will continue to collaborate with key stakeholders and education officials to identify and seize opportunities to more efficiently deliver K-12 services.

## CURRENT ISSUES

**Students at Risk of Academic Failure.** Ensuring access and equity in educational opportunities is a moral and economic imperative for Utah's ongoing growth and prosperity. When students and their families succeed, Utah prospers. It is important all students be held to high expectations and receive adequate support for success. While Utah students as a whole experience significant academic success, not all students experience the same level of success. Despite an increased focus in Utah on assisting traditionally underserved populations and students at risk of academic failure, these students tend to score lower on the ACT, demonstrate lower proficiency rates on the state's SAGE assessment, and graduate at a lower rate than their peers.

Many scholars have recognized that it costs more to help students identified as at risk of academic failure to achieve any given level of student performance. Students at risk of academic failure often have limited English proficiency, rank low on assessments, move between schools during the academic year, or are in poverty.

Most states provide some level of supplemental funding for students at risk of academic failure and commonly use some form of pupil weighting

to calculate the amount. The average supplemental funding is 20-25 percent of a state's per-pupil funding. Through the Enhancement for At-Risk Students program in the Minimum School Program, Utah currently provides an additional 4 percent, or \$129 per student at risk of academic failure. Utah also receives approximately \$90 million in federal Title I funding that school districts and charter schools use to support these students.

The Governor's budget proposes an additional \$33.8 million to provide students at risk of academic failure with the extra support they need to succeed. The Governor's budget proposes delivering this funding through a new WPU add-on subprogram within the Basic Program to provide local flexibility and proposes discontinuing the add-on as a separate program after five years if the targeted students' SAGE scores, ACT scores, graduation rates, or other measures of student success fail to improve. Investing additional revenue into this new WPU add-on will be a focus for future budgets to ensure that there are sufficient resources to move the needle.

**School Readiness and Pay for Success.** The Utah School Readiness Initiative (HB 96) was passed in 2014 and included \$3 million per year in ongoing funding for Pay for Success and grant programs.

The Pay for Success program leveraged \$7 million through a public-private partnership to fund early childhood preschool for economically disadvantaged children. The investor payment covered five cohorts of classes of 3- and 4-year-old preschoolers. In the first school year (2013-2014), the class of 600 students was a "proof of concept" year with the United Way and Salt Lake County assuming responsibility for the success payments. The State of Utah is responsible for an estimated \$6.8 million in investor repayments for the remaining four years, including \$1.4 million in interest payments, if the agreed-upon success metrics are met. Each of those four cohorts included between 750 and 1,000 children.

The second program in the HB 96 legislation included a grant program to help both public and private preschool providers raise their programs to high quality. The grant program has spent a little more than \$4 million for grants to providers, program administration, and an independent evaluator.

The Governor's Office of Management and Budget oversees the program intermediary, provider coordination, and independent evaluator functions for both programs. FY 2019 beginning fund balances are anticipated to be sufficient to cover the remaining Pay for Success repayment obligations. The Governor recommends that the portion of the \$3 million remaining after covering ongoing program administration and evaluation costs be allocated directly to increasing the number of students in high-quality preschools rather than paying additional interest costs to investors.

**Local Control vs. State Control.** The Governor applauds stakeholders for developing a methodological approach for evaluating the competing needs of local and state control over funding. The Governor firmly believes that local board members, superintendents, principals, teachers, and parents know best how to meet their students' needs—which they do most effectively when granted local funding control. The Governor also believes that use of the methodological approach recently developed by lawmakers will reveal local control as the dominant need in most funding decisions and commits to ensure that local leaders have as much control over funding as possible.

Local taxing authority represents an important and significant opportunity for local school boards and citizens to exercise local control. Over \$800 million in unused local taxing authority remains available to meet local needs. Proposed property tax changes detailed in the *Tax Modernization: A Call to Action* budget and policy brief would provide additional tax capacity of \$50 million.

In addition, the Governor's budget proposes \$25 million (\$14.8 million ongoing and \$10.2 million one-time), including \$2 million for rural school districts, to further equalize the state's commitment to reward local taxing efforts through the voted and board levy guarantee programs, which are locally controlled.

**Utah's Tax Structure.** Utah's tax structure, particularly the sales tax, is not well aligned with the current economy and a growing number of exemptions and credits have eroded the tax base. Although sales tax is not typically used to fund public education, this misalignment creates significant funding challenges when dealing with the impacts of population and economic growth, which do impact higher education and in turn indirectly impacts public education. Utah must maintain workplace competitiveness by maintaining a competitive tax structure and ensuring the availability of a highly educated workforce.

The Governor calls upon education stakeholders to work with policymakers and the business community to identify opportunities to modernize outdated components of Utah's tax structure and to engage on the issue of tax exemptions and tax credits that erode the tax base as outlined in the *Tax Modernization: A Call to Action* budget and policy brief.

## GUIDING PRINCIPLES

- The state must work together with local school boards to invest sufficient funding to ensure Utah becomes the top state in the nation for student achievement.
- The state must not micromanage the public education system. Instead, the state must continue to provide district and charter school boards with flexible resources and the responsibility to prioritize expenditures according to local need to achieve outcomes the public expects.
- Policymakers must continue to monitor student achievement to ensure that the \$3.7

billion in state revenues (estimated \$6.8 billion in total revenues) allocated to public education continues to translate to positive student outcomes. In addition, stakeholders must make efforts to clarify the relationship between spending and educational outcomes so policymakers and the general public can better understand the outcomes expected from current and proposed investments.

- Policymakers should take time to understand the significant data currently available on school performance, including how socioeconomic factors influence student outcomes.
- The state must successfully recruit and retain quality teachers to ensure long-term economic success. Providing local school boards with flexible resources to invest in teachers, not only through compensation but also through professional learning, is a key factor in recommending a 4 percent increase in the WPU value and enables local boards to build upon strategies already in place while balancing other critical needs.

## BUDGET RECOMMENDATIONS

- \$36 million for enrollment growth (\$33.5 million ongoing and \$2.5 million one-time)
- \$121.2 million for a 4 percent increase to the WPU

- \$63.2 million (\$33.8 million new ongoing funds and \$29.5 million in redirected funds) for a WPU add-on for students at risk of academic failure—schools will have the flexibility to use this funding to support these students by providing tutors, counselors, and other targeted resources
- \$25 million (\$14.8 million ongoing and \$10.2 million one time) for further local property equalization through the local levy guarantee programs, with \$2 million targeted to rural schools
- \$1 million one-time for teacher supplies
- \$1.6 million for the Beverley Taylor Sorenson Arts Learning Program (\$1 million new ongoing and \$600,000 one-time)
- \$1.7 million for the Utah Schools for the Deaf and the Blind (over \$765,000 for educators and \$950,000 for the Utah State Instructional Materials Access Center)
- \$300,000 for growth in the Carson Smith Scholarship Program
- \$313,000 for the State Board of Education to add staff positions
- \$2 million one-time for Utah Futures
- \$2 million authority for UETN to pool funding from interested local education agencies (LEAs) to provide the CANVAS learning management system

For a summary of all education funding increases, see Table 2.





# BUDGET & POLICY BRIEF

## Public Education Funding in Utah



*Governor recommends \$208 million in new education funding, including enrollment growth of \$36 million and \$170 million in locally-controlled funding*

### HIGHLIGHTS

- **\$170 million ongoing** in flexible, local funding consisting of:
  - **4 percent increase** in the “**standard**” **WPU** (\$121 million)
  - An amount equal to a **1.6 percent WPU increase** to include:
    - **\$34 million** for WPU add-on for students at risk of academic failure
    - **\$25 million** (\$14.8 million ongoing and \$10.2 million one-time) for equalization of property taxes through state minimum funding guarantees, including \$2 million ongoing for rural school districts
- **\$36 million** (\$33.5 million ongoing and \$2.5 million one-time) in new state funds for **enrollment growth** of nearly 7,700 new students
- **\$800 million** in unused local property tax capacity available for operations and capital
- **\$3.7 billion** in total state funds for public education

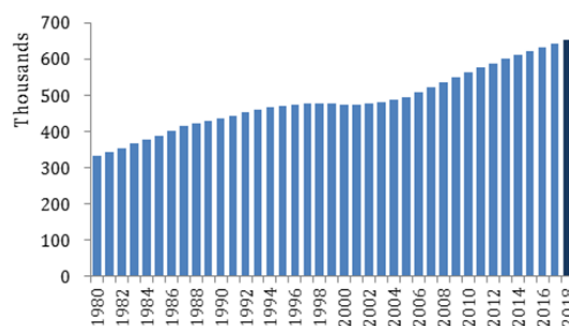
### OVERVIEW

Funding Utah’s education needs can be complex; however, the overarching structure of the education funding system is conceptually simple—state and local funding are combined in the Minimum School Program to provide a basic level of similar educational opportunities to students throughout the state through equalization programs.

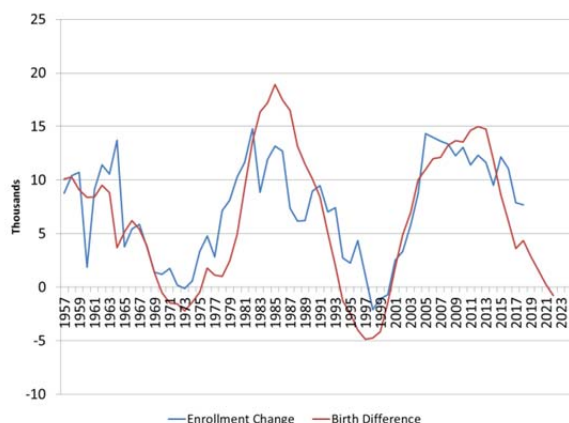
**Enrollment Increases.** The number of children in Utah’s public schools continues to grow. The state’s student population reached more than 652,000 in FY 2018—an increase of 7,900

students over FY 2017. Nearly 7,700 additional students are anticipated to enroll in schools in FY 2019, bringing total estimated enrollment to over 660,000. The Governor recommends full enrollment growth funding including \$33.5 million in FY 2019 and \$2.5 million in FY 2018 from state revenue.

**FIGURE 1. PUBLIC EDUCATION TOTAL ENROLLMENT**



**FIGURE 2. PUBLIC EDUCATION ENROLLMENT GROWTH AND DIFFERENCE IN BIRTHS 5 & 17**



As illustrated in Figures 1 and 2, student enrollment has increased significantly over the past decade. While enrollment growth is

anticipated to continue, the change in internal school-age population is expected to grow at a slower pace. However, strong increases in migration to Utah may offset the slowing rate of internal growth.

**Total Funding.** Utah's public education system has a shared state and local governance and funding structure. The legislature and governor establish tax policies to generate revenue, allocate state funds for public education, and set broad parameters within which the system operates. The State Board of Education exercises general control and supervision of public education. School district boards impose local property taxes and local school district and charter school boards oversee the delivery of education services. The Governor recommends a thorough review of the K-12 education governance structure to ensure that it is properly designed to lead Utah to the head of the nation's class.

Considering all funding sources, funding for Utah's public education system will total an estimated \$6.85 billion in FY 2019, or about \$10,400 per student. This includes about \$3.75 billion from state funds (generally income tax), about \$2.6 billion from local funds (generally property tax), and about \$540 million from federal funds. State funds constitute approximately 55 percent of total school funding. About \$3.5 billion of the \$3.75 billion from state funds flow through the Minimum School Program (see Table 3).

**State Funding.** Public education is Utah's largest state-funded program, with the Governor recommending over \$3.5 billion from the Education Fund and General Fund. This amount equals about half of the state's combined Education Fund / General Fund budget.

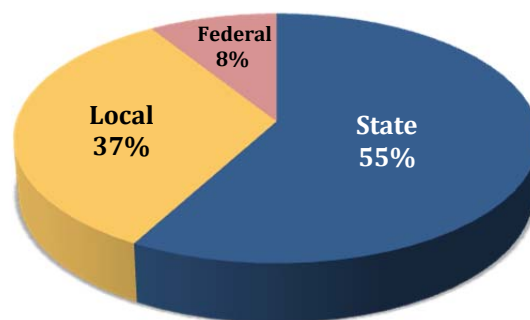
**Local Funding.** State law allows school districts to impose discretionary property tax levies to provide services above the levels possible with state funding. Charter schools cannot impose

property taxes, but the Charter School Local Replacement Program provides charter schools with funding equal to the statewide per-pupil average of certain property tax and state guarantee revenues.

In FY 2019, school districts are projected to generate an estimated \$2.6 billion in local funding, consisting of approximately \$400 million in the mandatory basic school levy and about \$2.2 billion in discretionary local taxes and other local sources. Over \$800 million in local discretionary property tax authority remains available under existing statutory property tax rate caps. This total includes over \$355 million in levies for school operations (\$166 million board levy and \$189 million voted levy) and over \$446 million of taxing authority under the capital levy that can be used for items such as buildings and technology infrastructure.

While unused property tax capacity varies by school district, all districts have unused property tax authority to fund operations and all but one have unused authority to fund capital needs such as technology infrastructure. In addition, under the tax reform proposal detailed in the *Tax Modernization: A Call to Action* budget and policy brief, an additional \$50 million in local authority would be available under the recommendation to further consolidate school property tax levies.

**FIGURE 3. STATE, LOCAL, AND FEDERAL FUNDING FOR PUBLIC EDUCATION**

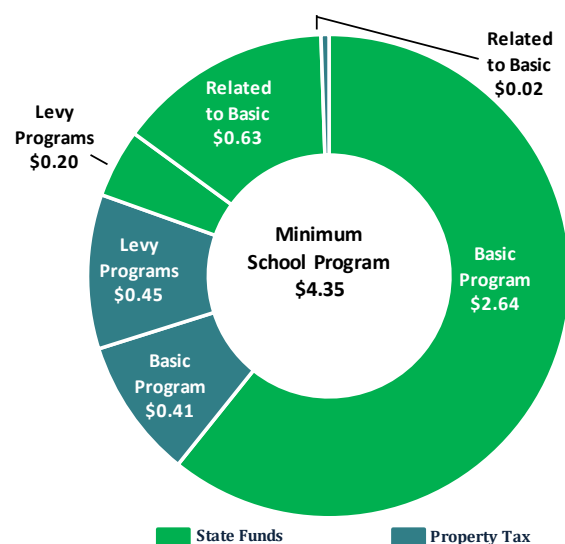


Unlike Utah's substantially equalized funding for operations, capital expenses are generally funded at the local level with property taxes or other locally controlled funds. In FY 2019, about \$33.2 million in state funding is provided to equalize funding for capital infrastructure.

## WHAT IS THE MINIMUM SCHOOL PROGRAM?

Of the estimated \$6.85 billion public education funding total for FY 2019, the Minimum School Program accounts for about \$4.35 billion (63 percent) and is comprised of the following three major sub-programs: (1) the Basic School Program, (2) the Voted and Board Local Levy Programs, and (3) the Related-to-Basic Program. Of the \$4.35 billion in Minimum School Program funding, about \$880 million comes from a portion of local school property taxes, with the remaining \$3.5 billion allocated from state funds.

**FIGURE 4. MINIMUM SCHOOL PROGRAM FUNDS (\$ IN BILLIONS)**



**Basic School Program.** Recommended at over \$3 billion, the Basic School Program is the largest

subprogram within the Minimum School Program and comprises about 45 percent of all K-12 funding. Local school boards allocate these funds for local priorities. Utah's income tax system is the primary source of state funds for the Basic School Program. A uniform property tax (the basic levy) that school districts must levy is the secondary source.

School districts and charter schools are entitled to the amount of funding equal to the product of the number of weighted pupil units (WPU) in the school district or charter school and the dollar value of the WPU. The number of WPUs is generally based on the number of students. For example, a student in grades 1-12 in a school district is equal to 1.0 WPU; a kindergarten student is equal to 0.55 of a WPU. Additional WPUs are based on special education, staffing, rural, and other needs. As detailed in the *Public Education Priorities* budget and policy brief, the Governor recommends a new WPU add-on for students at risk of academic failure.

**Voted & Board Local Levy Programs.** Through the Voted & Board Local Levy Programs, the state provides approximately \$200 million from state funds to school districts that generate comparatively low property tax revenue per student and make significant local property tax effort. The Governor recommends an additional \$25 million (\$14.8 million ongoing and \$10.2 million one-time) to increase program funding guarantees, including \$2 million for rural districts.

**Related to Basic Program.** The Related to Basic Program is comprised of state funding appropriated for a number of specific purposes such as salary adjustments for educators, student transportation, and charter school local property tax replacement.

**Table 3 - Minimum School Program & School Building Program  
Governor's Recommendation**

A	C	D	E	F	G
	Fiscal Year 2017 Actual Expenditures	Fiscal Year 2018 Revised Appropriations		Fiscal Year 2019 Recommended Appropriations	
<b>Section 1: Total Minimum School Program Revenue</b>					
<b>Revenue Sources</b>	<b>Amount</b>		<b>Amount</b>		<b>Amount</b>
A. State Revenue					
1. Education Fund	\$2,928,674,000		\$3,110,558,400		\$3,315,128,400
2. Education Fund, One-time	8,420,000		9,256,100		1,625,600
3. Uniform School Fund	23,000,000		27,500,000		27,500,000
4. Uniform School Fund, One-time	0		3,500,000		0
5. USF Restricted - Interest & Dividends Account	49,275,900		0		0
6. USF Restricted - Trust Distribution Account	0		50,400,000		74,000,000
7. EF Restricted - Charter School Levy Account	0		22,100,000		23,839,600
8. EF Restricted - Minimum Basic Growth Account	56,250,000		56,250,000		56,250,000
B. Transfers to Education Fund, One-time <sup>1</sup>	0		(16,381,700)		0
C. Beginning Nonlapsing Balances	26,937,200		50,273,000		33,891,300
D. Closing Nonlapsing Balances <sup>2</sup>	(50,273,000)		(33,891,300)		(33,891,300)
<b>Subtotal State Revenue:</b>	<b>\$3,042,284,100</b>		<b>\$3,279,564,500</b>		<b>\$3,498,343,600</b>
E. Local Property Tax Revenue					
1. Basic Levy	\$392,266,800		\$399,041,300		\$408,073,800
2. Voted Local Levy	282,607,700		299,360,200		324,424,900
3. Board Local Levy	93,391,000		100,416,300		109,864,100
4. Board Local Levy - Reading Levy	15,000,000		15,000,000		15,177,000
<b>Subtotal Local Revenue:</b>	<b>\$783,265,500</b>		<b>\$813,817,800</b>		<b>\$857,539,800</b>
<b>Total Revenue:</b>	<b>\$3,825,549,600</b>		<b>\$4,093,382,300</b>		<b>\$4,355,883,400</b>

**Section 2: Revenue & Expenditure Details by Program**

<b>Part A: Basic School Program (Weighted Pupil Unit Programs)</b>					
<b>WPU Value :</b>	<b>\$3,184</b>		<b>\$3,311</b>		<b>\$3,443</b>
<b>Basic Tax Rate:</b>	<b>0.001675</b>		<b>0.001596</b>		<b>0.001469</b>
<b>Revenue Sources</b>	<b>Amount</b>		<b>Amount</b>		<b>Amount</b>
A. State Revenue					
1. Education Fund <sup>3</sup>	\$2,253,323,600		\$2,422,483,400		\$2,618,170,100
2. Education Fund, One-time	10,000,000		(3,500,000)		0
3. Uniform School Fund	23,000,000		27,500,000		27,500,000
4. Uniform School Fund, One-time	0		3,500,000		0
B. Local Property Tax Revenue - Basic Levy	392,266,800		399,041,300		408,073,800
C. Beginning Nonlapsing Balances	11,073,800		25,934,500		9,552,800
D. Transfers to Education Fund, One-time <sup>1</sup>	0		(16,381,700)		0
E. Closing Nonlapsing Balances <sup>4</sup>	(25,934,500)		(9,552,800)		(9,552,800)
<b>Total Revenue:</b>	<b>\$2,663,729,700</b>		<b>\$2,849,024,700</b>		<b>\$3,053,743,900</b>
<b>Expenditures by Program</b>	<b>Amount</b>	<b>WPU</b>	<b>Amount</b>	<b>WPU</b>	<b>Amount</b>
A. Regular Basic School Program					
1. Kindergarten	\$67,198,900	27,099	\$89,724,800	26,383	\$90,836,700
2. Grades 1-12	1,836,815,400	587,693	\$1,945,851,500	593,523	2,043,499,700
3. Foreign Exchange Students	920,200	328	\$1,086,000	328	1,129,300
4. Necessarily Existent Small Schools	29,877,000	9,514	\$31,500,900	9,514	32,756,700
5. Professional Staff	171,789,700	55,808	\$184,780,300	55,545	191,241,400
6. Administrative Costs	4,600,900	1,565	5,181,700	1,505	5,181,700
<b>Subtotal:</b>	<b>\$2,111,202,100</b>	<b>682,007</b>	<b>\$2,258,125,200</b>	<b>686,798</b>	<b>\$2,364,645,500</b>
B. Restricted Basic School Program					
1. Special Education - Regular - Add-on WPU	\$246,398,300	80,250	265,707,800	82,342	\$283,503,500
2. Special Education - Regular - Self-Contained	44,199,200	13,944	46,168,600	13,970	48,098,700
3. Special Education - Pre-School	33,105,000	10,777	35,682,600	11,052	38,052,000
4. Special Education - Extended Year Program	1,356,800	439	1,453,500	447	1,539,000
5. Special Education - Impact Aid	6,393,300	1,988	6,584,100	2,015	6,937,600
6. Special Education - Intensive Services	1,264,000	769	2,546,200	778	2,678,700
7. Special Education - Extended Year for Special Educators	4,289,200	909	3,009,700	909	3,129,700
<b>Subtotal:</b>	<b>\$337,005,800</b>	<b>109,076</b>	<b>\$361,152,500</b>	<b>111,513</b>	<b>\$383,939,200</b>
8. Career & Technical Education - District Add-on	\$89,099,400	28,480	\$94,297,300	28,821	\$99,230,700
9. Class Size Reduction	\$126,422,400	40,909	\$135,449,700	41,416	\$142,595,300
10. Students At Risk of Academic Failure - Add-on WPU <sup>4</sup>	\$0	0	\$0	18,395	\$63,333,200
<b>Subtotal:</b>	<b>\$215,521,800</b>	<b>69,389</b>	<b>\$229,747,000</b>	<b>70,237</b>	<b>\$305,159,200</b>
<b>Total Expenditures:</b>	<b>\$2,663,729,700</b>	<b>860,472</b>	<b>\$2,849,024,700</b>	<b>868,548</b>	<b>\$3,053,743,900</b>

**Table 3 - Minimum School Program & School Building Program  
Governor's Recommendation**

A	C	D	E	F	G
	Fiscal Year 2017 Actual Expenditures	Fiscal Year 2018 Revised Appropriations		Fiscal Year 2019 Recommended Appropriations	
<b>T H E L I N E</b>					
<b>Part B: Related to Basic School Program</b>					
<b>Revenue Sources</b>	<b>Amount</b>		<b>Amount</b>		<b>Amount</b>
A. State Revenue					
1. Education Fund <sup>3</sup>	\$551,514,600		\$564,284,900		\$553,417,700
2. Education Fund, One-time <sup>1</sup>	3,420,000		2,556,100		1,625,600
3. USF Restricted - Interest & Dividends Account	49,275,900		0		0
4. USF Restricted - Trust Distribution Account	0		50,400,000		74,000,000
5. EF Restricted - Charter School Levy Account	0		22,100,000		23,839,600
B. Beginning Nonlapsing Balances	14,044,400		23,366,400		23,366,400
C. Transfers to Education Fund, One-time	0		0		0
D. Closing Nonlapsing Balances <sup>4</sup>	(23,366,400)		(23,366,400)		(23,366,400)
<b>Total Revenue:</b>	<b>\$594,888,500</b>		<b>\$639,341,000</b>		<b>\$652,882,900</b>
<b>Expenditures by Program</b>	<b>Amount</b>	<b>Changes</b>	<b>Amount</b>	<b>Changes</b>	<b>Amount</b>
A. Related to Basic Programs					
1. To and From School Pupil Transportation	79,265,300		83,730,200	4,376,700	88,106,900
2. Pupil Transportation - Grants for Unsafe Routes	62,300		500,000	0	500,000
3. Guarantee Transportation Levy	500,000		500,000	5,900	505,900
4. Flexible Allocation - WPU Distribution	7,788,000		7,788,000	0	7,788,000
<b>Subtotal:</b>	<b>\$87,615,600</b>	<b>\$0</b>	<b>\$92,518,200</b>	<b>\$4,382,600</b>	<b>\$96,900,800</b>
B. Special Populations					
1. Enhancement for At-Risk Students <sup>4</sup>	26,639,400		28,034,600	(28,034,600)	0
2. Youth-in-Custody	21,661,200		22,716,200	1,187,400	23,903,600
3. Adult Education	10,783,000		11,159,000	583,300	11,742,300
4. Enhancement for Accelerated Students	4,764,000		5,032,400	263,100	5,295,500
5. Centennial Scholarship Program	178,200		250,000	0	250,000
6. Concurrent Enrollment	10,209,200		10,784,300	563,700	11,348,000
7. Title I Schools in Improvement - Paraeducators	300,000		300,000	3,500	303,500
<b>Subtotal:</b>	<b>\$74,535,000</b>	<b>\$0</b>	<b>\$78,276,500</b>	<b>(\$25,433,600)</b>	<b>\$52,842,900</b>
C. Other Programs					
1. School LAND Trust Program	49,275,900		50,400,000	23,600,000	74,000,000
2. Charter School Local Replacement <sup>3</sup>	143,059,500		170,579,200	7,946,800	178,526,000
3. Charter School Administrative Costs	7,149,400		7,825,600	155,000	7,980,600
4. K-3 Reading Improvement Program	15,000,000		15,000,000	177,000	15,177,000
5. Educator Salary Adjustments	170,265,300	2,556,100	173,645,500	2,556,100	173,645,500
6. Teacher Salary Supplement	6,611,500		6,799,900	0	6,799,900
7. Library Books & Electronic Resources	850,000		850,000	0	850,000
8. Matching Fund for School Nurses	953,400		1,002,000	0	1,002,000
9. Critical Languages & Dual Immersion	2,987,900		3,556,000	0	3,556,000
10. Year-Round Math & Science (USTAR Centers)	9,042,900		6,200,000	0	6,200,000
11. Early Intervention	7,500,000		7,500,000	88,500	7,588,500
12. Beverley Taylor Sorenson Arts Learning Program	8,320,500		9,880,000	1,000,000	10,880,000
13. Public Education Job Enhancement	96,100		0	0	0
14. Digital Teaching & Learning Program	2,209,300		9,852,400	0	9,852,400
15. Teacher Supplies & Materials	0		5,000,000	0	5,000,000
16. Civics Education - State Capitol Field Trips	0		150,000	0	150,000
17. Effective Teachers in High-poverty Schools	0		250,000	0	250,000
18. Early Graduation from Competency-based Education	0		55,700	0	55,700
<b>Subtotal:</b>	<b>\$423,321,700</b>	<b>\$2,556,100</b>	<b>\$468,546,300</b>	<b>\$35,523,400</b>	<b>\$501,513,600</b>
D. One-time Funding Items					
1. Teacher Supplies & Materials <sup>1</sup>	6,000,000		0	1,000,000	1,000,000
2. Beverley Taylor Sorenson Arts Learning Program <sup>1</sup>	750,000		0	625,600	625,600
3. Civics Education - State Capitol Field Trips	95,700		0	0	0
4. Special Education - Intensive Services	1,000,000		0	0	0
5. Digital Teaching & Learning Program	1,570,500		0	0	0
<b>Subtotal:</b>	<b>\$9,416,200</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,625,600</b>	<b>\$1,625,600</b>
<b>Total Expenditures:</b>	<b>\$594,888,500</b>	<b>\$2,556,100</b>	<b>\$639,341,000</b>	<b>\$16,098,000</b>	<b>\$652,882,900</b>

**Table 3 - Minimum School Program & School Building Program  
Governor's Recommendation**

A	C	D	E	F	G
	Fiscal Year 2017 Actual Expenditures	Fiscal Year 2018 Revised Appropriations		Fiscal Year 2019 Recommended Appropriations	
<b>Part C: Voted &amp; Board Local Levy Programs</b>					
<b>Revenue Sources</b>	<b>Amount</b>	<b>Changes</b>	<b>Amount</b>	<b>Changes</b>	<b>Amount</b>
A. State Revenue					
1. Education Fund	123,835,800		\$123,790,100		\$143,540,600
2. Education Fund, One-time <sup>1</sup>	(5,000,000)		\$10,200,000		
3. EFR - Minimum Basic Growth Account	56,250,000		\$56,250,000		\$56,250,000
B. Local Property Tax Revenue					
1. Voted Local Levy	282,607,700		299,360,200		324,424,900
2. Board Local Levy	93,391,000		100,416,300		109,864,100
3. Board Local Levy - Reading Improvement Program	15,000,000		15,000,000		15,177,000
C. Beginning Nonlapsing Balances	1,819,000		972,100		972,100
D. Closing Nonlapsing Balances	(972,100)		(972,100)		(972,100)
<b>Total Revenue:</b>	<b>\$566,931,400</b>	<b>\$0</b>	<b>\$605,016,600</b>	<b>\$0</b>	<b>\$649,256,600</b>
<b>Expenditures by Program</b>			<b>Amount</b>	<b>Changes</b>	<b>Amount</b>
<b>Guarantee Rate (per 0.0001 Tax Rate per WPU):<sup>5</sup></b>	<b>\$38.54</b>		<b>\$40.57</b>		<b>\$42.36</b>
A. Voted and Board Local Levy Programs					
1. Voted Local Levy Program	424,002,300	\$7,941,300	\$453,216,300	\$41,847,700	\$487,122,700
2. Board Local Levy Program	127,929,100	2,258,700	136,800,300	10,415,300	\$144,956,900
3. Rural Distric Guarantee <sup>6</sup>	0		0	2,000,000	2,000,000
4. Board Local Levy - Reading Improvement Program	15,000,000		15,000,000	177,000	15,177,000
<b>Total Expenditures:</b>	<b>\$566,931,400</b>		<b>\$605,016,600</b>	<b>\$54,440,000</b>	<b>\$649,256,600</b>
<b>Total Minimum School Program Expenditures:</b>	<b>\$3,825,549,600</b>		<b>\$4,093,382,300</b>		<b>\$4,355,883,400</b>

**Section 3: School Building Programs (Not Included in MSP Totals Above)**

<b>Revenue Sources</b>	<b>Amount</b>		<b>Amount</b>	<b>Changes</b>	<b>Amount</b>
A. State Revenue					
1. Education Fund	\$14,499,700		\$14,499,700		\$14,499,700
2. Education Fund, One-time	\$0		\$0		\$0
3. EFR - Minimum Basic Growth Account	\$18,750,000		\$18,750,000		\$18,750,000
<b>Total Revenue:</b>	<b>\$33,249,700</b>		<b>\$33,249,700</b>		<b>\$33,249,700</b>
<b>Expenditures by Program</b>			<b>Amount</b>		<b>Amount</b>
A. Capital Outlay Programs					
1. Foundation	\$27,610,900		\$27,610,900		\$27,610,900
2. Enrollment Growth	\$5,638,800		5,638,800		5,638,800
<b>Total Expenditures:</b>	<b>\$33,249,700</b>		<b>\$33,249,700</b>		<b>\$33,249,700</b>

Governor's Office of Management & Budget

Date Modified:

12/9/2017

**Notes:**

1. Use of BSP nonlapsing balances: \$10.2M for Rural Guarantee Add-on; \$2.5M for FY18 Educator Salary Adjustment; \$2.0M for Utah Futures; \$1.0M for Teacher Supplies & Materials; \$0.6M for Beverley Taylor Sorenson Arts Learning Program; and \$0.2M for administrative costs of recodification of Utah Code Title 53A.
2. Amounts may not reflect the impact of prior-year encumbrances.
3. FY17 actual accounts for \$20,187,693 appropriated to the Basic School Program, but transferred to Charter Local Replacement as the school district's statutorily required local contribution.
4. New add-on program consisting of \$33.7M in new funding and transfer of \$29.5M from the Enhancement for At-Risk Students program (\$28.0M FY19 base budget and \$1.5M FY19 enrollment growth).
5. FY18 rate reflects the use of \$10.2M in nonlapsing balances to provide a one-time increase in the guarantee; FY19 rate reflects a \$12.8M ongoing increase above statutory growth.
6. New program to provide additional funding to rural districts that make a local taxing effort.



## BUDGET & POLICY BRIEF

### Social Service Programs and Support



*Elevating Utahns through sound social policy and outstanding operations*

#### HIGHLIGHTS

- **Continue efforts to secure state Medicaid flexibility** that maximizes state control and federal cost sharing to provide benefits to populations in the coverage gap
- **Revamp traditional case management** practices in Utah's social service agencies and focus on **case movement** to provide more timely and positive long-term outcomes for the customer
- **\$21.5 million** ongoing for Medicaid consensus items
- **\$3.7 million** ongoing for Accountable Care Organization rate increases up to 3.5 percent, based on established performance measures
- **\$5 million** ongoing to address future state match needs in the Children's Health Insurance Program (CHIP)
- **\$7.2 million** ongoing to support youth in custody who are transitioning to Division of Services for People with Disabilities (DSPD) benefits and additional needs for current DSPD service recipients
- **\$2.6 million** ongoing for increased capacity at the Utah State Hospital to accelerate forensic competency restoration activities
- **\$4.9 million** ongoing and **\$2.4 million** one-time to extend benefits and enhance services through various federal waivers providing flexibility under Medicaid (family planning Medicaid services, Medicaid benefits for children with medically complex conditions, DSPD waiting list, community-based employment services for people with disabilities, etc.)
- **\$1.25 million** ongoing for pathologists and staffing at the Medical Examiner's Office
- **\$10 million** for Operation Rio Grande

- **\$950,000** one-time funding transfer from the Department of Technology Services to the Governor's Office of Management and Budget to support technology infrastructure for coordinated case management
- Implement a Department of Human Services pilot over the next three years to test replacing traditional **service-based** contracts with **outcome-based** contracts. This is a significant effort due to the extremely large dollar amount associated with the contracts.
- A **thorough review of suicide prevention programs** to determine if programs are comprehensive, reach those in need, simultaneously address multiple risk factors, and provide the necessary supports **to effectively reverse the trend.**

#### OBJECTIVE

To elevate vulnerable populations to achieve sustainable and positive outcomes, appropriate workforce participation, and self-sufficiency through efficient operational design and effective service delivery.

#### BACKGROUND

Lack of progress in the passage of federal healthcare legislation has posed challenges to state budgets and policymakers across the country. While promising versions of Affordable Care Act (ACA) repeal-and-replace legislation have periodically surfaced, federal ACA requirements remain in place while uncertainty persists in private insurance markets and the Children's Health Insurance Program.

In stark contrast to the national landscape, Utah continues to lead the way by enacting and

pursuing critically-needed healthcare policies and social service interventions. After lengthy negotiations with federal program officials, Utah leadership secured approval of Medicaid waiver benefits from the Centers for Medicare and Medicaid Services as contemplated by House Bill 437 of the Utah 2016 General Session and extended Medicaid coverage to thousands of extremely low-income Utahns for the coming state fiscal year.

Over the summer, state and local governments engaged with private partners and community stakeholders to launch Operation Rio Grande (ORG). ORG represents a collaborative, multi-party effort to restore public safety (Phase I) and provide intensive treatment and support services to those with mental health or substance use disorders (Phase II) in the downtown Salt Lake City Rio Grande area. Through ORG, hundreds of new treatment beds will be available and over \$66 million in federal, state, local, and private resources are dedicated to the initiative. ORG is now entering Phase III, which emphasizes the dignity of work. In addition to current commitments and \$4.9 million in funding appropriated to the Department of Workforce Services (DWS) during the first special session of 2017, the Governor recommends \$10 million in new state funding to be used in FY 2018 and 2019 for ORG-related expenditures.

Beyond DWS' pivotal role in administering ORG, it also continued the successful transition of Utah State Office of Rehabilitation Services (USOR). Over the last year, more than 4,600 USOR clients were removed from the waitlist and started receiving services. Rehabilitation Services is now serving all clients with the classification "Individuals with Most Significant Disabilities" and "Individuals with Significant Disabilities".

The state continues to make strides in other social service policy arenas to include the Department of Health receiving accreditation status from the Public Health Accreditation Board, an increase in awareness and involvement

in intergenerational poverty mitigation, and the development of public-private partnership solutions oriented toward whole-person care. It should be noted that good governance is a key variable in the equation as Utah's top performing economy and longstanding social fabric of self-determination and voluntary assistance contributes to the state's position as having some of the lowest public benefit utilization rates in the country (see Figure 1).

In calendar year 2016, Utah's poverty rate of 10.2 percent ranked 44th among all states. Likewise, the prevalence of public benefit utilization across major programs such as Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP) and Medicaid (including the Children's Health Insurance Program or CHIP) ranked 42, 49, and 50, respectively.

**FIGURE 1 – 2016 RATE OF POVERTY AND SOCIAL SERVICE PROGRAM UTILIZATION IN UTAH**

	% of Utahns	% of U.S.	Utah Rank Among All States
Poverty Rate*	10.2%	14.0%	44
TANF	0.29%	0.83%	42
SNAP	7.1%	13.5%	49
Medicaid & CHIP**	10.0%	23.0%	50

*\*U.S. Census Bureau American Community Survey 1-Year Estimates. U.S. value may vary from other reported poverty measures. \*\*Medicaid & CHIP enrollment taken from August 2017 Centers for Medicare & Medicaid Services Monthly Applications, Eligibility & Enrollment Data.*

## GUIDING PRINCIPLES

While the individual and collective life-elevated successes should be celebrated, there are always challenges and needs for improvement in the realm of social service program design and delivery, as well as the broader underlying social dynamics. Issues like medical inflation outpacing available budget, the insufficient accessibility of affordable housing, the waiting list for services

for people with disabilities, the growing demand for forensic competency restoration, the persistence of intergenerational poverty, and a lack of work opportunities for people with disabilities are just a few examples of areas that warrant the attention of policymakers and taxpayers.

As specific efforts and policies are put forth to address these and other challenges, the following guiding principles should be considered:

- Public benefits and social program interventions should lead to sustainable positive outcomes for recipients. While some federal entitlement programs are not tied to measurable outcomes, state social service programs should be evaluated on the merits of cost and efficacy. Moreover, the state should develop, implement, and evaluate programs with respect to the transitional or permanent needs of populations served. For individuals with permanent and progressive disabilities who are in need of long-term care, services should be as accessible and reliable as possible while focusing on outcomes that improve client well-being and promote the most efficient delivery of care and benefits. For individuals in need of short-term transitional support, programs should facilitate the resolution of barriers to workforce participation, employment, and other contributors to self-reliance and community benefit. In general, the most effective programs, in terms of quality outcomes and cost, give priority to preventive services that keep individuals with family in their own homes and communities.
- To the extent possible, services should be coordinated across funding, administrative, and service-delivery dimensions with the focus on whole-person care and meeting individual and family needs. Likewise, a similar integration of efforts should occur to ensure that programs are not just properly designed but are operating efficiently and implemented with fidelity. While policy

design is critical to the success of any program, too often a solid understanding of how to efficiently deliver the program or service is overlooked. Imagine the decline in patient care if a hospital considered individual patient needs less important than achieving administrative goals. Such a pursuit would naturally result in lower-than-acceptable outcomes for patients, which would prove counterproductive for a hospital seeking to improve the health outcomes of its customers.

- To fulfill the proper role of state government in administering social service programs and enforcing laws that protect the health and safety of vulnerable populations, it should be explicitly recognized that our citizens and communities ultimately determine the quality of life shared by all. The first objective of most social programs should be to identify the conditions necessary to empower individuals to address their own needs, better their communities, and work toward a path of sustainable personal and collective self-sufficiency.

## AGENCY PILOT PROJECTS AND HOLISTIC OPERATIONAL SOLUTIONS

The Governor's Office of Management and Budget (GOMB) has partnered with a number of state agencies to pilot operational solutions designed to remediate central inefficiencies that are commonly found in social service environments. Such inefficiencies include waiting lists, backlogs and other delays, as well as duplicative, excessive, prolonged, and cumbersome or conflicting requirements for workers and those served. The piloted solutions both complement and supplement agency performance by shifting the focus from siloed *case management* to synchronized *case movement* for improved quality, safety, timeliness, and affordability of case resolution.

Thus, the agency focus shifts from identifying and initiating interventions to prioritizing and synchronizing resources for worker and client/customer success; from managing static caseload size to moving cases through key milestones for quick completion and enhanced quality outcomes; and from resource-driving capacity planning to demand-driven, client-centered capacity management.

Pilot projects have been launched in the Division of Child and Family Services at the Department of Human Services and in the Family Employment Program at the Department of Workforce Services. Over this past summer, a completed pilot project with the Division of Adult Probation and Parole at the Department of Corrections demonstrated promising results in terms of decreasing risk of probation violations and recidivism. Over the next year, GOMB seeks to conclude these pilots, assemble and evaluate lessons learned, and incorporate pilot findings into scalable solutions and best practices for improved and responsive social service delivery across state government.

**Operational Improvement Pilot at the Utah State Hospital and Performance Measure Development with Accountable Care Organizations.** As the need for forensic competency restoration services trends upward and state Medicaid expenditures continue to increase, the need to identify potential hidden capacity and establish better operational outcomes is a given.

In coordination with the Department of Human Services, the Utah State Hospital, and a coalition of Accountable Care Organizations (ACOs), GOMB is also exploring opportunities to pilot process improvement models that better define and monitor progress toward ongoing operational targets. Within the state hospital, the focus will be to explore methods for freeing up bed space via a three-pronged program array and the acceleration of positive patient outcomes and the legal process. In Medicaid, the intent is

to connect cost-avoidance activities with desired outcomes such as healthier patients/citizens and to bend the cost curve on Medicaid service delivery. Opportunities for piloting alternative shared-savings models between the state and ACOs will also be explored.

**Department of Commerce Initiative to Reduce Opioid Dependency in Utah.** Like the rest of the nation, Utah is struggling with the unfortunate effects of prescription drug dependency and abuse. With a goal of reducing the number of deaths and overdoses due to opioids, the Department of Commerce is managing a project focused on reducing the daily MMEs (morphine milligram equivalents) dispensed by retail pharmacies (with a target to reduce the current level of daily MME's from 78 to 50 or less). Strategies to achieve this target include increased use of controlled substance data, education, enforcement, and new regulatory policies.

**Suicide Prevention Efforts.** On average, 2 Utahns commit suicide every day and 12 others are treated each day as a result of a suicide attempt. Tragically, this trend increases every year. As a result of data collection, the reasons behind this alarming statistic are becoming more apparent; however, simply knowing the reasons behind suicide is not sufficient. The Governor is initiating a thorough review of suicide prevention programs currently administered through the executive branch to determine actual effectiveness. The review will determine if programs are comprehensive, reach those in need, simultaneously address multiple risk factors, and provide the necessary supports to effectively reverse the trend.

## **BUDGET RECOMMENDATIONS FOR SELECT SOCIAL SERVICE ITEMS**

- \$13.6 million in one-time FY 2018 funding for Medicaid consensus items (including buffer funding of \$9.4 million)

- A corresponding \$13.6 million one-time FY 2019 reduction comprised of a one-time shift in buffer funding and various consensus item one-time offsets
- \$21.5 million in ongoing funding for Medicaid consensus items and an additional \$3.7 million for a 3.5 percent reimbursement rate increase for ACOs as they work to develop performance metrics. Medical inflation in Utah is estimated to be 3.4 percent in FY 2019. As a primary budget driver and one of the largest sources of state expenditures, budget analysts and program experts from GOMB, the Legislative Fiscal Analyst's Office, and the Department of Health collaborate to produce a semi-annual technical forecast of Medicaid budget needs through the Medicaid consensus process each February. To the extent the technical Medicaid consensus forecast differs from the Governor's budget recommendations, the Governor recommends reevaluating such differences and providing funding as appropriate following the updated Medicaid consensus estimates.
- \$5 million in ongoing funding to address future CHIP state match needs. If the federal program is not reauthorized in the coming months, the Governor recommends that state statute be amended to allow for the use of funds in the Medicaid Growth Reduction and Budget Stabilization Account to cover state costs that may occur as a result.
- \$7.2 million in ongoing funding to support youth in custody who are transitioning to DSPD benefits and additional needs for current DSPD recipients
- \$2.6 million for additional beds and capacity at the Utah State Hospital to be used for forensic competency restoration activities
- \$2.36 million in one-time funding for a 3-year pilot of family planning Medicaid services
- \$2.25 million in ongoing funding to make Medicaid services for children with complex conditions permanent
- \$1 million to bring 148 individuals off the DSPD waiting list
- A transfer of \$950,000 from the Department of Technology Services to GOMB to support more effective and coordinated case management across all state government social service agencies



# BUDGET & POLICY BRIEF

## Corrections, Public Safety, and Recidivism



*A continued focus on reducing recidivism and improving public safety*

### HIGHLIGHTS

- **\$1.7 million** for jail reimbursement to maintain 86 percent of the statutory rate
- **\$1.4 million** for the State Crime Lab and management of seized evidence
- **\$1 million** for peace officer training
- **\$1.4 million** for public safety equipment
- **\$730,000** to strengthen the statewide intelligence gathering of violent crimes and dispatch services in rural Utah
- **\$463,400** for inmate treatment in county jails
- **\$1 million** for Justice Reinvestment Initiative (JRI) county incentive grants
- the Department of Public Safety has set an ambitious target to **improve public safety by 25 percent** by the year 2021

### BACKGROUND

A strong criminal justice system ensures the protection of Utah citizens, helps victims feel justice has been served, and allows released offenders to become contributing members of society rather than return to prison.

### UTAH'S PRISON POPULATION AND JUSTICE REINVESTMENT INITIATIVE

Utah currently incarcerates approximately 6,300 state inmates. Between 2014 and 2015, the average daily incarcerated population decreased by 5 percent. Over the past 30 years, an annual decline in the prison population occurred only twice. Though no causal relationship has been conclusively determined, the unusually large decrease in the prison population was likely the result of the early planning and implementation stages of Utah's Justice Reinvestment Initiative

(JRI), as enacted by House Bill 348 of the 2015 Legislative Session.

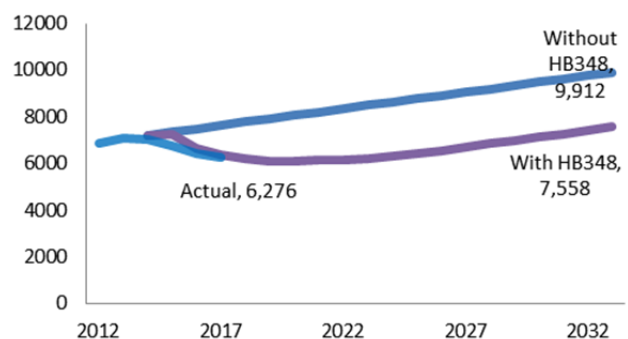
Utah's prison population continues to decline since JRI went into effect. The prison population meets JRI projections, which are significantly below previous projections absent any reform (see Figure 1).

The Commission on Criminal and Juvenile Justice (CCJJ) reports annually on JRI. Recent report findings indicate that:

- the prison population meets JRI projections
- although composition changes have occurred, growth rates are similar in the overall supervised population pre- and post-reform
- there has been a departure between sentencing guidelines and actual sentencing decisions
- the prison length of stay for non-violent offenders has decreased
- the percent of drug-possession-only offenses filed as a felony continues to decrease

The Governor's budget recommends \$1 million for Justice Reinvestment Initiative county incentive grants.

**FIGURE 1. PRISON POPULATION: ACTUAL VS. PROJECTED**





## PRISON RELOCATION

In recent years, the northwest quadrant of Salt Lake City was selected as the site of the new state prison. In August 2017, the Governor, lawmakers, and local officials broke ground and site preparation is currently underway. The new prison will be designed to ensure public safety and minimize recidivism for those returning to the community.

## JAIL REIMBURSEMENT

The Governor proposes \$1.7 million for jail reimbursement to maintain payments at 86 percent of the statutory target for jail reimbursement to county jails in Utah.

## SUPERVISING OFFENDERS IN THE COMMUNITY

Over 70 percent of the offenders in Department of Corrections' jurisdiction are supervised in the community, either through probation or parole. Currently, Adult Probation and Parole (AP&P) supervises approximately 18,500 offenders.

In July 2017, AP&P completed a program pilot to better determine how best to help offenders successfully complete probation. The Logan AP&P office conducted a "Path to Success" pilot and tested a series of programmatic changes aimed at providing better outcomes for offenders in order to reduce recidivism. The changes implemented as part of the pilot include:

- completing the offender case action and treatment plan, clinical assessment, and orientation session within five days of jail or prison release
- delivering 80 to 100 hours of evidence-based treatment dosage to an offender within the first 90 to 120 days of release to significantly reduce criminogenic risk factors
- replacing offender idle time with positive treatment in order to disrupt negative behavior
- maximizing offender participation and buy-in of the case action plan

- maximizing agent time to manage cases
- obtaining buy-in from stakeholders such as district judges, the county attorney, county sheriff, jail commander, defense attorneys and service providers

Fifty eight percent of offenders participated in the pilot. The remaining offenders went fugitive, returned immediately to jail, died, or refused to participate. The average risk reduction of all participants was 19 percent, as compared to a 15 percent non-pilot risk reduction, which is statistically significant and correlates to a 33 percent reduction in recidivism.

A key lesson learned and that requires further study is how to increase offender buy-in and participation. The Department of Corrections is determining how best to implement the lessons learned from the pilot into statewide AP&P operations.

## JUVENILE JUSTICE REFORM

The Commission on Criminal and Juvenile Justice (CCJJ) is responsible for oversight of the comprehensive juvenile justice reform amendments enacted during the 2017 Legislative General Session. Reform efforts are anticipated to yield an estimated \$58 million in averted costs over five years, with savings to be reinvested in a continuum of evidenced-based options. This effort supports the effective and efficient government focus of the Governor's Life Elevated 2020 initiative by bending the cost curve for the delivery of juvenile justice services (JJS). Services will be provided at a lower cost and juveniles will be held more accountable. As a result, many young people receiving JJS services will be diverted from further contact with the juvenile justice and criminal justice systems.

## PUBLIC SAFETY

The Governor's budget recommends \$1 million to support an increased demand for peace officer training and to offset the decline in revenue collections from surcharges deposited into the

Public Safety restricted account. In addition, the Governor's budget recommends \$1.4 million for the State Crime Lab and management of seized evidence as well as \$730,000 to strengthen statewide violent crime intelligence gathering and dispatch services in rural Utah.

In response to the Governor's goal to continually improve agency operations, the Department of Public Safety has established an ambitious target to improve the agency's ability to provide a safe and secure environment for the people of Utah by at least 25 percent by June 2021. Areas of focus include the implementation of "intelligence-led policing" by synchronizing the efforts of the crime lab, bureau of investigations, information and analysis center, and other law enforcement agencies; removing impaired drivers from Utah's roadways; building complete and accurate criminal history information by requiring that misdemeanor citations include fingerprints; and designing and implementing a digital and traditional media campaign providing safety-related messages to the general public.

## CORRECTIONS

Ensuring safe, secure communities is at the core of the Utah Department of Corrections' (UDC) initiatives to strengthen the correctional system, reduce recidivism, and provide offenders with opportunities to make lasting, positive life changes. The department's focus is to ensure the safe operation of the state's correctional facilities, secure management of the parole and probation population, and effective treatment of offenders based on individual risk and need so they are better prepared to rejoin their communities and never need to return to the criminal justice system.

Over the next year, all UDC divisions will work collaboratively to ensure offenders are supervised by expertly-trained and adequately-compensated staff at all levels of agency

operations. Establishing a career ladder for officers will provide funding for salary increases and a career path to attract and retain talented individuals committed to achieving the goal of ensuring safe Utah communities.

UDC divisions are also collaborating to expand and implement innovative evidence-based programs in the areas of education, skills and job training by:

- expanding career pathways for offenders through Utah Correctional Industries and creating new on- and off-site work programs
- creating a transitional housing unit where offenders can focus on community re-entry plans
- intensifying vocational and post-secondary programs to increase offender skills and employability after release
- allowing offenders to use technology while incarcerated by using electronic tablets as a means to provide education, treatment, and to explore future employment opportunities

In addition, UDC will continue to bolster efforts to address individual medical, mental health, substance abuse, and sex offender treatment needs to ensure offenders are better prepared when reintroduced into Utah communities.

Specific efforts in these areas include:

- improving sex offender treatment programs through increased dosage based upon offender level of care
- increasing the fidelity of offender risk/need assessments to provide accurate data on risk factors and treatment needs
- providing timely access to medically necessary medical, dental, and mental health care through well-qualified clinical staff
- implementing a new evidence-based substance abuse treatment program that meets industry standards



# BUDGET & POLICY BRIEF

## Air Quality



*Utah has made significant strides to address air quality but more remains to be accomplished*

### HIGHLIGHTS

- The Governor and the Utah Division of Air Quality have set an ambitious goal to **reduce annual statewide per capita emissions by 25 percent** by 2026
- **The State of Utah** is leading by example and is **taking action to reduce emissions** through management of the state's fleet vehicles and buildings
- **\$500,000** in ongoing funding for air quality research
- **\$350,000** in ongoing funding for air quality personnel in areas with heavy backlogs and unmet needs
- **\$35.2 million** from the Volkswagen settlement over the next 10 years to support solutions that provide the greatest air quality improvements
- **\$7.9 million** allocated in 2017 from additional Volkswagen settlement funds will be used to replace 115 diesel school buses
- **\$2.3 million** in federal clean diesel grants for replacement of older diesel engines

### OBJECTIVE

To find practical, effective, and fiscally prudent solutions to improve Utah's air quality in support of:

- healthy Utahns
- an attractive atmosphere for business and visitors
- an unparalleled quality of life

### BACKGROUND

Overall, Utah's air quality continues a trend of significant improvement even with a growing population and economy. Between 2002 and 2014 (the most recent data available), the

population of Utah increased by over 600,000—an increase of 26 percent. During the same period, total statewide emissions declined from 2.5 million tons to just over 1.8 million tons—a 30 percent total reduction and a 46 percent per capita reduction.

Even with these improvements, the more stringent air quality standards established by the Environmental Protection Agency (EPA) push Utah out of compliance several days each year. Stronger standards, coupled with expanding media attention, have increased awareness and concern among Utah citizens.

Utah has taken the following significant actions to improve air quality:

- requiring industrial sources to install stringent new control technology
- passing nearly 30 new rules addressing large categories of emission sources
- launching public education campaigns
- implementing travel-reduction plans
- obtaining grants to help build clean fuel infrastructure

In addition, the Governor's Clean Air Action Team has identified other meaningful strategies to clean Utah's air, such as reducing wood-burning stove emissions.

While great strides have been made, more remains to be accomplished. Utah's unique topography, climate, and air chemistry exacerbate air pollution during certain times of the year. Due to these distinct Utah conditions, national research is not always applicable. A greater understanding of the causes and effects of Utah's air pollution is needed to further

determine the most effective and cost-efficient mechanisms to improve the state's air quality.

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## UTAH'S WINTER AIR POLLUTION

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An estimated 85% of Utah's winter air pollution comes from sources such as personal vehicles, homes, consumer products, and small businesses.

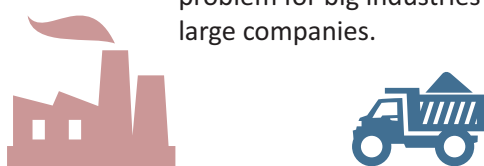


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### We must all reduce emissions

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Air pollution is not just a problem for big industries and large companies.



With this in mind, the Governor's budget includes \$500,000 for air quality research. For FY 2019, specific research topics will include examining the full effect of wood burning on no-burn days; evaluating ammonia emissions from diesel vehicles under Utah-specific conditions to understand the true impact during inversions; and continuing to partner with the University of Utah to develop accurate air quality models for Utah's unique conditions. The results of current and future research will help the state develop more effective and targeted regulations to improve air quality.

As part of the SUCCESS+ initiative, the Governor and Utah Division of Air Quality (DAQ) have set an ambitious goal to reduce the statewide annual total of anthropogenic emissions (those originated in human activity) by 100,000 tons by 2026. With Utah's population projected to increase 20 percent during that time period, this goal represents a 25 percent per capita reduction

over the next 9 years. To accomplish this goal, DAQ plans to implement a variety of programs and policies to address the current rate of human-generated air pollutants and minimize the additional impacts associated with a growing population. This initiative will be DAQ's major focus for years to come.

The State of Utah is working to lead by example in the effort to improve Utah's air quality through the management of the state's fleet vehicles and buildings. Older fleet vehicles are being replaced with those that have cleaner-burning engines, resulting in an 11 percent average decrease in emissions. New telematics are being tested on 25 percent of the fleet, with the intent to reduce emissions by decreasing unnecessary idling. Older buildings not meeting efficiency standards are being retrofitted with more up-to-date equipment to reduce emissions and increase efficiency. In addition, all new state buildings are designed, constructed, and managed to meet energy efficiency standards.

Over the next year and where possible, the Governor also plans to identify opportunities for more of the state workforce to be located in rural Utah through the implementation of teleworking arrangements that benefit both the state and the employee. One of the anticipated positive outcomes of the effort is to reduce the number of vehicles on Utah's highways.

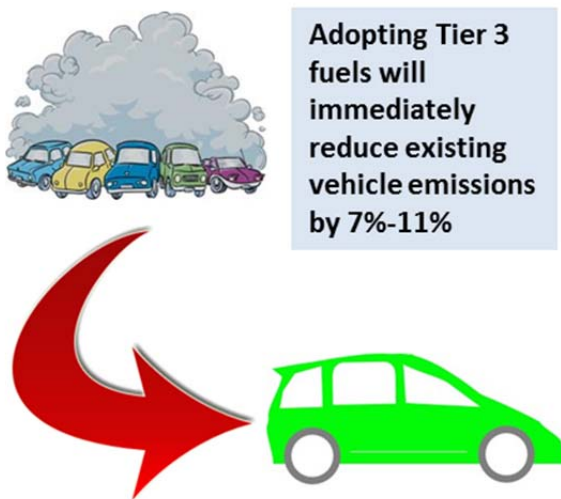
## TIER 3 VEHICLE AND FUEL STANDARDS

In his 2014 State of the State address, the Governor endorsed accelerating the transition to Tier 3 standards as his top recommendation to improve Utah's air quality. Tier 3 refers to an integrated system of national vehicle and fuel standards established by the EPA in 2014. It replaces the previous Tier 2 standards and requires much cleaner vehicles be phased in from model years 2017 to 2025. Tier 3 standards also require the reduction of sulfur content in gasoline from 30 to 10 parts per million (ppm).

The EPA has stated that no state would benefit more from Tier 3 standards than Utah.

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### TIER 3 FUELS AND STANDARDS



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Tier 3 fuels allow both existing and new vehicles to produce fewer emissions per mile driven because vehicle emission controls are more effective when the gasoline used has a lower sulfur content. Achieving cleaner air in Utah will require the full implementation of such standards.

To this end, the Governor continues to encourage local gasoline refineries to produce low-sulfur Tier 3 gasoline. The Governor applauds the Chevron and Andeavor (formerly Tesoro) refineries which are currently preparing to install equipment that provides the ability to produce cleaner fuels for Utah by 2020.

### REDUCING VEHICLE EMISSIONS THROUGH MITIGATION PROJECTS

Under the terms of a national settlement, Volkswagen is required to mitigate the air quality impacts from diesel vehicles that failed to achieve emissions standards. Over the next 10 years, Utah is scheduled to receive nearly \$35.2

million from the settlement for projects that replace or re-power eligible diesel vehicles with engines that produce fewer emissions.

A holistic approach should be taken with these settlement funds to achieve the most enduring and effective reduction of emissions for every settlement dollar invested. The Department of Environmental Quality (DEQ) is currently developing an environmental mitigation plan, with the goal of reducing nitrogen oxide emissions equal to or greater than the amount of excess emissions produced by Volkswagen vehicles on Utah roads, and anticipates mitigation plan selection in 2018.

In 2017, the Governor allocated \$7.9 million to replace diesel school buses from additional Volkswagen violation settlement funds mitigating unfair trade, deceptive acts, and violation of consumer protection laws. Using these funds, 115 diesel school buses will be replaced.

Additionally, Utah recently received \$2.3 million in federal clean diesel grants to assist in replacing older diesel engines. The grants will reduce emissions by removing inefficient, polluting diesel engines from Utah's roadways.

The Governor's budget also includes \$350,700 to hire and support air quality personnel in the following areas with heavy backlogs and unmet needs:

- an air quality planning consultant to help ensure the requirements of Utah's State Implementation Plan (which demonstrates how the state will achieve air quality standards) are met for all criteria air pollutants;
- a stack testing auditor to join the backlogged stack testing team that measures emissions from industrial air pollution sources; and
- an experienced environmental scientist with a background in atmospheric science to identify pollution sources not currently being inventoried.



## GUIDING PRINCIPLES

- All emissions pollution sources, from large industry to individual residents, must be reduced. An estimated 85 percent of Utah's winter air pollution comes from mobile and local area sources (such as vehicles, homes, consumer products, and small businesses).
- Most of Utah's air quality problems result from a myriad of decisions made in our individual lives. Air pollution does not respect jurisdictional boundaries and spreads throughout the state. In short, everyone contributes to, and is affected by, the problem and must contribute to the solutions. As individual private market decisions can negatively impact others, state government can and must play a significant role. However, government cannot unilaterally solve the problem—everyone shares responsibility.
- Air, like food and water, is vital in sustaining human life. Contaminants directly impact overall health. Solutions must recognize the critical nature of this shared common resource and public health priority.
- Utah's unique challenges require unique solutions that complement Utah's values, lifestyle, and economy. While air quality decisions should be informed by broad research, such decisions should ultimately be tailor-made for Utah and not simply comprise the one-size-fits-most solutions borrowed from or imposed by others.
- Education will play a key role in arming citizens with the knowledge necessary to be part of the solution. Utahns generally want to do the right thing. The state will continue to emphasize, educate, and enable residents to make smart choices about air quality such as carpooling, using public transit, walking and biking; not idling when driving; not burning wood in fireplaces during inversions; and replacing old lawn care equipment.
- While every effort should be made to enlist Utah's volunteer spirit, voluntary efforts

alone are insufficient in tackling the state's air quality challenges. Thoughtful, targeted regulation and enforcement is an important component of Utah's air quality strategy.

- State funding directed to improved air quality must be prioritized based on approaches that have the greatest return per dollar invested.

## PROPOSED SOLUTIONS

- Problems cannot be solved if not fully understood. Finding the most effective solutions to Utah's air quality challenges requires an understanding of Utah's unique climate, topography, and air chemistry, as well as future capacity.
- To ensure everyone plays by the same rules and the public at-large does not suffer from the bad actions of a few, adequate personnel are needed to inform, educate and, when necessary, enforce agreed-upon solutions.
- Rapidly growing metropolitan areas like Utah's urban centers face growth challenges and land development impacts. A growing population brings more transportation challenges. To further improve air quality, future land use planning and market-driven development that is less automobile-dependent will be increasingly important. Efforts that promote telecommuting and encourage land zoning practices that promote more transit use and walkable communities will slow the growth of cars on the road and create better air quality.
- In today's world of rapidly improving technologies, many solutions already exist and simply need to be adopted. Improved technology means improved air quality. Replacing old fleet vehicles, buses, lawn care equipment, and other sources of pollution with more fuel-efficient, cleaner technologies brings immediate improvement. Accelerating the adoption of Tier 3 products (cars and gasoline) contributes significantly to the solution.



# BUDGET & POLICY BRIEF

## Water



*Continued focus on more efficient water use; highlighting the need for water users to pay true water costs*

### HIGHLIGHTS

- **Executive Water Finance Board** established by the Governor in 2017 to conduct financial and economic reviews of state-funded water projects
- **State Water Strategy** recommendations provided to Governor in 2017 include a **focus on efficient use of water, accurate water data, and users paying for water according to water use**
- **\$1 million** to measure agricultural water use, with a recommendation that the USU Extension Water Advisory Board allocate part of its water funds to study agricultural water use and optimization strategies
- **\$8.4 million** for dam safety upgrades
- **\$500,000** to remediate phragmites (a water-consuming invasive species)
- **\$305,000** for algal bloom costs

### OBJECTIVE

To develop water funding policies and mechanisms that ensure:

- the State of Utah maintains a financial role that is fiscally prudent and sustainable
- a sufficient, safe, and reliable supply of water meets appropriate usage levels for a growing population and balances residential, commercial, recreation, agricultural, and environmental uses
- Utah's limited water resources are used wisely
- an appropriate alignment exists between the costs of water and the use of water
- the water quality of our lakes, rivers, and streams is protected

- accurate and reliable data is available to policymakers to make informed financial decisions

### BACKGROUND

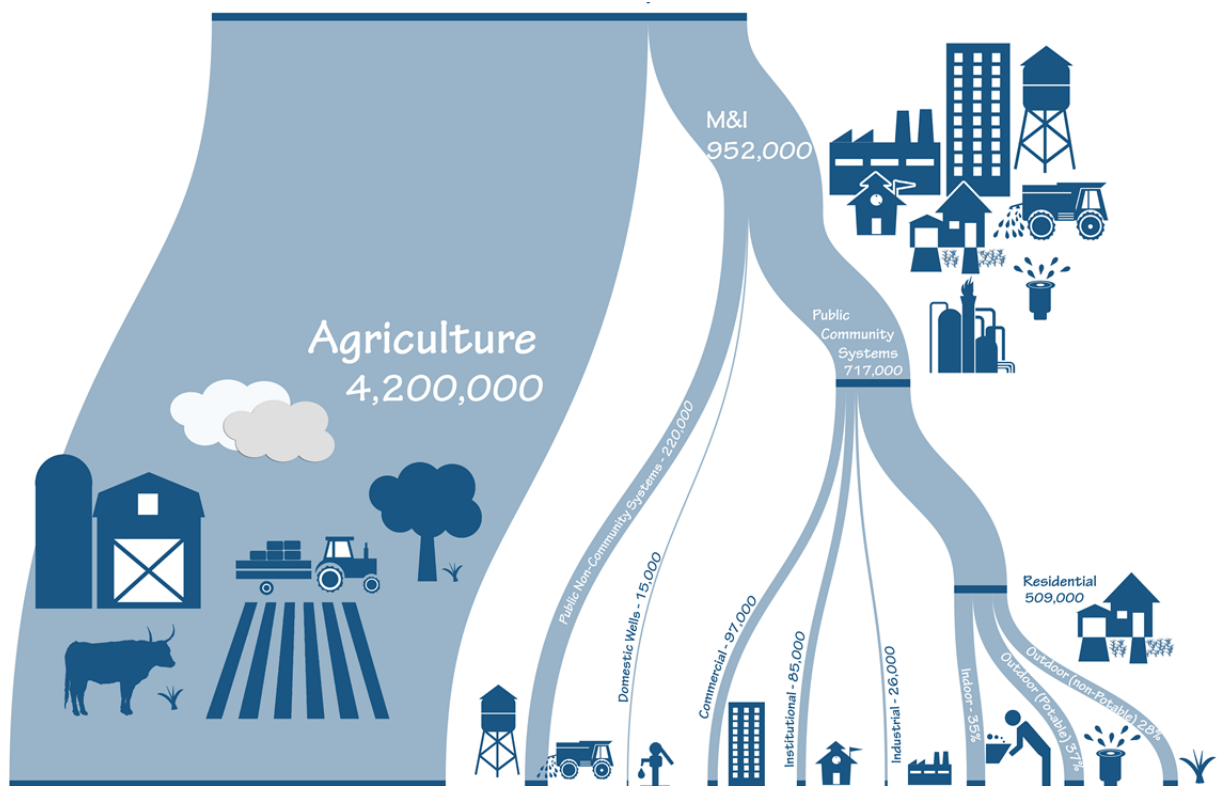
As one of the driest states in the country, water is always a topic of concern in Utah. While the state has successfully thrived despite its arid environment, the challenges of persistent population growth, an uncertain climate, and aging water infrastructure require creativity, determination, and leadership. Utahns have consistently proven they are up to the task.

The increased recent focus on water has yielded positive results. Improved processes and strategic investments have accelerated the slow pace of water rights adjudication. The challenge to improve water data has been met head-on, with efforts underway to improve insight into current water use. Additionally, individuals, businesses, researchers, communities, and agricultural producers across the state have contributed to conservation efforts that move Utah toward a more sustainable water future. However, much work still remains in order to optimize Utah's limited water supply.

### WATER USE

Figure 1 shows the distribution of diverted water in Utah. Diverted water is generally categorized as agricultural water (estimated at 82 percent) and municipal and industrial (M&I) water (estimated at 18 percent). Since water diversion numbers are estimated, the Governor's budget recommends \$1 million in new funding to better measure and understand actual water use, particularly for agriculture.

FIGURE 1. ESTIMATED UTAH WATER DIVERSIONS IN ACRE FEET PER YEAR



Of the estimated 18 percent statewide total diverted M&I water use, 3.5 percent is residential indoor use; 6.5 percent is residential outdoor use; 2.5 percent is commercial and industrial use; 1.5 percent is institutional use (such as governments and schools); and 4 percent is public non-community use, which includes specific industrial uses.

Looking to the future, policymakers should take a comprehensive view of water and seek to optimize water use across the board. The emphasis for more efficient M&I water use is rightly placed and, in particular, should continue for excessive outdoor water use.

As Utah's single largest water user, it is also important to review and better understand agricultural water use. Recognizing that any policy change should protect existing water rights and include proper economic incentives,

relatively minor increases in true agricultural efficiency (accounting for return flow) could have a sizeable impact on the state's overall water use.

## CHOICES ABOUT WATER USE

Assuming current water usage levels remain as-is or only minor additional conservation occurs, the demand for M&I water is projected to exceed supply over the coming decades as Utah's population continues to grow. Utahns have an important choice to make about water use. If our population continues to grow at the current rate, the need for additional water supply at some future point in time is a given; however, the timing of water system development can vary dramatically based on water usage. More judicious use of existing water could delay costly major development projects, while the failure to conserve water will more quickly lead to

accelerated building schedules and the associated cost increases.

No one wants increased water rates; however, water rates will need to increase over time to pay not only for costly new development projects, but to repair and replace aging infrastructure. While local water user fees are unpopular, so are state tax increases. Depending on the level of cost incurred by the state, Utahns may soon face a real choice between state tax increases or increases in local water rates to pay for water costs. Moving from a weak and muddled water price signal to a strong and clear price signal will encourage more efficient water usage.

## STATE WATER STRATEGY RECOMMENDATIONS

Recognizing that an increasingly prudent stewardship of our limited water resources is necessary to meet the challenges of a growing population, in 2013 the Governor convened a team of stakeholders with diverse and extensive backgrounds across the water spectrum to form the State Water Strategy Advisory Team. After years of discussion, public meetings, written comments, and online surveys, the team produced and submitted a state water strategy in July 2017. The *Recommended State Water Strategy* document provides helpful insights as Utahns navigate the unique challenges of a growing population in an arid, water-constrained region. Many of the recommendations are being addressed or have been prioritized for implementation in the near future.

Among the many strategies identified, optimizing the use of existing developed water and the need for improved water data emerge as clear near-term priorities that will inform decision-makers in charting the state's course for long-term water use and fiscal sustainability. The Governor recommends \$1 million be invested to strategically deploy stream gauges and water meters to increase understanding of agricultural water use and optimization efforts as we

continue to add upon existing efforts to augment water data in the state.

Additionally, the Governor recommends that the USU Extension Water Advisory Board designate a portion of its \$950,000 appropriation to study agricultural water use and optimization strategies. The Governor further recommends developing processes to determine the highest-value and most urgent research questions and to prioritize future research funding accordingly.

For example, significant improvement for water planning and management could be provided through basin-level advisory councils. These stakeholder-led councils may balance the unique needs of each basin while optimizing water usage. Determining an administrative framework to enable these basin-level councils could be a near-term priority.

Given that much of the M&I water supply goes to outdoor watering and that Utah's population continues to grow, another near-term priority should be to ensure that future land development is water-efficient by design. Communities should integrate water and land use planning to ensure that community plans and ordinances consider and implement water-saving strategies. State financing should be contingent on these efforts.

## FUNDING UTAH'S WATER FUTURE

Considering current per-capita usage, projected population growth, the age and condition of existing infrastructure, and a decrease in federal funding, numerous individuals and entities have proposed ideas on ways to maintain, replace, and develop new water infrastructure. This dialogue provides welcome perspectives and much-needed information. Ultimately, however, expanding the state's role in water financing—including any use of state funds or bonding capacity—must thoroughly be considered with respect to the impact to taxpayers and should only be considered after all other alternatives have been exhausted.



To ensure the State of Utah maintains a fiscally-prudent and sustainable water finance policy, the Governor created the Executive Water Finance Board in the summer of 2017. The Board brings together individuals with a wealth of experience and expertise in water, planning, budgeting, economics, and finance to provide critical insights regarding the financial and economic aspects of both the demand and supply of water. As the state grapples with various funding proposals for

water projects that may rely on state financing, the Board will conduct financial and economic reviews and analysis.

Prior to undertaking a major expansion of the state's role in water project financing, the Governor recommends that the following minimum conditions be met:

- Better water data and data reporting such as universal metering of water and a minimum of 3 years of water usage data reporting under new state water reporting standards.
- New and meaningful water efficiency targets that strongly emphasize the optimization of existing developed water to include reductions in government water use.
- Independent validation, including a comprehensive price elasticity and repayment feasibility study, verified accurate reporting of water use data, and an independent validation of project costs.
- A strong local funding effort and an increased emphasis on user fees including a sizeable upfront local contribution to any project—for example, the federal government required a 35 percent local contribution on recent projects. Water user fees should reflect a robust effort that demonstrates a strong commitment as compared to the water rates of other state taxpayers that also pay to finance the projects; local funding to cover all needed local repair and replacement costs; and movement away from property taxes in favor of water user fees in order to enhance economic conservation incentives.
- Transparency and local voter engagement through public processes, including public hearings to disclose projected water user fee increases and a local election where residents vote to approve the project and full state repayment based on any necessary water user fee increases.
- Appropriate financing and repayment terms, including all state interest costs capitalized into the loan; an interest rate set in statute that fully reflects the state's borrowing and opportunity costs; a fixed repay-

ment period for 100 percent of the project costs; payments that begin concurrently with the state's bond repayment; and repayment directly to the state General Fund rather than a revolving loan fund so the legislature has the ability to prioritize each water project against other competing state priorities.

Recognizing that projects are not currently funded and that current statutes will require changes, ongoing discussions will be necessary to ensure appropriate terms are in place prior to the state allocating additional funds for such purposes.

## GUIDING PRINCIPLES

- Utah should take a more comprehensive view of water management. Policies and strategies must be developed or better implemented to encourage a more efficient use of water by all water users (residential, commercial, agricultural, government, and non-profit entities). Strategies should include strong and clear price signals, enhanced public education, increased use of existing and emerging water-saving technologies, increased wastewater reuse, increased water-wise landscaping and the elimination of conservation barriers in local and state laws. As growing demands stress existing supply and maximize the efficient use of existing water infrastructure and supplies, solutions should recognize the increasing value of limited water resources.
- The state needs better data and greater transparency into water usage and funding sources to help policymakers and consumers strategize on how best to use and conserve water. Better information, including more thorough water metering and market price signals (such as user fees) will allow market forces to influence the efficient use of water.
- Local governments should implement plans to locally fund the repair and replacement of local infrastructure, in particular when receiving state taxpayer financing. The State of Utah should adjust its laws and policies to remove any obstacles, real or perceived, to local entities setting aside funds to repair and replace existing water infrastructure.
- Funding responsibility should increasingly shift to end users. Any state involvement should be prudent and fiscally sustainable. Further earmarks should not be used. When state funds are provided to assist water development, local recipients should meet basic criteria such as planning, maintenance, appropriate rate structuring, and conservation to advance the state's overall water goals. The state should continue to support strategies and education that encourage the judicious use of water.
- The state water engineer must have the administrative and legal tools sufficient to efficiently enforce water rights law. The state should continue to improve its water right adjudication process to clarify which water rights are valid and bring more certainty and speed to water transactions.
- The state should encourage the increased use of private sector and federal financing sources for water development projects where those sources are available.





# BUDGET & POLICY BRIEF

## Rural Utah



*Focusing on market solutions to rural Utah's challenges; education and infrastructure are key*

### HIGHLIGHTS

- Create **25,000 jobs** in rural Utah by 2020
- Identify **efficiency opportunities through relocation and teleworking arrangements** so more of the state workforce can be located in rural Utah
- **\$2 million** targeted specifically to the state's most rural school districts to help meet their unique educational needs
- **\$1.5 million** in tourism marketing funds focused on tourism development in previously under-served rural areas of the state
- **\$5 million** to Utah's Office of Outdoor Recreation for development projects that construct or improve trails, parks, and other recreational infrastructure in rural areas of the state

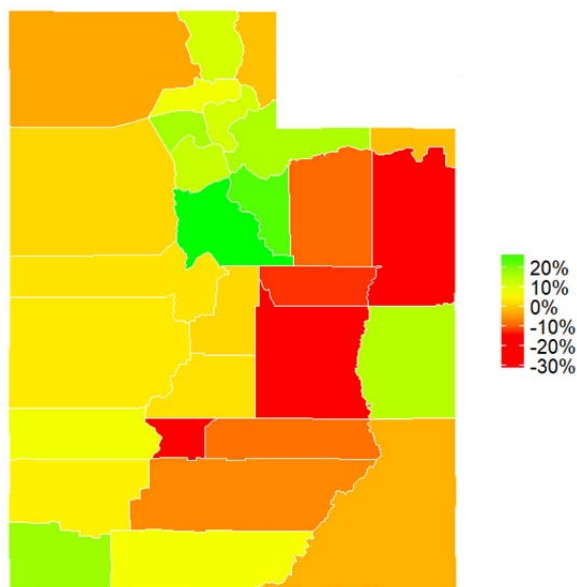
### BACKGROUND

Utah as a whole has experienced a strong economic recovery since the Great Recession. However, as shown in Figure 1, that recovery is not universal throughout the state. Segments of rural Utah still face many challenges with elevated unemployment rates and employment well below pre-Great-Recession levels.

### MOVING FORWARD

In light of this challenge, the Governor has called for an increased focus on rural Utah with a goal of creating 25,000 jobs off the Wasatch Front by 2020. Given the declines, lack of growth, or boom and bust cycles in many traditional rural industries (such as agriculture and mineral extraction), the challenge is not only how to create the 25,000 jobs by 2020, but how to maintain long-term economic growth and sustainability.

**FIGURE 1. EMPLOYMENT GROWTH RATES BY COUNTY, 2008 TO 2016**



The Governor's budget proposes that rural Utah participate in the state's mega-site economic development program through smaller development-ready sites and that existing economic development incentives be made more conducive for use in rural Utah. Some previous efforts incentivizing businesses to locate in rural Utah have occurred primarily due to government grants, tax credits, and incentives, rather than to underlying economic factors driving a business to locate there. As a result, the state is strewn with abandoned buildings created when government incentives no longer exist. While a short-term subsidy may occasionally be appropriate, relying on subsidies to create a viable economy is not a feasible long-term solution.

Core services such as education and public infrastructure investment constitute key state roles in supporting the needs of rural Utah. One essential component of economic development is to develop a high-skill, educated workforce, thereby attracting employers looking for quality employees and cultivating the talents of local entrepreneurs. For this reason, in addition to the general funding rural school districts receive along with all other school districts, the Governor's budget recommends an additional \$2 million targeted specifically to the state's most rural school districts to help meet their unique educational needs.

National, and even global, awareness of Utah's world-class outdoor recreation opportunities continues to accelerate as the state welcomed over 10 million visitors to its five national parks in 2016. While some of Utah's 43 state parks have been beneficiaries of recent efforts to brand and promote the Mighty Five national parks, visitation to Utah's state parks was roughly half that of the national parks for the same time period. For FY 2019, the Governor's budget proposes that \$1.5 million in tourism marketing funds be used by the Utah Office of Tourism to focus on rural tourism development in previously under-served rural areas of the state.

In addition, Senate Bill 264, Outdoor Recreation Grant Program, of the 2017 Legislative General Session, directed new revenues from a short-term lodging tax to the Outdoor Recreation Infrastructure Account. With an estimated \$5 million to allocate, Utah's Office of Outdoor Recreation has significant new resources to grant toward recreational development projects that establish or improve trails, construct parks, or build other qualifying recreational infrastructure in rural areas of the state.

Another feasible option for addressing rural Utah's labor market challenges is increasing the ability to perform work electronically.

Fortunately, despite what some may think, most rural areas of the state are well connected electronically, thereby making different forms of telecommuting a viable employment option for connecting businesses that need workers with the many talented individuals in rural Utah. Urban-based businesses could also consider allowing existing employees to relocate to rural Utah and telecommute, freeing up urban office space for those who prefer to remain in more populated areas.

Over the next year and where possible, the Governor plans to identify opportunities for more of the state workforce to be located in rural parts of the state through the implementation of teleworking arrangements that benefit both the state and the employee. In many cases, existing state employees working along the Wasatch Front have roots in rural Utah and would appreciate the opportunity to return home while maintaining a good job. This effort should be bold and include aggressive targets that benefit rural Utah and taxpayers across the state by providing quality state employment opportunities in rural Utah that save taxpayer dollars by reducing expensive land and building costs in the urban areas of the state.

In addition, more state jobs could be directly located or physically sited in rural Utah, such as the new public safety dispatchers proposed in the Governor's budget (\$270,000).

## GUIDING PRINCIPLES

The state's rural landscapes, communities, and way of life are core to Utah's identity as the greatest state in the nation. As state officials formulate policies and programs designed to stabilize and develop the local economies throughout rural Utah, the following guiding principles should be considered:

- Objectives for rural economic development programs should be clear, well defined, and include a strong evaluation based on

defined criteria for success. If a negative return on investment of state tax dollars is expected for a given program or policy, such results should be explicitly acknowledged before implementation.

- Rural economic development programs should prioritize in-state residents with a focus on supply-side labor market interventions (such as relevant workforce development and training programs for the long-term unemployed) as well as demand-side approaches (such as reducing the regulatory burden for companies and ensuring that sufficient public infrastructure exists) to allow firms to expand in and relocate to these areas of the state.
- Although government clearly has a role to play, it is not government's role alone to resolve the challenges of rural Utah.

Communities that want to grow viable and good-paying jobs must be engaged in aligning local economies with market forces. No single solution can be applied to all areas of the state.

- As appropriate, the state should reprioritize existing rural development funding, shifting funds away from existing programs that are not achieving anticipated outcomes in favor of efforts that do achieve results.

## SUMMARY

In summary, rural Utah faces many challenges. The State of Utah will need to work collaboratively with local governments, educational institutions, and private sector entities to find solutions going forward.



## BUDGET & POLICY BRIEF

### Capital Infrastructure and Bonding



*As Utah takes on new bonding, caution urged regarding assuming additional debt*

#### HIGHLIGHTS

- **AAA bond rating** maintained from all three rating agencies (S&P, Moody's, Fitch)
- **\$129 million** for state and higher education buildings
- **\$5.9 million** for Olympic facility improvement
- **\$1.6 billion** in new general obligation bonds authorized in 2016 and 2017
- Over the next 2.5 years, the Division of Facilities Construction Management (DFCM) plans to eliminate project management backlogs by **increasing throughput by 20 percent** while simultaneously **reducing change orders by 20 percent**

#### BACKGROUND

Well-functioning economies require reliable infrastructure. Although they are sometimes taken for granted, infrastructure projects typically require significant planning and funding. Ensuring an appropriate mix of bonding and cash financing for new infrastructure, along with adequate funding to maintain existing buildings and transportation infrastructure, adds significant value to Utah's economy.

After issuing bonds during the Great Recession, the State of Utah paid down over \$1.8 billion in debt since FY 2012, including \$240 million in general obligation bond debt during FY 2019. However, the state has begun ramping up \$1.6 billion in new bonds (see Table 4).

#### NEW DEBT

During the 2017 General Session, the legislature authorized \$1 billion in general obligation bonds for transportation projects throughout the state,

with project construction expected to begin in the spring of 2018.

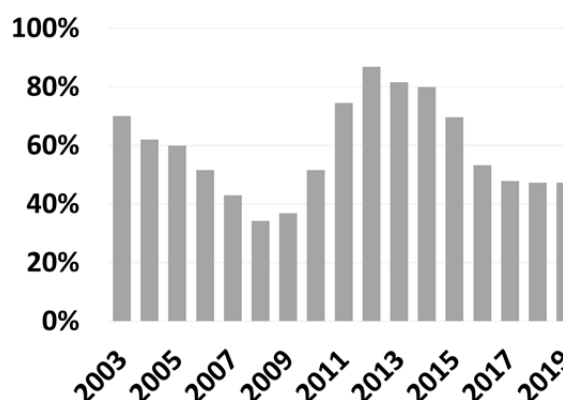
In addition, the legislature has authorized \$570 million in general obligation bonds to construct the new state prison in the northwest quadrant of Salt Lake City. In August 2017, the Governor, lawmakers, and local officials broke ground and site preparation is currently underway.

In FY 2018, the state issued \$142 million in general obligation bonds, beginning a series of issuances for construction of the aforementioned prison and transportation projects. These bonds will be issued over the course of the next few years, with the next issuance anticipated in early 2018.

#### DEBT MANAGEMENT

Utah's longstanding "triple-triple" status—a AAA rating from all three bond-rating agencies—is the result of conservative and responsible debt management. Utah is one of only nine states with this rating.

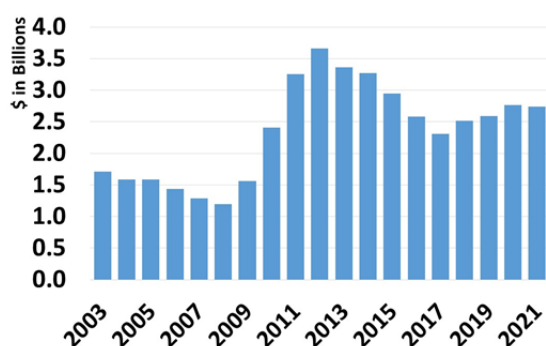
**FIGURE 1. GENERAL OBLIGATION DEBT AS PERCENTAGE OF CONSTITUTIONAL LIMIT**



The Utah Constitution limits the state's general obligation debt for buildings and roads to 1.5 percent of the value of the state's taxable property. As shown in Figure 1, the total general obligation debt for FY 2018 is approximately 47 percent of the constitutional debt limit. The state treasurer recommends that the state strive to remain in the range of 25-50 percent of the constitutional debt limit at this expansionary stage of the business cycle.

Utah's net general obligation debt for transportation and buildings is estimated at approximately \$2.5 billion, including the recent prison and transportation infrastructure bond issuance and anticipated January 2018 issuances.

**FIGURE 2. OUTSTANDING GENERAL OBLIGATION DEBT**



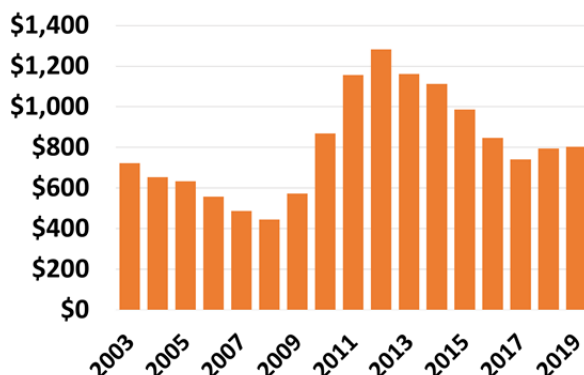
## DEBT AFFORDABILITY MEASURES

Comparing debt levels to population and the size of the economy can provide context to total debt levels. General obligation debt per capita peaked at a high of \$1,280 in FY 2012. After declining for a number of years, debt per capita began to increase in FY 2018 due to the issuance of new prison and transportation bonds. In FY 2019, this number is expected to increase from \$741 to reach \$804, lower than the FY 2012 peak but nearly double the pre-recession low in FY 2008.

General obligation debt as a percentage of personal income reached a high of 3.9 percent in FY 2012. For FY 2019, the percentage is estimated to be about 1.8 percent. According to the most recent data, Utah's debt as a percent of

personal income remains elevated compared to the median of other AAA states.

**FIGURE 3. OUTSTANDING GENERAL OBLIGATION DEBT PER CAPITA**



Offsetting these elevated burdens is Utah's practice of issuing bonds for comparatively short terms. To ensure Utah maintains its AAA bond rating, the State Treasurer and Governor's Office of Management and Budget will conduct a debt management study to identify and examine key debt measures including comparisons with other AAA states and best practices related to debt.

## DEBT COMPARISONS

**Utah's 2017 per capita debt compared to the 50 state median**



## CAPITAL IMPROVEMENTS AND OPERATIONS & MAINTENANCE FOR STATE BUILDINGS

The Governor's budget includes \$118 million in funding for capital improvements—defined in state statute as remodeling, alteration, replacement, or repairs of less than \$3.5 million or the construction of a new facility of less than



\$500,000. Capital improvement funds are used to replace worn equipment and facilities including repairs to electrical and plumbing systems, roofs, and parking lots.

The Governor's total capital improvement budget recommendation meets the statutory level of 1.1 percent of the replacement value of all state buildings. The Governor's Office of Management and Budget recommends establishing baseline performance measures to ensure that existing capital improvement funds are maximized before considering an increase to the 1.1 percent statutory amount. The State Building Board and the Division of Facility and Construction Management are also making changes to better track operation and maintenance funding to ensure proper preventative maintenance is taking place.

FIGURE 4. CAPITAL IMPROVEMENT FUNDING

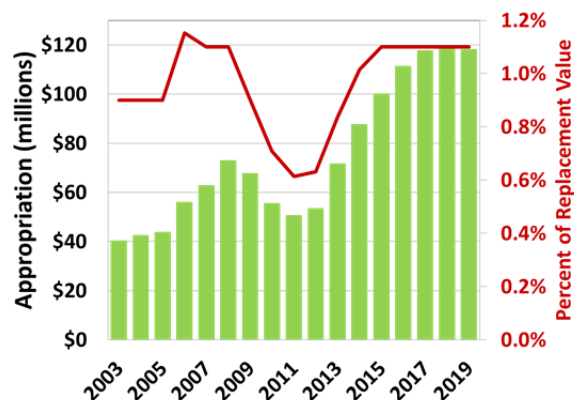


Figure 4 depicts the recent history of capital improvement funding. While significant new capital development projects have been funded, infrastructure maintenance did not keep pace through the economic downturn. The number of resulting projects has nearly doubled due to growing demand of an aging building inventory. Significant savings can be achieved over time with proper upkeep and maintenance of existing infrastructure. As compared to funding costly repairs or reconstruction, maintenance costs are substantially less over the long-term.

By applying the SUCCESS Framework, the Governor's Office of Management and Budget will continue to work with DFCM to reduce the number of open capital improvement projects, implement better work-in-process tracking, and centralize administrative tasks for project managers. Intended outcomes include a 20 percent increase in throughput while simultaneously reducing change orders by 20 percent with the goal to eliminate the backlog within 2.5 years.

In addition to examining capital improvements, the state should continue to evaluate operations and maintenance (O&M) funding to find opportunities for more efficient use of such funds. The Governor does not recommend an automatic across-the-board increase in O&M funding, but instead recommends further study to identify best practices and true need.

## CAPITAL DEVELOPMENT

The Governor's budget recommends funding from new revenue for the following buildings:

- \$32 million for replacement of the Department of Agriculture building
- \$4.3 million for the Nephi National Guard Armory
- \$35 million for Davis Applied Technology College Allied Health building and related O&M costs

The legislature pre-committed debt service and capital development funds (a practice the Governor discourages) for the following buildings:

- \$25 million for University of Utah Hospital
- \$17 million for Dixie State University Human Performance building
- \$15.9 million for Weber State University Social Science building

In addition, the Governor's budget recommends \$5.9 million to improve capital facilities at Utah's Olympic venues.



**Table 4 - General Obligation and Revenue Bonds**

General Obligation Bonds Payable (Thousands)					Balance June
Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	30, 2017
2009 A Highway Issue	3/17/2009	2010 – 2018	2 % – 5 %	\$394,360	\$50,530
2009 C Highway/Capital Facility Issue	9/29/2009	2011 – 2018	2 % – 5 %	\$490,410	\$138,360
2009 D Highway Issue	9/29/2009	2019, 2024	4.15 %- 4.55 %	\$491,760	\$491,760
2010 A Highway/Capital Facility Issue	9/30/2010	2011 – 2017	1.75 % – 5 %	\$412,990	\$38,915
2010 B Highway Issue	9/30/2010	2019 – 2025	3.19 % – 3.54 %	\$621,980	\$621,980
2010 C Refunding Issue	10/21/2010	2016 – 2019	4 % – 5 %	\$172,055	\$143,545
2011 A Highway/Capital Facility Issue	7/6/2011	2012 – 2021	2 % – 5 %	\$609,920	\$246,820
2012 A Capital Facility/Refunding Issue	10/3/2012	2014 – 2017	4 % – 5 %	\$37,350	\$28,145
2013 Highway Issue	7/30/2013	2014 – 2028	3 % – 5 %	\$226,175	\$192,950
2015 Refunding Issue	4/29/2015	2019 – 2026	3.5 % – 5 %	\$220,980	\$220,980
Total General Obligation Bonds Outstanding					\$2,173,985
Unamortized Bond Premium					\$61,448
Total General Obligation Bonds Payable					\$2,235,433

State Building Ownership Authority Lease Revenue Bonds Payable (Thousands)					Balance June
Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	30, 2017
<b>Government Activities</b>					
Series 1998 C	8/15/1998	2000 – 2019	3.8 % – 5.5 %	\$101,557	\$10,020
Series 2009 E	9/9/2009	2018 – 2030	4.62 % – 5.77 %	\$89,470	\$89,470
Series 2010	11/30/2010	2011 – 2024	2 % – 5 %	\$24,555	\$14,576
Series 2011	10/25/2011	2012 – 2031	2.13 % – 4 %	\$5,250	\$3,175
Series 2012 A	11/20/2012	2017 – 2027	1.5 % – 5 %	\$11,755	\$10,885
Series 2012 B	11/20/2012	2013 – 2022	1.5 % – 2.25 %	\$9,100	\$3,342
Series 2015	4/29/2015	2016 – 2030	3 % – 5 %	\$785	\$70
Series 2016	4/5/2016	2016 – 2038	2.25 % – 5 %	\$93,625	\$93,625
<b>Business-Type Activities</b>					
Series 1998 C	8/15/1998	2000 – 2019	3.8 % – 5.5 %	\$3,543	\$385
Series 2009 A	3/25/2009	2011 – 2019	3 % – 5 %	\$25,505	\$2,200
Series 2009 B	9/9/2009	2012 – 2019	3% – 5 %	\$8,455	\$2,425
Series 2009 C	9/9/2009	2024, 2029	5.29 %, 5.77 %	\$16,715	\$16,715
Series 2010	11/30/2010	2011 – 2024	2 % – 5 %	\$12,180	\$7,829
Series 2012 A	11/20/2012	2017 – 2027	1.5 % – 5 %	\$3,855	\$3,735
Series 2012 B	11/20/2012	2013 – 2022	1.5% – 2.25 %	\$2,600	\$834
Series 2015	4/29/2015	2016 – 2030	3% – 5 %	\$29,230	\$28,790
Series 2016	4/5/2016	2016 – 2038	2.25 % – 5 %	\$4,525	\$4,525
Total Lease Revenue Bonds Outstanding					\$292,601
Unamortized Bond Premium					\$10,056
Total Lease Revenue Bonds Payable					\$302,657

**Legal Debt Margin (Millions)**

	2013	2014	2015	2016	2017
Taxable Value	\$201,294	\$207,211	\$221,650	\$235,273	\$251,598
Fair Market Value	\$272,954	\$282,489	\$303,725	\$323,367	\$347,716
Debt Limit Amount (1.5%)	\$4,094	\$4,237	\$4,556	\$4,851	\$5,216
Net General Obligation Bonded Debt	\$3,361	\$3,271	\$2,950	\$2,585	\$2,235
Legal Debt Margin	\$733	\$966	\$1,606	\$2,266	\$2,981
Net General Obligation Bonded Debt Percent of Limit	82.10%	77.20%	64.75%	53.29%	42.85%

Note: Article XIV, Section 1 of the Utah Constitution allows the State to contract debts not exceeding 1.5 percent of the total taxable property in the State. Net general obligation and revenue bonded debt includes principal, premiums, discounts, and deferred amount on refundings for years prior to 2014. Beginning in 2014, deferred amount on refunding is no longer included. The value of taxable property used for the fiscal year limitation is from Tax Commission assessed values from the prior year. During 2010 to 2012, the State issued general obligation bonds to take advantage of low interest rates and ease budget constraints.

**Statutory Debt Limit (Millions)**

	2013	2014	2015	2016	2017
Appropriations Limitation Amount	\$3142	\$3250	\$3315	\$3469	\$3567
Statutory Debt Limit (45%)	\$1414	\$1463	\$1492	\$1561	\$1605
Net General Obligation Bonded Debt	\$3361	\$3271	\$2950	\$2585	\$2235
Exempt Highway Construction Bonds	\$2869	\$2860	\$2622	\$2402	\$2180
Net General Obligation Bonded Debt Subject to Limit	\$492	\$411	\$328	\$183	\$55
Additional General Obligation Debt Incurring Capacity	\$922	\$1051	\$1164	\$1378	\$1550

Note: Article XIV, Section 5 of the Utah Constitution limits any funds borrowed to be used solely for purposes as authorized by law. In addition, Title 63J-3-402 of the Utah Code limits outstanding state general obligation debt to not exceed the 45% (unless approved by more than two-thirds of both houses of the Legislature) of that fiscal year's appropriation limit. Net general obligation and revenue bonded debt includes principal, premiums, discounts, and deferred amount on refundings for years prior to 2014. Beginning in 2014, deferred amount on refunding is no longer included.

# BUDGET & POLICY BRIEF

## Major Revenue Sources



*Utah's economy and revenue continue to grow*

### HIGHLIGHTS

- **\$4.06 billion** individual income tax
- **\$2.70 billion** state sales and use tax
- **24 percent** of state sales tax is earmarked
- **\$344 million** corporate tax
- **\$503 million** fuel taxes
- **\$21.1 billion** in Utah taxes paid to the federal government
- **\$4.34 billion** of federal funds flow through the state budget (**26 percent**)

### STATE TAXES AND FEES

The State of Utah imposes various taxes and fees to fund government programs administered at both the state and local level. The individual income tax and state sales and use tax are by far the two largest revenue sources. Other revenues include a corporate franchise and income tax; motor and special fuel taxes (commonly called gas taxes); severance taxes on oil, gas, and mineral extraction; beer, cigarette, and tobacco taxes; and insurance premium taxes. These tax revenues are deposited into various state accounts. Budget bills enacted by the legislature authorize the use of these funds for designated purposes.

**Sales and Use Tax.** The sales and use tax is the largest revenue source for state government operations, generating an estimated \$2.70 billion in revenue for FY 2019. A large portion of sales and use tax revenues (\$2.04 billion) is deposited into the General Fund. The remaining \$654 million is earmarked, of which about \$599 million is for transportation and over \$55 million for water and other purposes. In addition to sales tax earmarks, additional revenues are also set aside for economic development and other

purposes after being deposited into the General Fund.

**Individual Income/Corporate Income Tax.** The Utah Constitution requires that income taxes support public and higher education. Based on this constitutional directive, revenues from both individual income taxes (\$4.06 billion) and corporate franchise and income taxes (\$344 million) are not deposited into the General Fund. Rather, these revenues are segregated into the Education Fund and used only to support the state's public and higher education systems.

**Gas Tax.** The Utah Constitution also requires that "proceeds from fees, taxes, and other charges related to the operation of motor vehicles on public highways and proceeds from an excise tax on liquid motor fuel" be used for transportation purposes. Consequently, motor and special fuel taxes or "gas taxes" (\$503 million) are deposited into a separate Transportation Fund to be used for transportation purposes.

**General Fund Revenue Sources.** As shown in Figure 1, state sales and use taxes are the primary revenue source for the General Fund (\$2.04 billion). Other taxes deposited into the General Fund include severance taxes on oil, gas, and mineral extraction (\$30 million); beer, cigarette, and tobacco taxes (\$114 million); insurance premium taxes (\$132 million); and cable and satellite excise taxes (\$32 million). In addition, other non-tax revenues are deposited into the General Fund such as profits from liquor sales by the Department of Alcoholic Beverage Control (\$124 million), investment income (\$18 million), and other sources including legal settlements, and transfers of certain fee

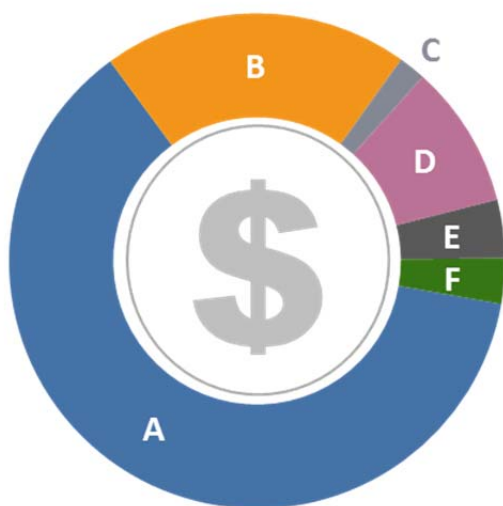
revenues and credits (net \$80 million). In FY 2019, \$10 million of severance tax revenue that has historically gone to the General Fund will instead be deposited to the state Permanent Fund.

The current funding model for the Department of Alcoholic Beverage Control (DABC) requires the agency to submit annual budget requests for core operational needs, which can create challenges in effectively managing operations and growth. New appropriations reduce the total profits transferred to the General Fund. The Governor recommends developing a new funding framework for DABC by implementing various SUCCESS Framework efficiency metrics (such as inventory control) and allowing the agency to retain a portion of efficiency gains that increase profits.

**FIGURE 1. GENERAL FUND REVENUE SOURCES**  
**Earmarked Sales Tax.** As the Revenue Earmarks

**A - Sales Tax/General Fund Portion 62%**

**B - Sales Tax/Earmark Portion 20%**



**C - Earmark Portion of Other Taxes 2%**

**D - Severance (oil, gas, metal)/Insurance Premium/Beer, Cigarette, Tobacco/Cable Excise Taxes 9%**

**E - Liquor Profits 4%**

**F - Investment Income, Credits, and Other Miscellaneous Revenue Sources 3%**

budget and policy brief highlights in greater detail, over the past decade the legislature has significantly increased earmarks of sales and use

tax revenues to other funds, thereby restricting General Fund revenues. For FY 2019, total earmarks and set-asides are estimated at about \$740 million, including \$654 million in sales tax earmarks which would have been deposited into the General Fund if the earmark were not in place. In addition to funding challenges, this change makes it difficult to create a meaningful historical comparison of General Fund allocations or combined General Fund and Education Fund allocations across previous years.

**State-Imposed Fees.** In addition to tax revenues, the state collects about \$1 billion in fees each year. This figure excludes higher education tuition and fees, which total an additional \$776 million. Revenue collected from fees is intended to tie the cost of providing specific government services or regulation directly to the user of the service. State statute requires that state-imposed fees be “reasonable, fair, and reflect the cost of services provided” and that a public hearing be held prior to fee adoption.

Examples of state-imposed fees include business registrations and licenses, motor vehicle registration, hunting and fishing licenses, and fees imposed on regulated businesses (i.e., state regulatory fees imposed on banks by the Department of Financial Institutions or insurance company fees imposed by the Department of Insurance).

The Governor’s tax modernization proposal recommends an increased reliance on user fees, particularly for transportation and water.

## REVENUE ESTIMATES

The Governor's Office of Management and Budget, the Office of the Legislative Fiscal Analyst, and the Utah State Tax Commission develop a consensus point forecast for unrestricted General Fund, Education Fund, Transportation Fund, and earmarked sales and use tax revenues in November and February of each year (range forecasts are released in June and September).

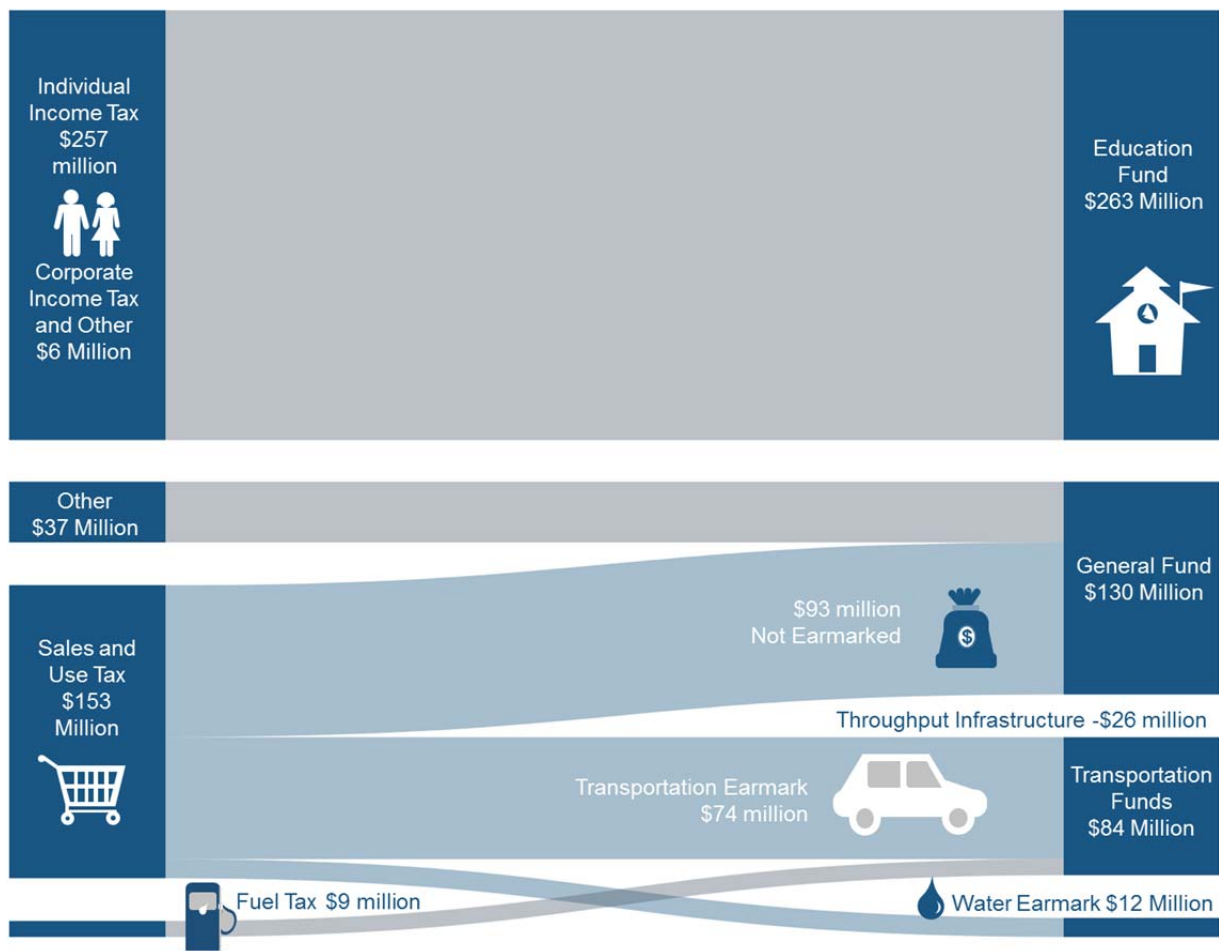


The Governor's budget recommendations are based on the November 2017 consensus forecast. This forecast anticipates new FY 2019 General Fund, Education Fund, and earmarked revenues above the February 2017 forecast. After adjusting for the growth of sales tax earmarks (\$60 million), new constitutionally-mandated severance tax deposits, and a small structural deficit, \$382 million in ongoing and \$102 million in one-time General Fund and Education Fund revenue are available for appropriation during the 2018 General Legislative Session.

## LAPSING AND NON-LAPSING BALANCES

Amounts that are appropriated to state agencies, but not expended during the year of appropriation, remain available for use in future years—either when returned to the fund from which they came (lapsing balances) or remaining with the agency for expenditure (non-lapsing balances).

FIGURE 2. ALLOCATION OF NEW REVENUE TO VARIOUS STATE FUNDS



## FEDERAL FUNDS

**Federal Taxes.** Based on IRS data for the 2016 federal fiscal year (most recent data available), taxpayers from Utah paid over \$21.1 billion in taxes to the federal government, including over \$19 billion in individual income, FICA, and employment taxes, \$1.3 billion in business income taxes, and over \$823 million in excise, estate, and other taxes.

**Federal Spending.** The federal government spends revenues collected from taxpayers in a number of ways, including payments to federal employees and contracted businesses; retirement and non-retirement benefits to individuals (such as Social Security); and programs that are appropriated and flow through the state budget (state-managed programs such as Medicaid and locally-managed programs such as education). In summary, federal funds are returned both to the State of Utah and to those outside state government.

Some argue that because of the federal government's fiscal trajectory, Utah should simply relinquish most or all federal funds that flow through the state budget—but doing so would not relieve Utah taxpayers of the burden of paying federal taxes. Instead, taxpayers simply would not receive the benefits being paid for. The Governor has advocated, and continues to suggest, that states be allowed to keep more of the tax dollars collected in the first place without having to send the money to the federal government.

Until tax policies are changed, however, it is not in the best interest of Utah citizens to refuse all federal funds. Currently, Utah already receives less return per federal tax dollar paid than the 50-state average.

## COMPARING UTAH'S RELIANCE ON FEDERAL FUNDS TO OTHER STATES

A recent Pew Charitable Trust report on federal spending shows that Utah has the ninth lowest total federal spending relative to gross domestic

product (GDP) when accounting for all federal spending. And according to a 2017 study published by Federal Funds Information for States (FFIS), in FY 2016 Utah had the second lowest total federal spending when measured on a per capita basis.

### PEW CHARITABLE TRUST REPORT

#### Utah's Federal Spending Ranking

### Utah Receives Less Federal \$\$

Utah has the ninth lowest total federal spending relative to GDP (gross domestic product).



Utah has the second lowest total federal spending, when measured on a per capita basis.



This is, in part, because Utah's population is the youngest in the nation and receives a much smaller portion of federal dollars than other states for programs such as Social Security and Medicare, two of the largest federal entitlement programs targeted to the elderly.

As of 2015, Utah is one of only 14 states that receive less than 30 percent of its total state revenue from federal funds. Although there is a lag in data for comparisons with other states, Utah's percentage of federal funds appropriated through the state budget is projected at 26 percent in FY 2019 and is below Utah's 10-year average of 28 percent.

## FEDERAL FUNDING IN THE STATE BUDGET

Federal taxpayer funds are returned to Utah through the state budget for many different programs. For major federal programs such as Medicaid, a state match is required and state and federal funding is combined. In addition, some federal funds flow through the state to local entities such as school districts, counties, and cities. Separate federal funds, including grants, are also provided directly to local governments and do not flow through the state's budget.

Figure 3 shows the overall percentage of federal funds in the state budget. As illustrated, federal funding as a percent of the state budget increased during the Great Recession when state tax revenues plummeted and federal aid to states increased. Federal increases came through longstanding programs such as Medicaid and new federal assistance programs such as the American Recovery and Reinvestment Act (ARRA). As Utah's economy recovered, the ratio of federal funds to the total state budget declined and is projected to be below the 10-year average of 28 percent.

**FIGURE 3. PERCENTAGE OF FEDERAL FUNDS IN THE STATE BUDGET**

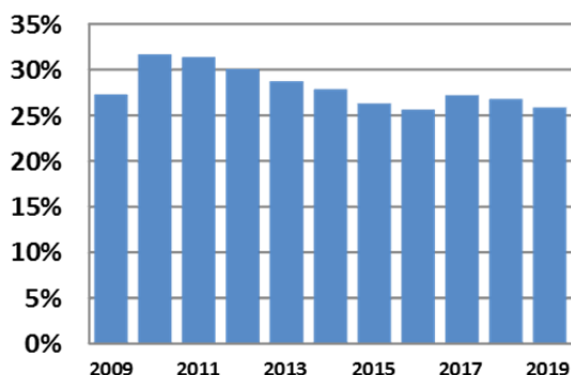


Figure 4 shows some of the largest federally funded program areas. These programs account for about 78 percent of federal funds in the state budget. Not only do federal dollars fund a large

portion of the state's major social service programs (Medicaid, SNAP, TANF, USOR, and WIC), federal dollars also play a key role in funding programs that provide care for elderly veterans, clean drinking water, air pollution prevention, and to pay the salaries of citizen soldiers in Utah's National Guard. Moreover, Utah's public education system is projected to receive over \$542 million in federal assistance in FY 2019, including a number of federally authorized child nutrition programs that provide financial assistance for meals to eligible children; special education funding authorized in the Individuals with Disabilities Education Act (IDEA); and funding authorized in Title I of the Elementary and Secondary Education Act that provides additional support for students living in poverty, migrant students, and neglected students.

**FIGURE 4. SELECTED FEDERAL FUNDING AREAS FLOWING THROUGH THE STATE BUDGET (\$ IN MILLIONS)**

PROGRAM AREA   FY 2019 BUDGET	
Medicaid	\$1,863
Education (including special education, school lunch, and Title 1 for disadvantaged students)	\$542
Transportation	\$407
Supplemental Nutrition Assistance (SNAP)	\$308
Temporary Assistance for Needy Families (TANF)	\$102
National Guard	\$67
Office of Rehabilitation (USOR)	\$65
Women, Infants, and Children (WIC)	\$45

Although Utah should exercise caution to not become overly reliant on federal funding and the attached strings, the state should also seek to get the best value possible for the taxes paid by Utah citizens to the federal government. Overly bureaucratic requirements (especially on state-funded employees) seem to work against receiving the best value for the hard-earned money Utah's citizens are required to pay in federal taxes.

## Table 5 - November 2017 Consensus Revenue Estimates

*All numbers are in thousands of dollars.*

	FY 2017 Actual	FY 2018 Authorized Consensus Estimate	FY 2018 Revised Consensus Estimate	FY 2019 Consensus Estimate	FY 2019 - FY 2018 Year-over-year Change from Adopted
<b>Sales and Use Tax - TOTAL</b>	<b>2,442,117</b>	<b>2,538,297</b>	<b>2,589,476</b>	<b>2,691,540</b>	<b>153,243</b>
Sales and Use Tax - Earmarked for Transportation	523,170	524,102	555,710	598,691	74,589
Sales and Use Tax - Earmarked for Water	35,660	43,260	45,327	54,990	11,729
Sales and Use Tax - Earmarked for Other	26,534	26,534	27,534	534	(26,000)
<b>Subtotal - Sales and Use Tax Earmark</b>	<b>585,363</b>	<b>593,896</b>	<b>628,570</b>	<b>654,214</b>	<b>60,318</b>
<b>Sales and Use Tax - General Fund</b>	<b>1,856,754</b>	<b>1,944,401</b>	<b>1,960,906</b>	<b>2,037,326</b>	<b>92,925</b>
<b>General Fund (GF) Revenue Sources</b>					
Sales and Use Tax - General Fund	1,856,754	1,944,401	1,960,906	2,037,326	92,925
Cable/Satellite Excise Tax	31,293	31,834	31,449	31,910	76
Liquor Profits	106,345	118,841	117,323	124,373	5,533
Insurance Premiums	122,024	116,211	126,776	131,719	15,508
Beer, Cigarette, and Tobacco	116,268	116,629	114,908	113,847	(2,783)
Oil and Gas Severance Tax	9,295	17,445	15,340	20,087	2,642
Metal Severance Tax	6,845	6,551	7,995	9,449	2,897
Investment Income	14,301	11,253	16,057	17,513	6,260
Other	83,795	78,688	83,987	85,441	6,753
Property and Energy Credit	(5,597)	(6,108)	(5,700)	(5,767)	341
<b>Subtotal General Fund</b>	<b>2,341,321</b>	<b>2,435,744</b>	<b>2,469,041</b>	<b>2,565,898</b>	<b>130,154</b>
<b>Subtotal General Fund / Sales and Use Tax Earmark</b>	<b>2,926,685</b>	<b>3,029,640</b>	<b>3,097,611</b>	<b>3,220,112</b>	<b>190,472</b>
<b>Education Fund (EF) Revenue Sources</b>					
Individual Income Tax	3,609,454	3,804,753	3,850,106	4,061,475	256,722
Corporate Tax	328,468	343,848	335,000	344,448	600
Mineral Production Withholding	15,111	15,155	16,428	17,142	1,987
Escheats & Other	27,082	25,486	28,829	29,559	4,073
<b>Subtotal Education Fund</b>	<b>3,980,114</b>	<b>4,189,241</b>	<b>4,230,363</b>	<b>4,452,624</b>	<b>263,382</b>
<b>Subtotal GF/EF/Sales and Use Tax Earmark</b>	<b>6,906,799</b>	<b>7,218,882</b>	<b>7,327,974</b>	<b>7,672,736</b>	<b>453,854</b>
<b>Subtotal GF/EF</b>	<b>6,321,435</b>	<b>6,624,985</b>	<b>6,699,404</b>	<b>7,018,521</b>	<b>393,536</b>
<b>Transportation Fund (TF) Revenue Sources</b>					
Motor Fuel Tax	348,755	360,000	354,663	361,606	1,606
Special Fuel Tax	134,913	131,000	138,608	141,288	10,288
Other	89,809	93,000	89,080	90,926	(2,074)
<b>Subtotal Transportation Fund</b>	<b>573,477</b>	<b>584,000</b>	<b>582,351</b>	<b>593,821</b>	<b>9,821</b>
<b>Subtotal GF/EF/TF/Sales and Use Tax Earmark</b>	<b>7,480,276</b>	<b>7,802,882</b>	<b>7,910,326</b>	<b>8,266,556</b>	<b>463,675</b>
<b>Subtotal GF/EF/TF</b>	<b>6,894,912</b>	<b>7,208,985</b>	<b>7,281,755</b>	<b>7,612,342</b>	<b>403,357</b>
<b>Mineral Lease (ML) Revenue</b>					
Royalties	72,738	73,528	74,187	78,681	5,154
Bonuses	2,539	3,684	3,600	3,688	4
<b>Subtotal Mineral Lease</b>	<b>75,277</b>	<b>77,212</b>	<b>77,787</b>	<b>82,370</b>	<b>5,158</b>
<b>Total GF/EF/TF/ML/Sales and Use Tax Earmark</b>	<b>7,555,553</b>	<b>7,880,094</b>	<b>7,988,113</b>	<b>8,348,926</b>	<b>468,832</b>
<b>Total GF/EF/TF/ML</b>	<b>6,970,189</b>	<b>7,286,197</b>	<b>7,359,542</b>	<b>7,694,712</b>	<b>408,515</b>

## Table 6 - Summary of Recommendations by Agency: General Fund and Education Fund

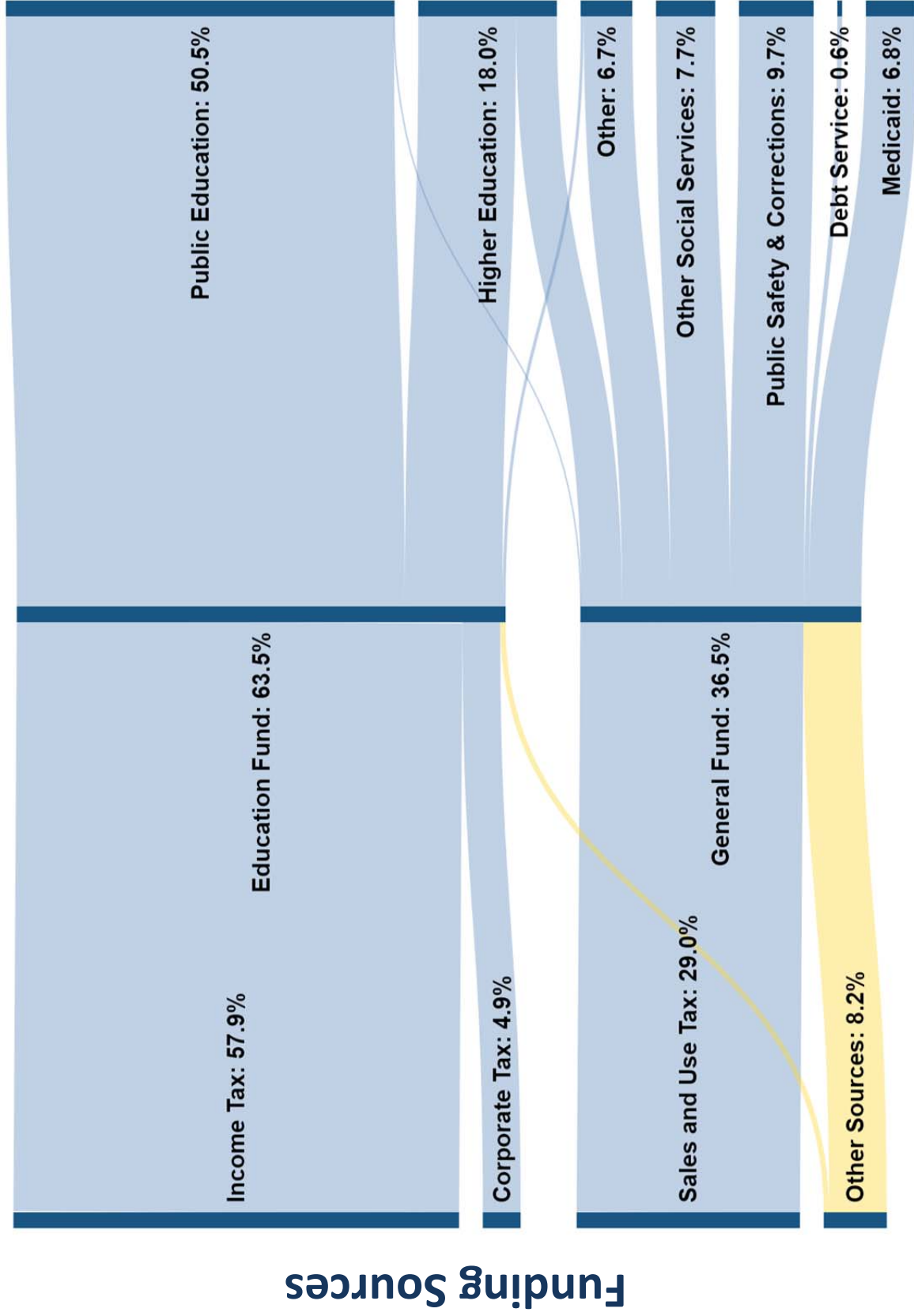
Operating and Capital Budgets, Including Expendable Special Revenue Funds and Accounts, and Restricted Fund Transfers

This table only includes appropriations from the General Fund and the Education Fund - the Uniform School Fund is included under the Education Fund

	Governor Herbert's Recommendations						
	Actual FY 2017	Authorized FY 2018	Supplementals	Recommended FY 2018	Base FY 2019	Ongoing & One- time Adj.	Recommended FY 2019
<b>Plan of Financing</b>							
General Fund	\$2,321,197,800	\$2,437,329,500	\$0	\$2,437,329,500	\$2,437,329,500	\$117,487,700	\$2,554,817,200
General Fund, One-time	89,562,600	34,873,500	24,382,200	59,255,700	0	20,829,000	20,829,000
Education Fund	3,932,575,800	4,195,571,600	0	4,195,571,600	4,195,571,600	256,576,300	4,452,147,900
Education Fund, One-time	67,847,500	15,641,200	34,722,500	50,363,700	0	40,696,100	40,696,100
<b>Total Financing</b>	<b>\$6,411,183,700</b>	<b>\$6,683,415,800</b>	<b>\$59,104,700</b>	<b>\$6,742,520,500</b>	<b>\$6,632,901,100</b>	<b>\$435,589,100</b>	<b>\$7,068,490,200</b>
<b>Operating Budget</b>							
Administrative Services	\$17,879,600	\$18,265,400	\$0	\$18,265,400	\$22,680,800	(\$3,415,000)	\$19,265,800
Agriculture and Food	13,203,300	13,952,400	593,100	14,545,500	12,695,600	1,032,200	13,727,800
Attorney General	39,593,600	43,310,600	815,000	44,125,600	41,403,700	1,647,800	43,051,500
Auditor	3,264,600	3,136,400	0	3,136,400	3,318,200	107,100	3,425,300
Board of Pardons and Parole	4,769,300	5,492,500	0	5,492,500	5,142,100	445,500	5,587,600
Capitol Preservation Board	4,940,400	4,364,700	0	4,364,700	4,362,000	27,900	4,389,900
Career Service Review Office	273,700	280,500	0	280,500	279,100	7,400	286,500
Commerce	46,000	68,600	0	68,600	68,400	0	68,400
Corrections	291,873,800	306,911,400	0	306,911,400	306,223,000	8,553,200	314,776,200
Courts	129,638,100	133,957,700	2,090,600	136,048,300	133,378,100	4,480,200	137,858,300
Environmental Quality	14,627,800	14,969,400	321,800	15,291,200	13,502,000	2,003,600	15,505,600
Governor and Lieutenant Governor	31,154,700	32,643,000	1,226,000	33,869,000	29,855,800	8,709,000	38,564,800
Governor's Office of Economic Dev.	37,464,900	37,920,200	725,900	38,646,100	33,423,400	16,321,800	49,745,200
Governor's Office of Energy Dev.	1,470,300	1,722,300	0	1,722,300	1,567,600	117,800	1,685,400
Health	482,061,000	518,899,800	13,548,000	532,447,800	545,818,900	(1,265,200)	544,553,700
Heritage and Arts	18,525,400	16,118,400	75,000	16,193,400	15,006,300	1,083,900	16,090,200
Higher Education	891,971,600	938,413,100	(239,000)	938,174,100	938,716,000	62,032,900	1,000,748,900
Human Resource Management	40,000	20,000	0	20,000	20,000	0	20,000
Human Services	351,226,000	377,113,300	0	377,113,300	370,025,200	18,215,700	388,240,900
Insurance	4,400	4,400	0	4,400	4,400	0	4,400
Juvenile Justice Services	91,679,100	94,958,400	0	94,958,400	94,569,500	2,319,700	96,889,200
Labor Commission	6,347,900	6,467,500	0	6,467,500	6,433,200	204,100	6,637,300
Legislature	26,375,600	28,218,400	0	28,218,400	27,995,500	642,200	28,637,700
National Guard	7,397,400	6,934,600	0	6,934,600	6,924,100	287,600	7,211,700
Natural Resources	41,254,900	46,120,100	19,400,000	65,520,100	41,579,000	1,352,000	42,931,000
Public Education	3,078,829,500	3,269,706,000	0	3,269,706,000	3,267,792,800	208,009,900	3,475,802,700
Public Lands Policy Coordination	1,906,400	2,038,900	1,177,500	3,216,400	1,635,400	918,900	2,554,300
Public Safety	77,826,600	78,968,800	486,400	79,455,200	78,626,000	9,432,400	88,058,400
Tax Commission	49,507,200	50,575,900	0	50,575,900	50,318,500	1,457,100	51,775,600
Technical Colleges	77,529,000	85,962,400	(38,500)	85,923,900	85,107,500	8,719,400	93,826,900
Technology Services	3,601,400	1,727,700	(950,000)	777,700	1,641,300	144,900	1,786,200
Transportation	0	1,100,000	0	1,100,000	2,500,000	0	2,500,000
Treasurer	982,100	1,007,100	0	1,007,100	1,003,300	25,000	1,028,300
Utah Education and Telehealth Network	28,663,200	27,576,600	0	27,576,600	24,576,600	3,543,200	28,119,800
Utah Science, Technology, and Research	22,146,500	22,124,000	0	22,124,000	21,622,600	87,600	21,710,200
Veterans' and Military Affairs	3,703,700	3,506,500	(155,000)	3,351,500	3,322,500	557,500	3,880,000
Workforce Services	60,065,000	71,275,000	9,455,100	80,730,100	84,449,500	2,629,700	87,079,200
<b>Subtotal Operating Budget</b>	<b>5,911,844,000</b>	<b>6,265,832,000</b>	<b>48,531,900</b>	<b>6,314,363,900</b>	<b>6,277,587,900</b>	<b>360,437,000</b>	<b>6,638,024,900</b>
<b>Capital Budget</b>							
Capital Budget	257,665,000	182,098,900	0	182,098,900	185,568,800	62,143,600	247,712,400
Natural Resources	689,100	689,100	0	689,100	689,100	0	689,100
Public Education	14,499,700	14,499,700	0	14,499,700	14,499,700	0	14,499,700
Transportation	3,000,000	40,000	0	40,000	0	0	0
<b>Subtotal Capital Budget</b>	<b>275,853,800</b>	<b>197,327,700</b>	<b>0</b>	<b>197,327,700</b>	<b>200,757,600</b>	<b>62,143,600</b>	<b>262,901,200</b>
Debt Service	85,957,600	71,532,000	45,700	71,577,700	25,757,600	14,087,100	39,844,700
Enterprise or Loan Fund	104,100	2,061,000	0	2,061,000	0	0	0
Internal Service Fund	0	148,600	0	148,600	148,600	0	148,600
Transfers*	137,424,200	146,514,500	10,527,100	157,041,600	128,649,400	(1,078,600)	127,570,800
<b>Total Budget</b>	<b>\$6,411,183,700</b>	<b>\$6,683,415,800</b>	<b>\$59,104,700</b>	<b>\$6,742,520,500</b>	<b>\$6,632,901,100</b>	<b>\$435,589,100</b>	<b>\$7,068,490,200</b>

\*The *Transfers* line includes transfers from the General Fund and Education Fund to restricted funds and accounts. General Fund or Education Fund appropriations to expendable funds and accounts are included under the agencies that manage the expendable funds and accounts.

## Sources and Uses of Unrestricted General Fund and Education Fund FY 2019 Recommendations



Based on Table 6 - Summary of Recommendations by Agency: General Fund and Education Fund. Figures may vary from other sources due to rounding and categorization.

## Table 7 - Summary of Recommendations by Agency: State-Collected Funds

Operating and Capital Budgets, Including Expendable Special Revenue Funds and Accounts

*This table includes operating and capital budgets, including expendable special revenue funds and accounts, from all state-collected sources of funding. Sources of funding include not only the General Fund and the Education Fund, but also earmarked tax revenue, funding from restricted funds and accounts, and dedicated credits. State-collected funds do not include federal funds, mineral lease, or local property tax and excludes higher education tuition.*

Governor Herbert's Recommendations							
	Actual FY 2017	Authorized FY 2018	Supplementals	Recommended FY 2018	Base FY 2019	Ongoing & One- time Adj.	Recommended FY 2019
<b>Plan of Financing</b>							
General Fund	\$2,289,213,800	\$2,400,031,500	\$0	\$2,400,031,500	\$2,400,031,500	\$107,482,700	\$2,507,514,200
General Fund, One-time	59,018,300	(1,552,600)	13,855,100	12,302,500	0	15,829,000	15,829,000
Education Fund	3,857,575,800	4,104,071,600	0	4,104,071,600	4,104,071,600	256,576,300	4,360,647,900
Education Fund, One-time	67,847,500	32,141,200	34,722,500	66,863,700	0	56,779,700	56,779,700
Transportation Fund	502,818,100	634,713,100	0	634,713,100	596,328,700	4,200,900	600,529,600
Transportation Fund, One-time	66,168,900	(40,494,900)	0	(40,494,900)	0	801,500	801,500
Dedicated Credits	673,784,300	680,371,300	816,800	681,188,100	666,958,400	8,406,700	675,365,100
Other	44,006,600	59,821,800	(46,682,500)	13,139,300	62,328,900	(46,460,800)	15,868,100
Pass-Through	2,378,300	10,956,900	0	10,956,900	10,956,900	18,900	10,975,800
Restricted Revenue	1,672,399,200	1,755,787,400	86,646,600	1,842,434,000	1,718,921,600	24,998,300	1,743,919,900
Transfers	689,618,100	700,719,900	316,800	701,036,700	489,389,300	29,455,800	518,845,100
Trust & Agency	3,345,100	1,384,900	0	1,384,900	1,384,900	0	1,384,900
Beginning Balance	1,662,171,100	1,680,269,800	(5,000,000)	1,675,269,800	1,431,280,500	(317,500)	1,430,963,000
Non-lapsing Balance	(1,682,258,800)	(1,431,280,500)	317,500	(1,430,963,000)	(1,310,714,200)	317,500	(1,310,396,700)
Lapsing Balance	(343,346,500)	(15,013,400)	0	(15,013,400)	(1,669,300)	0	(1,669,300)
<b>Total Financing</b>	<b>\$9,564,739,800</b>	<b>\$10,571,928,000</b>	<b>\$84,992,800</b>	<b>\$10,656,920,800</b>	<b>\$10,169,268,800</b>	<b>\$458,089,000</b>	<b>\$10,627,357,800</b>
<b>Operating Budget</b>							
Administrative Services	\$33,132,500	\$38,120,000	\$468,300	\$38,588,300	\$41,217,000	(\$2,690,000)	\$38,527,000
Agriculture and Food	26,907,000	36,645,200	1,003,100	37,648,300	30,722,100	4,499,400	35,221,500
Alcoholic Beverage Control	46,679,300	50,436,800	1,000,000	51,436,800	51,865,000	3,464,300	55,329,300
Attorney General	65,579,900	70,657,000	815,000	71,472,000	68,421,200	2,313,200	70,734,400
Auditor	5,257,600	5,693,100	464,600	6,157,700	5,916,900	1,051,900	6,968,800
Board of Pardons and Parole	4,896,100	5,710,000	0	5,710,000	5,144,300	445,500	5,589,800
Capitol Preservation Board	5,652,100	5,019,500	0	5,019,500	5,043,700	107,200	5,150,900
Career Service Review Office	258,100	280,500	0	280,500	279,100	7,400	286,500
Commerce	29,089,900	35,681,700	0	35,681,700	33,897,100	792,900	34,690,000
Corrections	297,838,100	323,172,000	(5,000,000)	318,172,000	312,426,500	8,563,800	320,990,300
Courts	147,232,800	164,311,700	2,090,600	166,402,300	160,239,900	4,455,700	164,695,600
Environmental Quality	41,975,100	46,602,000	486,800	47,088,800	42,891,500	3,043,900	45,935,400
Financial Institutions	7,658,000	7,964,900	0	7,964,900	7,627,700	197,500	7,825,200
Governor and Lieutenant Governor	47,232,200	62,613,700	1,224,900	63,838,600	48,306,000	10,600,400	58,906,400
Governor's Office of Economic Dev.	58,414,700	69,293,200	1,102,900	70,396,100	76,002,100	17,844,800	93,846,900
Governor's Office of Energy Dev.	1,895,100	2,455,100	0	2,455,100	2,004,800	124,300	2,129,100
Health	1,080,636,600	1,215,554,300	13,548,000	1,229,102,300	1,240,597,300	(330,700)	1,240,266,600
Heritage and Arts	21,463,300	20,500,200	(117,800)	20,382,400	19,676,100	934,000	20,610,100
Higher Education	908,932,000	1,063,212,600	(239,000)	1,062,973,600	960,833,300	45,949,300	1,006,782,600
Human Resource Management	212,600	288,700	0	288,700	286,300	0	286,300
Human Services	589,726,100	653,968,900	0	653,968,900	632,053,100	42,207,500	674,260,600
Insurance	11,133,200	13,153,900	0	13,153,900	13,394,700	363,200	13,757,900
Juvenile Justice Services	93,498,100	99,201,100	0	99,201,100	95,338,400	2,372,700	97,711,100
Labor Commission	11,611,100	12,382,000	0	12,382,000	12,163,900	323,900	12,487,800
Legislature	25,236,400	28,474,400	0	28,474,400	28,251,500	646,100	28,897,600
National Guard	7,793,800	8,909,100	0	8,909,100	8,469,300	292,200	8,761,500
Natural Resources	176,363,100	179,203,300	20,140,000	199,343,300	164,673,000	18,246,700	182,919,700
Public Education	3,240,010,000	3,518,006,000	0	3,518,006,000	3,479,985,400	208,046,700	3,688,032,100
Public Lands Policy Coordination	4,863,000	4,601,200	2,366,600	6,967,800	2,733,400	931,700	3,665,100
Public Safety	155,296,600	179,591,800	486,400	180,078,200	163,387,800	9,076,900	172,464,700
Public Service Commission	14,475,100	17,815,600	0	17,815,600	17,466,800	64,000	17,530,800
School and Inst. Trust Fund Office	746,300	913,300	0	913,300	912,600	53,600	966,200
School and Inst. Trust Lands Admin.	10,621,000	11,445,700	0	11,445,700	10,767,500	591,400	11,358,900
Tax Commission	88,980,200	95,464,600	0	95,464,600	95,404,600	2,510,500	97,915,100
Technical Colleges	77,531,100	86,184,600	(38,500)	86,146,100	85,140,900	8,719,400	93,860,300
Technology Services	3,786,200	4,622,300	(950,000)	3,672,300	3,118,100	149,400	3,267,500
Transportation	298,598,100	264,702,100	0	264,702,100	253,186,800	9,308,900	262,495,700
Treasurer	3,265,700	4,038,800	49,200	4,088,000	3,675,900	159,200	3,835,100
Utah Communications Authority	5,784,900	12,564,100	3,931,700	16,495,800	9,990,600	0	9,990,600
Utah Education and Telehealth Network	43,186,400	54,951,200	0	54,951,200	45,377,100	7,451,800	52,828,900
Utah Science, Technology, and Research	20,338,400	33,534,600	0	33,534,600	22,069,500	87,800	22,157,300
Veterans' and Military Affairs	1,086,800	7,773,700	(155,000)	7,618,700	7,049,600	560,000	7,609,600
Workforce Services	170,823,900	196,439,800	10,417,400	206,857,200	119,277,400	14,752,500	134,029,900
<b>Subtotal Operating Budget</b>	<b>7,885,698,500</b>	<b>8,712,154,300</b>	<b>53,095,200</b>	<b>8,765,249,500</b>	<b>8,387,285,800</b>	<b>428,290,900</b>	<b>8,815,576,700</b>

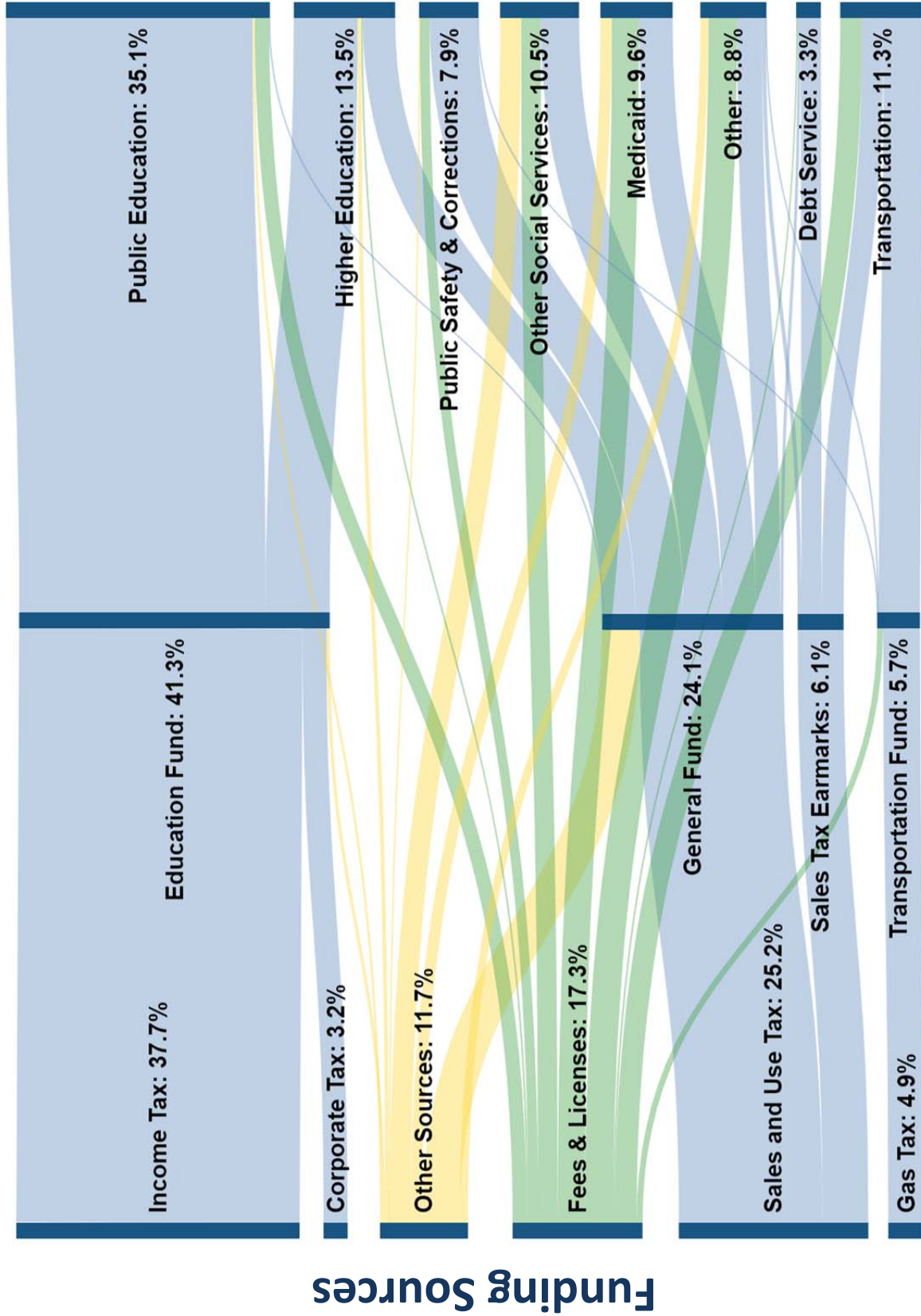


**Governor Herbert's Recommendations**

	<b>Actual FY 2017</b>	<b>Authorized FY 2018</b>	<b>Supplementals</b>	<b>Recommended FY 2018</b>	<b>Base FY 2019</b>	<b>Ongoing &amp; One- time Adj.</b>	<b>Recommended FY 2019</b>
<b>Capital Budget</b>							
Capital Budget	516,906,500	338,644,800	0	338,644,800	304,835,600	62,143,600	366,979,200
Natural Resources	4,071,500	8,503,500	0	8,503,500	3,976,500	4,200,000	8,176,500
Public Education	33,249,700	33,249,700	0	33,249,700	33,249,700	0	33,249,700
School and Inst. Trust Lands Admin.	12,186,300	5,899,300	0	5,899,300	6,199,300	(100)	6,199,200
Transportation	636,181,500	992,953,900	27,011,500	1,019,965,400	995,543,100	(50,632,500)	944,910,600
Workforce Services	30,433,100	93,060,000	0	93,060,000	93,060,000	0	93,060,000
<i>Subtotal Capital Budget</i>	<i>1,233,028,600</i>	<i>1,472,311,200</i>	<i>27,011,500</i>	<i>1,499,322,700</i>	<i>1,436,864,200</i>	<i>15,711,000</i>	<i>1,452,575,200</i>
Debt Service	446,012,700	387,462,500	4,886,100	392,348,600	345,118,800	14,087,100	359,205,900
<b>Total Budget</b>	<b>\$9,564,739,800</b>	<b>\$10,571,928,000</b>	<b>\$84,992,800</b>	<b>\$10,656,920,800</b>	<b>\$10,169,268,800</b>	<b>\$458,089,000</b>	<b>\$10,627,357,800</b>

## Sources and Uses of State-collected Funds

### FY 2019 Recommendations



Based on Table 7 - Summary of Recommendations by Agency: State-Collected Funds. Figures may vary from other sources due to rounding and categorization.



**Table 8 - Summary of Recommendations by Agency: All Sources of Funding**

Operating and Capital Budgets, Including Expendable Special Revenue Funds and Accounts

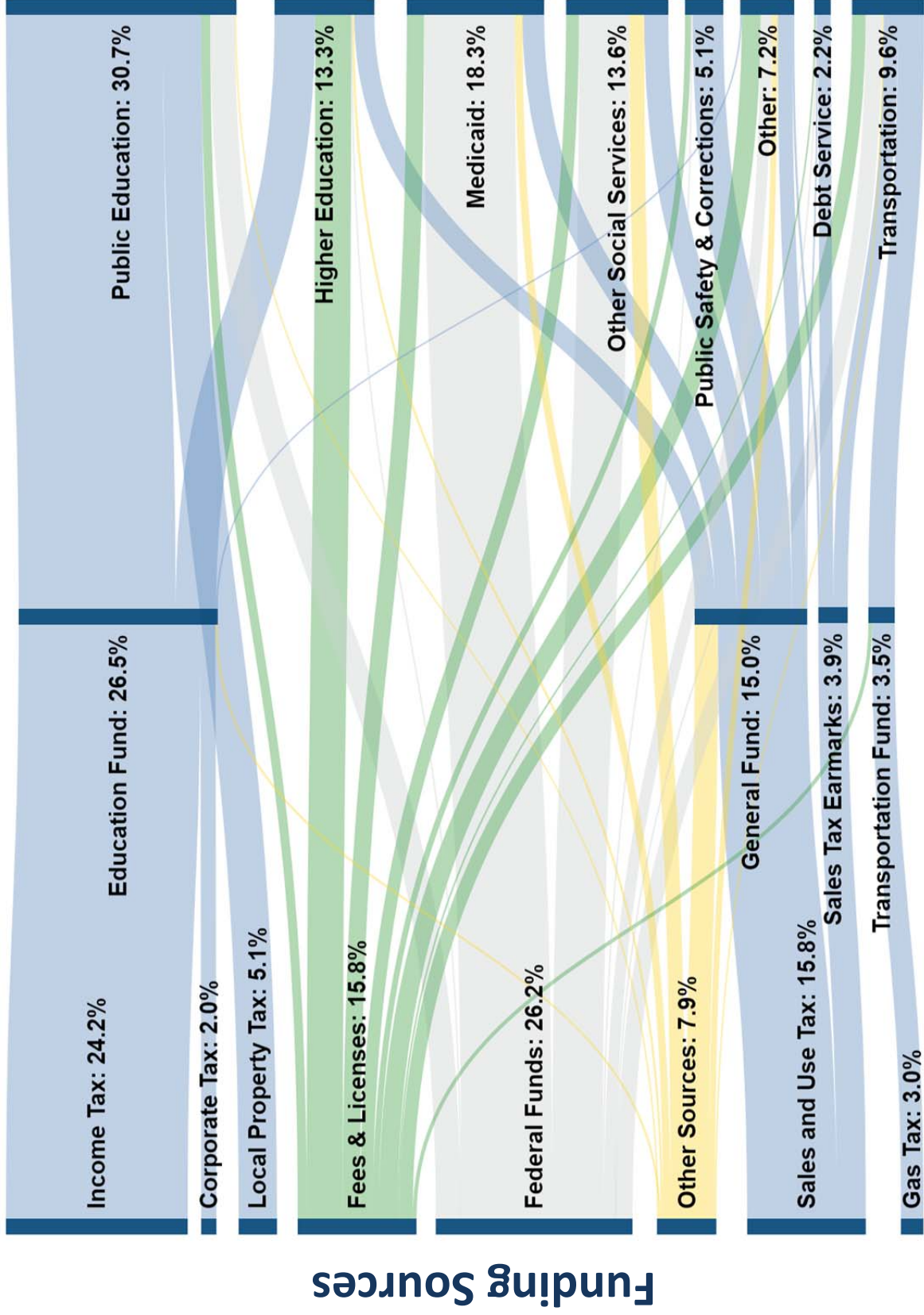
*This table includes operating and capital budgets, including expendable special revenue funds and accounts, from all sources of funding. These sources of funding include state-collected funds from taxes and fees, plus federal funds, mineral lease revenues, higher education tuition, and a portion of local school property taxes.*

	Actual FY 2017	Authorized FY 2018	Supplementals	Recommended FY 2018	Governor Herbert's Recommendations		
					Base FY 2019	Ongoing & One-time Adj.	Recommended FY 2019
<b>Plan of Financing</b>							
General Fund	\$2,289,213,800	\$2,400,031,500	\$0	\$2,400,031,500	\$2,400,031,500	\$107,482,700	\$2,507,514,200
General Fund, One-time	59,018,300	(1,552,600)	13,855,100	12,302,500	0	15,829,000	15,829,000
Education Fund	3,857,575,800	4,104,071,600	0	4,104,071,600	4,104,071,600	256,576,300	4,360,647,900
Education Fund, One-time	67,847,500	32,141,200	34,722,500	66,863,700	0	56,779,700	56,779,700
Transportation Fund	502,818,100	634,713,100	0	634,713,100	596,328,700	4,200,900	600,529,600
Transportation Fund, One-time	66,168,900	(40,494,900)	0	(40,494,900)	0	801,500	801,500
Dedicated Credits	1,470,052,400	1,456,244,300	816,800	1,457,061,100	1,442,831,400	8,525,900	1,451,357,300
Federal Funds	3,809,290,500	4,284,119,900	35,539,700	4,319,659,600	4,267,538,800	95,802,200	4,363,341,000
Mineral Lease	52,315,300	52,400,400	0	52,400,400	80,291,200	47,400	80,338,600
Other	44,006,600	59,821,800	(46,682,500)	13,139,300	62,328,900	(46,460,800)	15,868,100
Pass-Through	2,378,300	10,956,900	0	10,956,900	10,956,900	18,900	10,975,800
Restricted Revenue	1,672,399,200	1,755,787,400	86,646,600	1,842,434,000	1,718,921,600	24,998,300	1,743,919,900
Transfers	689,618,100	700,719,900	316,800	701,036,700	489,389,300	29,455,800	518,845,100
Trust & Agency	3,345,100	1,384,900	0	1,384,900	1,384,900	0	1,384,900
Beginning Balance	1,662,171,100	1,680,269,800	(5,000,000)	1,675,269,800	1,431,280,500	(317,500)	1,430,963,000
Non-lapsing Balance	(1,682,258,800)	(1,431,280,500)	317,500	(1,430,963,000)	(1,310,714,200)	317,500	(1,310,396,700)
Lapsing Balance	(343,346,500)	(15,013,400)	0	(15,013,400)	(1,669,300)	0	(1,669,300)
Local Property Tax	783,265,500	813,817,800	0	813,817,800	813,817,800	43,545,000	857,362,800
<b>Total Financing</b>	<b>\$15,005,879,200</b>	<b>\$16,498,139,100</b>	<b>\$120,532,500</b>	<b>\$16,618,671,600</b>	<b>\$16,106,789,600</b>	<b>\$597,602,800</b>	<b>\$16,704,392,400</b>
<b>Operating Budget</b>							
Administrative Services	\$33,555,600	\$38,692,100	\$468,300	\$39,160,400	\$41,869,700	(\$2,688,700)	\$39,181,000
Agriculture and Food	32,156,100	44,943,400	1,003,100	45,946,500	38,671,700	4,634,900	43,306,600
Alcoholic Beverage Control	46,679,300	50,436,800	1,000,000	51,436,800	51,865,000	3,464,300	55,329,300
Attorney General	68,071,600	73,185,200	815,000	74,000,200	71,657,400	2,374,700	74,032,100
Auditor	5,257,600	5,693,100	464,600	6,157,700	5,916,900	1,051,900	6,968,800
Board of Pardons and Parole	4,896,100	5,710,000	0	5,710,000	5,144,300	445,500	5,589,800
Capitol Preservation Board	5,652,100	5,019,500	0	5,019,500	5,043,700	107,200	5,150,900
Career Service Review Office	258,100	280,500	0	280,500	279,100	7,400	286,500
Commerce	29,404,600	36,089,000	0	36,089,000	34,304,400	800,900	35,105,300
Corrections	298,161,800	323,568,400	(5,000,000)	318,568,400	312,822,400	8,563,800	321,386,200
Courts	147,763,200	165,079,000	2,090,600	167,169,600	161,006,000	4,463,800	165,469,800
Environmental Quality	59,013,000	75,711,100	486,800	76,197,900	73,442,900	3,734,000	77,176,900
Financial Institutions	7,658,000	7,964,900	0	7,964,900	7,627,700	197,500	7,825,200
Governor and Lieutenant Governor	64,324,300	96,743,900	1,224,900	97,968,800	79,358,000	10,650,600	90,008,600
Governor's Office of Economic Dev.	59,479,700	70,358,000	1,102,900	71,460,900	77,065,100	17,851,100	94,916,200
Governor's Office of Energy Dev.	2,295,400	3,230,900	0	3,230,900	2,780,600	134,900	2,915,500
Health	3,091,771,500	3,477,430,100	29,637,800	3,507,067,900	3,485,719,300	67,777,800	3,553,497,100
Heritage and Arts	28,906,400	28,901,900	(117,800)	28,784,100	28,140,700	986,300	29,127,000
Higher Education	1,704,942,200	1,837,295,900	(239,000)	1,837,056,900	1,735,017,000	46,066,100	1,781,083,100
Human Resource Management	212,600	288,700	0	288,700	286,300	0	286,300
Human Services	716,506,600	791,740,600	5,537,500	797,278,100	773,926,200	43,529,900	817,456,100
Insurance	11,679,900	14,358,400	0	14,358,400	14,694,700	365,900	15,060,600
Juvenile Justice Services	96,774,900	104,127,200	0	104,127,200	100,396,600	2,463,900	102,860,500
Labor Commission	14,371,700	15,392,200	0	15,392,200	14,962,900	420,100	15,383,000
Legislature	25,236,400	28,474,400	0	28,474,400	28,251,500	646,100	28,897,600
National Guard	47,211,000	76,126,400	0	76,126,400	75,686,600	813,900	76,500,500
Natural Resources	225,707,200	238,340,700	20,140,000	258,480,700	222,985,800	19,120,600	242,106,400
Public Education	4,470,444,700	4,875,385,300	0	4,875,385,300	4,838,072,500	251,902,700	5,089,975,200
Public Lands Policy Coordination	4,863,000	4,601,200	2,366,600	6,967,800	2,733,400	931,700	3,665,100
Public Safety	172,841,100	214,823,100	486,400	215,309,500	191,692,300	9,534,600	201,226,900
Public Service Commission	14,475,100	17,815,600	0	17,815,600	17,466,800	64,000	17,530,800
School and Inst. Trust Fund Office	746,300	913,300	0	913,300	912,600	53,600	966,200
School and Inst. Trust Lands Admin.	10,621,000	11,445,700	0	11,445,700	10,767,500	591,400	11,358,900
Tax Commission	89,546,300	96,045,800	0	96,045,800	95,985,800	2,535,500	98,521,300
Technical Colleges	84,888,200	93,820,600	(38,500)	93,782,100	92,776,900	8,721,800	101,498,700
Technology Services	4,336,200	4,930,700	(950,000)	3,980,700	3,426,500	155,000	3,581,500
Transportation	345,447,000	295,960,100	0	295,960,100	285,431,600	9,367,800	294,799,400
Treasurer	3,265,700	4,038,800	49,200	4,088,000	3,675,900	159,200	3,835,100
Utah Communications Authority	5,784,900	12,564,100	3,931,700	16,495,800	9,990,600	0	9,990,600
Utah Education and Telehealth Network	46,915,300	58,951,000	0	58,951,000	49,431,100	7,495,400	56,926,500
Utah Science, Technology, and Research	20,338,400	33,534,600	0	33,534,600	22,069,500	87,800	22,157,300
Veterans' and Military Affairs	29,152,000	29,837,600	13,757,400	43,595,000	29,237,200	19,596,500	48,833,700
Workforce Services	780,913,800	878,363,900	10,417,400	888,781,300	830,115,300	18,623,300	848,738,600
<i>Subtotal Operating Budget</i>	<i>12,912,525,900</i>	<i>14,248,213,700</i>	<i>88,634,900</i>	<i>14,336,848,600</i>	<i>13,932,708,000</i>	<i>567,804,700</i>	<i>14,500,512,700</i>

**Governor Herbert's Recommendations**

	<b>Actual FY 2017</b>	<b>Authorized FY 2018</b>	<b>Supplementals</b>	<b>Recommended FY 2018</b>	<b>Base FY 2019</b>	<b>Ongoing &amp; One-time Adj.</b>	<b>Recommended FY 2019</b>
<b>Capital Budget</b>							
Capital Budget	516,906,500	338,644,800	0	338,644,800	304,835,600	62,143,600	366,979,200
Natural Resources	7,711,300	12,973,200	0	12,973,200	8,446,200	4,200,000	12,646,200
Public Education	33,249,700	33,249,700	0	33,249,700	33,249,700	0	33,249,700
School and Inst. Trust Lands Admin.	12,186,300	5,899,300	0	5,899,300	6,199,300	(100)	6,199,200
Transportation	1,027,449,700	1,359,136,200	27,011,500	1,386,147,700	1,363,517,900	(50,632,500)	1,312,885,400
Workforce Services	33,991,300	96,682,000	0	96,682,000	96,901,400	0	96,901,400
<i>Subtotal Capital Budget</i>	<i>1,631,494,800</i>	<i>1,846,585,200</i>	<i>27,011,500</i>	<i>1,873,596,700</i>	<i>1,813,150,100</i>	<i>15,711,000</i>	<i>1,828,861,100</i>
Debt Service	461,858,500	403,340,200	4,886,100	408,226,300	360,931,500	14,087,100	375,018,600
<b>Total Budget</b>	<b>\$15,005,879,200</b>	<b>\$16,498,139,100</b>	<b>\$120,532,500</b>	<b>\$16,618,671,600</b>	<b>\$16,106,789,600</b>	<b>\$597,602,800</b>	<b>\$16,704,392,400</b>

## Sources and Uses of All Funds FY 2019 Recommendations



Based on Table 8 - Summary of Recommendations by Agency: All Sources of Funding. Figures may vary from other sources due to rounding and categorization.





**Table 9 - Recommended Adjustments by Agency: Education Fund and General Fund**

Ongoing and One-time Funding

FY 2018 Recommended Adjustments		
Adjustment	One-time	Ongoing
<b>Agriculture and Food</b>		
State Unified Lab O&M Adjustment	-\$6,900	
Brand Inspection Program	600,000	
<b>Attorney General</b>		
Attorney Fees for Existing Case Settlements	815,000	
<b>Courts</b>		
Court Juror, Witness, Interpreter Costs (FY 2017 Deficit and FY 2018 Supplemental)	2,090,600	
<b>Debt Service</b>		
Build America Bonds Subsidy	45,700	
<b>Environmental Quality</b>		
Algal Bloom at Utah Lake, Scofield Reservoir, Jordan and Price Rivers and Other Locations	126,200	
Re-appropriate Lapsed Funds for Utah Mapping and Information Partnership (UMIP)	195,600	
<b>Governor and Lieutenant Governor</b>		
Election System Security Audit and Upgrades	106,000	
Signature Review	20,000	
Voter Outreach for 2018 Elections	150,000	
<b>Governor's Office of Economic Dev.</b>		
Inland Port Study and Analysis	475,000	
Reduction and Reallocation of International Group	-200,000	
Re-appropriate Lapsed Funds for Avenue H Phase-out	450,900	
Re-appropriate Lapsed Funds for Film Incentives	377,000	
<b>Health</b>		
Family Planning Medicaid Services (Three-year Pilot)	37,500	
Medicaid Consensus Items	13,560,000	
State Unified Lab O&M Adjustment	-49,500	
<b>Heritage and Arts</b>		
Indian Affairs Structural Imbalance	75,000	
<b>Higher Education</b>		
Higher Education Building O&M Savings	-239,000	
<b>Natural Resources</b>		
2017 Wildfire Suppression and Remediation Costs	19,400,000	
<b>Public Lands Policy Coordination</b>		
Reappropriate Lapsing GF and CDRA Balances to PLPCO's Main Line Item	1,177,500	
<b>Public Safety</b>		
State Unified Lab O&M Adjustment	56,400	
Fire Academy	430,000	
<b>Technical Colleges</b>		
Higher Education Building O&M Savings	-38,500	
<b>Transfers</b>		
Firefighter Retirement	9,570,000	
<b>Veterans' and Military Affairs</b>		
One-Time Efficiency Savings	-155,000	
<b>Workforce Services</b>		
Family Planning Medicaid Services (Three-year Pilot)	35,200	
State Participation in Operation Rio Grande Funding Gap	10,000,000	
<b>Total FY 2018 Recommended Adjustments for the General Fund and Education Fund</b>	<b>\$59,104,700</b>	

<b>Adjustment</b>	<b>One-time</b>	<b>Ongoing</b>
<b>Adjustments to Other Funds That Impact General Fund Revenue</b>		
<b>Administrative Services</b>		
E-rules System	300,000	
Executive Branch Ethics Commission	17,500	
<b>Agriculture and Food</b>		
Retail Bedding Inspection Personnel	30,000	
<b>Total FY 2018 Revenue Impacts</b>	<b>\$347,500</b>	
<b>Total FY 2018 General Fund and Education Fund Adjustments and Impacts</b>	<b>\$59,452,200</b>	

<b>FY 2019 Recommended Adjustments</b>		
<b>Adjustment</b>	<b>One-time</b>	<b>Ongoing</b>
<b>Administrative Services</b>		
E-rules System		\$250,000
DFCM Project Managers, Professional Estimator, and Data Specialist		445,000
<b>Agriculture and Food</b>		
Fairpark Operating Expenses	675,000	
State Unified Lab O&M Adjustment		-6,900
<b>Attorney General</b>		
Increase Attorney General Staff Count		350,000
Office Space Lease		120,000
<b>Board of Pardons and Parole</b>		
Electronic Records System	100,400	
Staff Increases (Case Analyst, Quality Control Data Analyst) and Funding for Pro-Tempore Board Members		184,500
<b>Capital Budget</b>		
Capital Development and Debt Service Adjustments		-46,000,000
Department of Agriculture and Food Building	32,325,000	
National Guard Nephi Armory Building	4,341,300	
Davis Technical College Allied Health Building	34,364,500	
University of Utah Medical Education and Discovery Rehabilitation Hospital	5,000,000	
Dixie State University Human Performance Center	17,000,000	
Weber State University Social Science Building Renovation	15,940,000	
Capital Improvement Funding (1.1% Replacement Value)	-827,800	
<b>Corrections</b>		
Jail Contracting Treatment		463,400
<b>Courts</b>		
Fourth District Court Law Clerks		288,800
Guardianship Reporting and Monitoring Program		183,700
Shift Funding Source for Provo Court Complex from Restricted Funds to General Funds		313,400
<b>Debt Service</b>		
Build America Bonds Subsidy	14,245,700	
Capital Development and Debt Service Adjustments	-46,000,000	46,000,000
Funding Source Adjustment for Prison Debt Service		-158,600
<b>Environmental Quality</b>		
Air Quality Planning Consultant		113,300
Algal Bloom at Utah Lake, Scofield Reservoir, Jordan and Price Rivers and Other Locations	178,500	
Environmental Scientist		118,700
Local Health Department Increase to Environmental Quality Services		500,000
Stack Testing Auditor		118,700
Utah Specific Air Quality Research: Wood Burning, Diesel Ammonia Emissions, Air Quality Modeling, Data Collection Application		500,000

<b>Adjustment</b>	<b>One-time</b>	<b>Ongoing</b>
<b>Governor and Lieutenant Governor</b>		
Indigent Defense Commission		1,505,000
Jail Reimbursement		1,725,000
Justice Reinvestment Initiative County Incentive Grants	1,000,000	
Voter Outreach for 2018 Elections	250,000	
Voting Equipment	4,500,000	
Post-secondary SUCCESS Framework Pilot Projects	1,000,000	
<b>Governor's Office of Economic Dev.</b>		
Broadband Phase-out and Reallocation		-259,800
Mega-Site Certification Program		225,000
Reduction and Reallocation of International Group		-400,000
State Brand Promotion	250,000	
Sundance and GOED Co-branding	750,000	
Tourism Marketing		1,500,000
Utah Olympic Legacy Foundation Capital Facility Improvement	5,900,000	
GOED/Post-secondary Education Partnership for Targeted Training Programs	9,583,600	
<b>Governor's Office of Energy Dev.</b>		
Adjust State Matching Funds for Federal/State Energy Program		18,200
Energy Incentive Program Administrative Costs		60,000
<b>Health</b>		
Accountable Care Organization (ACO) Rate Increases up to 3.5% Growth Rate	-1,846,000	3,692,000
Children's Health Insurance Program (CHIP) Enhanced Federal Match	-16,133,200	
Children's Health Insurance Program (CHIP) Future State Match	-5,000,000	5,000,000
Community Supports Medicaid Waiver Placements for People with Intellectual Disabilities		488,300
Continuation of Medicaid Waiver for Children with Medically Complex Conditions	-500,000	2,253,600
Early Intervention Home Visiting Programs		500,000
Family Planning Medicaid Services (Three-year Pilot)	1,193,600	
Health Facility Licensing Survey Staff		150,000
Medicaid Consensus Items	-13,597,000	20,251,000
Office of the State Medical Examiner Pathologists & Staffing		1,250,000
State Unified Lab O&M Adjustment		-49,500
Utah Statewide Immunization Technology System		230,000
<b>Heritage and Arts</b>		
Ancient Human Remains Recovery and Analysis Personnel		125,000
Arts Sustainability Grants		500,000
Collections Management Personnel		90,000
Indian Affairs Structural Imbalance		75,000
<b>Higher Education</b>		
Discretionary Funding for Board of Regents to Address Budget Priorities		24,000,000
Higher Education Building O&M Savings	-2,046,700	
Performance-based Funding	-9,583,600	
Post-secondary Education Compensation - Elimination of Mandatory (Tier I) Tuition Increase (USHE)		7,953,000
Post-secondary Education Dental Insurance Decrease		-162,000
Post-secondary Education Health Insurance Increase		7,010,300
Post-secondary Education Wage and Wage-based Benefits Increase		18,394,700
<b>Human Services</b>		
Community-based Employment Services for People with Intellectual Disabilities		1,171,600
Division of Services for People with Disabilities (DSPD) Waiting List - 148 People		1,000,000
Forensic Competency Restoration - Increased Capacity at the State Hospital & Juvenile Restoration Program		2,600,000
Medicaid Consensus Items		1,220,500
Youth in Custody Aging into Division of Services for People with Disabilities (DSPD) Services & Additional Needs for DSPD Service Recipients		7,217,700
<b>Juvenile Justice Services</b>		
Medicaid Consensus Items		24,500

<b>Adjustment</b>	<b>One-time</b>	<b>Ongoing</b>
<b>National Guard</b>		
Tuition Assistance Targeted to High-Demand Workforce Needs		250,000
Operation and Maintenance for National Guard Special Forces Readiness Center	-148,500	198,000
<b>Natural Resources</b>		
Catastrophic Wildfire Reduction Strategy	500,000	
<b>Public Education</b>		
Beverly Taylor Sorenson Arts Learning Program		1,000,000
Consensus Enrollment Growth		33,488,500
Enrollment Growth for Four Additional Programs		274,900
4% Increase in the Weighted Pupil Unit (WPU)		121,182,300
Increase in Local Levy Guarantee (Equalization of Local School Property Taxes)		12,800,000
Statutory Increase for USDB Educators (Steps & Lanes)		765,800
Utah State Instructional Materials Access Center (USIMAC) Expansion	500,000	450,000
Discretionary Funding for Board of Education to Address Staffing Priorities		313,000
Statutory Increase for Carson Smith Scholarship		300,000
New WPU Add-on for Students At Risk of Academic Failure		33,833,200
New Local Levy Guarantee for Rural Schools (Equalization of Local School Property Taxes)		2,000,000
<b>Public Lands Policy Coordination</b>		
Reduce Public Lands Policy Coordinating Office (PLPCO) Structural Deficit		900,000
<b>Public Safety</b>		
Aero Bureau Overtime	50,000	
Centralized Evidence Program		500,000
DNA Supplies		581,300
Fire Marshall		300,000
Firearm Casework and Ballistic Information Services		290,000
Hire New Public Safety Dispatchers		270,000
Intelligence-based Policing Personnel	60,000	220,000
Peace Officer's Standards and Training (POST) Shortfall		500,000
State Unified Lab O&M Adjustment		56,400
Fire Academy		4,200,000
<b>Technical Colleges</b>		
Davis Technical College Allied Health Building Operations and Maintenance (O&M)	-661,300	661,300
Discretionary Funding for USTC Board of Trustees to Address Budget Priorities		7,000,000
Higher Education Building O&M Savings	-53,800	
Post-secondary Education Dental Insurance Decrease		-17,000
Post-secondary Education Health Insurance Increase		560,800
Post-secondary Education Wage and Wage-based Benefits Increase		1,202,900
<b>Technology Services</b>		
Automated Geographic Reference Center (AGRC) Data Fund		125,000
<b>Transfers</b>		
Firefighter Retirement		7,000,000
Rainy Day Fund Deposit	5,000,000	
<b>Utah Education and Telehealth Network</b>		
Post-secondary Education Dental Insurance Decrease		-2,000
Post-secondary Education Health Insurance Increase		75,200
Post-secondary Education Wage and Wage-based Benefits Increase		170,000
Telehealth Operations		350,000
UETN Equipment	1,500,000	500,000
UETN Expanded Connectivity		650,000
UETN Network Operations Center 24/7 Staffing - Stage 2		300,000
<b>Veterans` and Military Affairs</b>		
Veteran First-Time Home Buyer Program	500,000	
<b>Workforce Services</b>		
Family Planning Medicaid Services (Three-year Pilot)	1,096,500	

<b>Adjustment</b>	<b>One-time</b>	<b>Ongoing</b>
<b>Compensation</b>		
Ongoing Funding for FY 2018 Compensation Adjustments		1,102,600
State Employee 401k Match	118,900	
State Employee Dental Insurance Decrease		-236,700
State Employee Health Insurance Increase		7,490,400
State Employee Retirement Rate Change		173,000
State Employee Targeted Wage and Wage-based Benefits Increase		3,148,500
State Employee Wage and Wage-based Benefits Increase		14,573,200
<b>ISF Rates</b>		
Facilities Construction & Management ISF Adjustments		146,900
Finance ISF Adjustments		22,000
Fleet ISF Adjustments		-10,400
Human Resources Mgmt. ISF Adjustments		146,500
Learning Management System		200
Risk Mgmt Liability ISF Adjustments		340,900
Risk Mgmt. - Property ISF Adjustments		-46,700
State Mail ISF Adjustments		60,600
Technology Services ISF Adjustments		760,300
<b>Total FY 2019 Recommended Adjustments for the General Fund and Education Fund</b>	<b>\$61,525,100</b>	<b>\$374,064,000</b>
<b>Adjustments to Other Funds That Impact General Fund Revenue</b>		
<b>Agriculture and Food</b>		
Retail Bedding Inspection Personnel		\$71,000
Pesticide Applicator Licensing		125,000
<b>Alcoholic Beverage Control</b>		
SUCCESS Framework Project - Inventory Control	207,000	268,400
Syracuse DABC Store Staffing		650,000
West Valley DABC Store Bond Payment	83,100	332,400
<b>Commerce</b>		
Geologist Board Professional Development & Educational Outreach		10,000
Uniform Commercial Code Updated System		50,000
<b>Compensation</b>		
Ongoing Funding for FY 2018 Compensation Adjustments		59,800
State Employee 401k Match	273,900	
State Employee Dental Insurance Decrease		-15,100
State Employee Health Insurance Increase		472,300
State Employee Targeted Wage and Wage-based Benefits Increase		179,100
State Employee Wage and Wage-based Benefits Increase		961,500
<b>ISF Rates</b>		
Facilities Construction & Management ISF Adjustments		30,500
Fleet ISF Adjustments		-2,000
Human Resources Mgmt. ISF Adjustments		12,000
Risk Mgmt Liability ISF Adjustments		2,700
Risk Mgmt. - Property ISF Adjustments		900
State Mail ISF Adjustments		4,900
Technology Services ISF Adjustments		103,200
<b>Total FY 2019 Revenue Impacts</b>	<b>\$564,000</b>	<b>\$3,316,600</b>
<b>Total FY 2019 General Fund and Education Fund Adjustments and Impacts</b>	<b>\$62,089,100</b>	<b>\$377,380,600</b>



**Table 10 - Recommended Adjustments: Restricted Funds and Fee Collections**

Ongoing and One-time Funding

FY 2018 Recommended Adjustments			
Adjustment	Funding Source	One-time	Ongoing
<b>Agriculture and Food</b>			
Grazing Improvement Program Vehicle	1035 (DAG) Rangeland Improvement Account	\$30,000	
Plant Compliance Specialists	2360 DAG Department Service Fees	50,000	
Regulatory Management System	2360 DAG Department Service Fees	300,000	
<b>Alcoholic Beverage Control</b>			
SB 155 Retained Funding	5480 (ABC) Alcoholic Beverage Control-Liquor Control Fund	1,000,000	
<b>Auditor</b>			
Fee Collections for State Auditor Professional Services	Dedicated Credits	464,600	
<b>Debt Service</b>			
TIF increase	2900 (DOT) Transportation Investment Fund of 2005	3,139,300	
County of 1st Class Increase	2845 (DOT) County of 1st Class Hwy Prj Fund	1,701,100	
<b>Environmental Quality</b>			
Environmental Response and Remediation Dedicated Credits	Dedicated Credits	165,000	
<b>Governor and Lieutenant Governor</b>			
Adjust School Readiness Funds	1409 (GOV) School Readiness Rest Acct	-1,100	
<b>Governor's Office of Economic Dev.</b>			
Re-appropriate Lapsed Funds for Film Incentives	1402 (GOV) Motion Picture Incentive Account	377,000	
<b>Heritage and Arts</b>			
Bookmobile Dedicated Credits Reduction	Dedicated Credits	-100,600	
Digitization of Archived Records	Dedicated Credits	-92,200	
<b>Natural Resources</b>			
Building Construction	1171 (DNR) Wildlife Resources Trust Account	300,000	
Management of Rare Plant Data	1142 (DNR) Species Protection Account	40,000	
Parks - Current Expense	1157 (DPR) State Park Fees Restricted Account	250,000	
Parks - Seasonal Staff and Wages	1157 (DPR) State Park Fees Restricted Account	150,000	
<b>Public Lands Policy Coordination</b>			
Reappropriate Lapsing GF and CDRA Balances to PLPCO's Main Line Item	1185 (DNR) Sovereign Lands Management Account	43,500	
Reappropriate Lapsing GF and CDRA Balances to PLPCO's Main Line Item	1321 (FIN) Constitutional Defense Restricted Account	1,145,600	
<b>Transportation</b>			
Designated Sales Tax	State Sales Tax	-46,682,500	
DOT TIF Capacity Program	2900 (DOT) Transportation Investment Fund of 2005	73,694,000	
<b>Utah Communications Authority</b>			
Upgrade and Maintenance of 911 Systems	1253 (FIN) Unified Statewide 911 Emergency Service Account	3,500,000	
Upgrade Computer Aided Dispatch Systems to Assist First Responders	1341 (FIN) Comp Aided Dispatch Rest Acct	431,700	
<b>Workforce Services</b>			
Adjustments for Cost Allocation Model	2115 (DWS) Navajo Revitalization Fund	13,000	
Adjustments for Cost Allocation Model	2135 (DWS) Uintah Basin Revitalization Fund	5,000	
Adjustments for Cost Allocation Model	2151 (DWS) Qualified Emergency Food Agencies Fund	5,500	
Adjustments for Cost Allocation Model	5285 (FIN) Permanent Community Impact Loan Fund	1,000	
Adjustments for Cost Allocation Model	5429 (DWS) OWHTF-Fed Home Income	21,700	
Adjustments for Cost Allocation Model	5441 (DWS) OWHTF-Low Income Housing-PI	19,200	
Family Planning Medicaid Services (Three-year Pilot)	Transfers	316,800	
<b>Total FY 2018 Recommended Adjustments from Restricted Funds and Fee Collections</b>		<b>\$40,287,600</b>	

FY 2019 Recommended Adjustments			
Adjustment	Funding Source	One-time	Ongoing
<b>Administrative Services</b>			
DFCM Project Managers, Professional Estimator, and Data Specialist	Transfers		535,000
<b>Agriculture and Food</b>			
Agriculture Water and Data Efficiency	5275 (FIN) Water Resources Conservation & Development Fund	550,000	
Agriculture Water and Data Efficiency	5460 (DAG) Agriculture Resource Development Fund	450,000	
Algal Bloom Cyanotoxin Testing	Dedicated Credits		84,800
Brand Inspection Program	1033 (DAG) Utah Livestock Brand & Anti-theft Account		800,000
Irrigation Water Testing	Dedicated Credits		18,200
Plant Compliance Specialists	Dedicated Credits		211,400
Program Administration and Testing for Current Industrial Hemp Program	Dedicated Credits		50,000
Regulatory Management System	Dedicated Credits	500,000	300,000



Adjustment	Funding Source	One-time	Ongoing
<b>Alcoholic Beverage Control</b>			
SB 155 Retained Funding	5480 (ABC) Alcoholic Beverage Control-Liquor Control Fund		1,000,000
<b>Auditor</b>			
Fee Collections for State Auditor Professional Services	Dedicated Credits		882,300
<b>Capitol Preservation Board</b>			
Event Support Specialist	Dedicated Credits		66,500
<b>Courts</b>			
Shift Funding Source for Provo Court Complex from Restricted Funds to General Funds	1445 (JUD) State Courts Complex Account		-313,400
<b>Environmental Quality</b>			
Drinking Water Certification Programs	2305 DEQ Drinking Water Fees		106,400
Water Quality Stormwater Fees	2318 DEQ Storm Water Permits		142,500
<b>Governor and Lieutenant Governor</b>			
Indigent Defense Commission	1411 (GOV) Indigent Defense Resources Restricted Account		1,505,000
Notary, Certification, and Authentication Fees	2801 Sale of Services-Dedicated Credits		311,300
Adjust School Readiness Funds	1409 (GOV) School Readiness Rest Acct		-1,100
<b>Governor's Office of Economic Dev.</b>			
Tourism Marketing	1403 (GOV) Tourism Marketing Performance Account		1,500,000
<b>Health</b>			
Toxicology Testing for Drug Facilitated Sexual Assaults	Dedicated Credits		105,800
<b>Heritage and Arts</b>			
Bookmobile Dedicated Credits Reduction	Dedicated Credits		-100,600
Digitization of Archived Records	Dedicated Credits		-92,200
<b>Higher Education</b>			
Performance-based Funding	2465 (FIN) Performance Funding Restricted Account	-16,083,600	
<b>Human Services</b>			
Community-based Employment Services for People with Intellectual Disabilities	Transfers		2,714,000
Division of Services for People with Disabilities (DSPD) Waiting List - 148 People	Transfers		2,316,500
Youth in Custody Aging into Division of Services for People with Disabilities (DSPD) Services & Additional Needs for DSPD Service Recipients	Transfers		16,719,600
<b>Insurance</b>			
Health Insurance Actuary Program	1429 (INS) Health Ins Actuarial Review Restricted Account		53,000
Bail Bond Program	1420 (INS) Bail Bond Surety Administration Account		10,600
<b>Natural Resources</b>			
DWR - Farmington Bay Nature Center	1170 (DNR) Wildlife Resources Account		250,000
Endangered Species - Recovery Program Office	1142 (DNR) Species Protection Account		250,000
FFSL - Sovereign Lands Phragmites Removal	1185 (DNR) Sovereign Lands Management Account	500,000	
Parks - Antelope Island State Park Improvements	1157 (DPR) State Park Fees Restricted Account	750,000	
Parks - Asphalt Repaving	1157 (DPR) State Park Fees Restricted Account		1,250,000
Parks - Autopay Machines	1157 (DPR) State Park Fees Restricted Account	200,000	
Parks - Coral Pink Sand Dunes State Park Improvements	1157 (DPR) State Park Fees Restricted Account	1,000,000	
Parks - Create Echo State Park	1157 (DPR) State Park Fees Restricted Account	2,000,000	
Parks - Current Expense	1157 (DPR) State Park Fees Restricted Account		500,000
Parks - Gunlock State Park Improvements	1157 (DPR) State Park Fees Restricted Account	500,000	
Parks - Lodging	1157 (DPR) State Park Fees Restricted Account	500,000	
Parks - Mirror Lake Snowcat Shed	1156 (DPR) Off-Highway Vehicle Account	350,000	
Parks - Palisade State Park Improvements	1157 (DPR) State Park Fees Restricted Account	350,000	
Parks - Quail Creek State Park Improvements	1157 (DPR) State Park Fees Restricted Account	500,000	
Parks - Restroom Replacement	1157 (DPR) State Park Fees Restricted Account	1,000,000	
Parks - Seasonal Staff and Wages	1157 (DPR) State Park Fees Restricted Account		300,000
Parks - Wasatch Mountain State Park Improvements	1157 (DPR) State Park Fees Restricted Account	500,000	
Water Resources - Dam Safety Upgrades	5275 (FIN) Water Resources Conservation & Development Fund	8,425,000	
<b>Public Education</b>			
Consensus Enrollment Growth	2476 (PED) Charter School Levy Account		1,739,600
Consensus Enrollment Growth	Local Revenue		43,545,000
<b>Public Safety</b>			
Adjust DNA Restricted Account to Align with Collections	1250 (DPS) DNA Specimen Restricted Account		-1,342,100
Hire New Public Safety Dispatchers	2818 DPS Dispatch Services		180,000
Honoring Heroes	1258 (DPS) Public Safety Honoring Heroes Restricted Acct		100,000
Peace Officer's Standards and Training (POST) Shortfall	2855 (DPS) Uninsured Motorist Identification Restricted Account	500,000	
Fire Academy	1254 (DPS) Fire Academy Support Account		-1,391,900
<b>School and Inst. Trust Fund Office</b>			
Financial Support Personnel	5496 (TFO) School & Inst Trust Fund Mgt Acct		36,700
<b>School and Inst. Trust Lands Admin.</b>			
RS2477 Right-of-Way Analyst	5495 (TLA) Land Grant Management Fund	46,300	
Land Exchange Program	5495 (TLA) Land Grant Management Fund	300,000	
<b>Tax Commission</b>			
Liquor Distribution - Alcohol Beverage & Substance Abuse Enforcement	1500 (TAX) Alcoholic Bev & Sub Abuse Enforce & Treatment Rest Acc		449,700
<b>Transportation</b>			
Designated Sales Tax	State Sales Tax		-46,682,500

Adjustment	Funding Source	One-time	Ongoing
<b>Utah Education and Telehealth Network</b>			
CANVAS Learning Management System K-12 Schools	Dedicated Credits		1,900,000
Post-secondary Education Dental Insurance Decrease	Dedicated Credits		-100
Post-secondary Education Health Insurance Increase	Dedicated Credits		2,200
Post-secondary Education Wage and Wage-based Benefits Increase	Dedicated Credits		6,500
<b>Workforce Services</b>			
Adjustments for Cost Allocation Model	2115 (DWS) Navajo Revitalization Fund		13,000
Adjustments for Cost Allocation Model	2135 (DWS) Uintah Basin Revitalization Fund		5,000
Adjustments for Cost Allocation Model	2151 (DWS) Qualified Emergency Food Agencies Fund		5,500
Adjustments for Cost Allocation Model	5285 (FIN) Permanent Community Impact Loan Fund		1,000
Adjustments for Cost Allocation Model	5429 (DWS) OWHT-Fed Home Income		21,700
Adjustments for Cost Allocation Model	5441 (DWS) OWHTF-Low Income Housing-PI		19,200
Family Planning Medicaid Services (Three-year Pilot)	Transfers		3,288,900
Talent Ready Utah and Other Job Growth Initiatives	1281 (DWS) Special Administrative Expense Account	3,800,000	
Unemployment Insurance System Modernization	5110 (DWS) Unemployment Compensation Fund	3,000,000	
<b>Compensation</b>			
Ongoing Funding for FY 2018 Compensation Adjustments	Various Sources		622,800
State Employee 401k Match	Various Sources	2,631,500	
State Employee Dental Insurance Decrease	Various Sources		-123,800
State Employee Health Insurance Increase	Various Sources		4,014,000
State Employee Retirement Rate Change	Various Sources		10,500
State Employee Targeted Wage and Wage-based Benefits Increase	Various Sources		1,951,700
State Employee Wage and Wage-based Benefits Increase	Various Sources		7,593,300
<b>Higher Education Compensation</b>			
Post-secondary Education Dental Insurance Decrease	Various Sources		-100
Post-secondary Education Health Insurance Increase	Various Sources		2,200
Post-secondary Education Wage and Wage-based Benefits Increase	Various Sources		6,500
<b>ISF Rates</b>			
Facilities Construction & Management ISF Adjustments	Various Sources		64,100
Finance ISF Adjustments	Various Sources		23,600
Fleet ISF Adjustments	Various Sources		-49,600
Human Resources Mgmt. ISF Adjustments	Various Sources		86,400
Learning Management System	Various Sources		500
Risk Mgmt Liability ISF Adjustments	Various Sources		-37,900
Risk Mgmt. - Property ISF Adjustments	Various Sources		46,500
State Mail ISF Adjustments	Various Sources		59,700
Technology Services ISF Adjustments	Various Sources		768,200
<b>Total FY 2019 Recommended Adjustments from Restricted Funds and Fee Collections</b>		<b>\$12,269,200</b>	<b>\$48,411,600</b>



## Table 11 - Funding Reallocations

Ongoing and One-time Reallocations Between Funding Sources, Line Items, or Programs. Transfers to Restricted Funds and Account Transfers are shown in Table 12.

FY 2018 Recommended Adjustments			
Adjustment	Funding Source	One-time	Ongoing
<b>Administrative Services</b>			
Debt Accountant Position			
FHAA DAS Finance Administration	Dedicated Credits	-\$49,200	
Reallocation of Cooperative Contracting Funds to State Mail Program			
FNB Central Mailing	Dedicated Credits	700,000	
FNC Cooperative Contracting	Dedicated Credits	-700,000	
State Office Building Remodeling			
FAAA DAS Executive Director	6080 (DAS) General Services-Cooperative Contract Mgmt	200,000	
FNAAS DAS General Services	Dedicated Credits	-200,000	
Transfer Cooperative Contracting funds to State Print Services Program			
FNC Cooperative Contracting	Dedicated Credits	-300,000	
FNF Print Services	Dedicated Credits	300,000	
Transfer Workers Compensation funds to Risk Auto program			
FRB Worker's Compensation	Workers Compensation Premiums	-100,000	
FRE Risk Management-Auto	Workers Compensation Premiums	100,000	
Transfer Workers Compensation Funds to Risk Liability program			
FRB Worker's Compensation	Workers Compensation Premiums	-2,400,000	
FRF Risk Management-Liability	Workers Compensation Premiums	2,400,000	
<b>Corrections</b>			
Redirect Corrections Budget Savings to Prison Relocation			
MAAA DOC Programs & Operations	Beginning Balance	-5,000,000	
Inmate Medical For FY 2018			
MAAA DOC Programs & Operations	Beginning Balance	-500,000	
MDAA DOC Medical Services	Beginning Balance	500,000	
<b>Governor and Lieutenant Governor</b>			
JRI Social Services Data Coordination System			
CBAA GOV Office of Management & Budget	1000 (GF) General Fund Unrestricted	950,000	
<b>Governor's Office of Economic Dev.</b>			
International - Reallocation			
CME Business Outreach & International Trade	1000 (GF) General Fund Unrestricted	-250,000	
CMF Corp Recruitment & Bus Serv	1000 (GF) General Fund Unrestricted	250,000	
Small Business Dev. Center (SBDC)			
CMAA GOV ED Business Development	1000 (GF) General Fund Unrestricted	-300,000	
COMA GOV ED Pass Through	1000 (GF) General Fund Unrestricted	300,000	
<b>Health</b>			
Reallocate 2017 GS HB130 Funding to Correct Appropriation			
LAAA DOH Executive Director	1000 (GF) General Fund Unrestricted	-15,100	
LEAA DOH Disease Control & Prevention	1000 (GF) General Fund Unrestricted	15,100	
Reallocate ISF Rate Increase Funding to Correct Appropriations			
LAAA DOH Executive Director	1000 (GF) General Fund Unrestricted	-20,400	
LEAA DOH Disease Control & Prevention	1000 (GF) General Fund Unrestricted	6,600	
LFAA DOH Family Health & Preparedness	1000 (GF) General Fund Unrestricted	6,300	
LGAA DOH Medicaid and Health Financing	1000 (GF) General Fund Unrestricted	7,500	
<b>Higher Education</b>			
Balance Among Funding Sources			
QBAA UOU Education & General	1000 (GF) General Fund Unrestricted	-35,000,000	
QBAA UOU Education & General	2480 (PED) Education Fund	35,000,000	
Fund Transfer			
VBAA Insurance Department	1427 (INS) Insurance Fraud Investigation Account	1,147,100	
VBAA Insurance Department	2330 (INS) Insurance Fraud Vic Restitution Fund	-1,147,100	
<b>Natural Resources</b>			
Division of Forestry, Fire and State Lands Planner			
RDD DNR FFSL Land Management	1185 (DNR) Sovereign Lands Management Account	70,000	
RDH DNR FFSL Project Management	1185 (DNR) Sovereign Lands Management Account	-70,000	
<b>Public Education</b>			
Consensus Enrollment Growth			
PPAA PED Basic School Program	Beginning Balance	-2,556,100	
PQAA PED Related to Basic Programs	Beginning Balance	2,556,100	
Increase in Local Levy Guarantee (Equalization of Local School Property Taxes)			
PPAA PED Basic School Program	Beginning Balance	-10,200,000	
PRAA PED Voted & Board Leeway Programs	Beginning Balance	10,200,000	
<b>Public Lands Policy Coordination</b>			
Litigation Line reallocation			
RXAA Public Lands Policy Office	1321 (FIN) Constitutional Defense Restricted Account	15,600	
RXGA Public Lands Policy Office-Public Lands Litigation	1321 (FIN) Constitutional Defense Restricted Account	-15,600	

Adjustment	Funding Source	One-time	Ongoing
<b>Tax Commission</b>			
Data Security, System Support, Testing & Analysis			
GAAA Tax Commission Administration	1000 (GF) General Fund Unrestricted	142,000	
GAAA Tax Commission Administration			
	1502 (TAX) State Tax Commission Administrative Charge Account	47,500	
GAAA Tax Commission Administration	2480 (PED) Education Fund	168,000	
MultiState Tax Compact Costs			
GAAA Tax Commission Administration	1000 (GF) General Fund Unrestricted	10,500	
GAAA Tax Commission Administration			
	1502 (TAX) State Tax Commission Administrative Charge Account	3,600	
GAAA Tax Commission Administration	2480 (PED) Education Fund	5,900	
Reallocate processing efficiencies			
GAAA Tax Commission Administration	1000 (GF) General Fund Unrestricted	-152,500	
GAAA Tax Commission Administration	1502 (TAX) State Tax Commission Administrative Charge Account	-51,100	
GAAA Tax Commission Administration	2480 (PED) Education Fund	-173,900	
<b>Technology Services</b>			
JRI Social Services Data Coordination System			
HQAA DTS Chief Information Officer	1000 (GF) General Fund Unrestricted	-950,000	
<b>Treasurer</b>			
Debt Accountant Position			
EAAA State Treasurer	Dedicated Credits	49,200	
<b>Workforce Services</b>			
Consolidation of Data Alliance Funding			
NJBA DWS Operations & Policy	1000 (GF) General Fund Unrestricted	955,000	
NNAA NNAA DWS Workforce Research & Analysis	1000 (GF) General Fund Unrestricted	-955,000	
Reallocate Balances to Pamela Atkinson Homeless Trust Fund and Operation Rio Grande			
NKAA DWS General Assistance	1000 (GF) General Fund Unrestricted	-1,160,200	
NRAA DWS Operation Rio Grande	1000 (GF) General Fund Unrestricted	580,100	
NSAA DWS HCD Division	1053 (DWS) Pamela Atkinson Homeless Account	580,100	
<b>Total FY 2018 Reallocations</b>		<b>-\$5,000,000</b>	

**FY 2019 Recommended Adjustments**

Adjustment	Funding Source	One-time	Ongoing
<b>Administrative Services</b>			
Debt Accountant Position			
FHAA DAS Finance Administration	Dedicated Credits		-\$98,500
<b>Capital Budget</b>			
University of Utah Medical Education and Discovery Rehabilitation Hospital			
FVAA DAS DFCM Capital Program	2480 (PED) Education Fund		-20,000,000
FWBA DAS DFCM Capital Developments - Higher Education	2480 (PED) Education Fund		20,000,000
<b>Courts</b>			
Upgrade Main Server			
BAE Juvenile Courts	Beginning Balance	-350,000	
BAK Data Processing	Beginning Balance	350,000	
<b>Governor's Office of Economic Dev.</b>			
International - Reallocation			
CME Business Outreach & International Trade	1000 (GF) General Fund Unrestricted		-250,000
CMF Corp Recruitment & Bus Serv	1000 (GF) General Fund Unrestricted		250,000
Small Business Dev. Center (SBDC)			
CMAA GOV ED Business Development	1000 (GF) General Fund Unrestricted		-300,000
COMA GOV ED Pass Through	1000 (GF) General Fund Unrestricted		300,000
<b>Health</b>			
Children's Health Insurance Program (CHIP) Enhanced Federal Match			
LIAA DOH Medicaid Services	1320 (FIN) Tobacco Settlement Restricted Account	10,452,900	
LPAA DOH Children's Health Insurance	1320 (FIN) Tobacco Settlement Restricted Account	-10,452,900	
Reallocate 2017 GS HB130 Funding to Correct Appropriation			
LAAA DOH Executive Director	1000 (GF) General Fund Unrestricted		-15,100
LEAA DOH Disease Control & Prevention	1000 (GF) General Fund Unrestricted		15,100
Reallocate ISF Rate Increase Funding to Correct Appropriations			
LAAA DOH Executive Director	1000 (GF) General Fund Unrestricted		-20,400
LEAA DOH Disease Control & Prevention	1000 (GF) General Fund Unrestricted		6,600
LFAA DOH Family Health & Preparedness	1000 (GF) General Fund Unrestricted		6,300
LGAA DOH Medicaid and Health Financing	1000 (GF) General Fund Unrestricted		7,500

Adjustment	Funding Source	One-time	Ongoing
<b>Higher Education</b>			
Balance Among Funding Sources			
QBAA UOU Education & General	1000 (GF) General Fund Unrestricted	-2,000,000	2,000,000
QBAA UOU Education & General	2480 (PED) Education Fund	2,000,000	-2,000,000
Engineering & Computer Technology Initiative			
QAEA RGT Economic Development	2480 (PED) Education Fund		-4,000,000
QBAA UOU Education & General	2480 (PED) Education Fund		1,540,000
QCAA USU Education & General	2480 (PED) Education Fund		900,000
QDAA WSU Education & General	2480 (PED) Education Fund		840,000
QEAA SUU Education & General	2480 (PED) Education Fund		60,000
QFAA SNOW Education & General	2480 (PED) Education Fund		60,000
QGAA DSU Education & General	2480 (PED) Education Fund		60,000
QJAA UVU Education & General	2480 (PED) Education Fund		480,000
QKAA SLCC Education & General	2480 (PED) Education Fund		60,000
Utah State University Reallocation 1			
QCAA USU Education & General	2480 (PED) Education Fund		-106,200
QCFA USU Agriculture Experiment Station	2480 (PED) Education Fund		51,700
QCGA USU Cooperative Extension Service	2480 (PED) Education Fund		54,500
Utah State University Reallocation 2			
QCA USU Education & General	2480 (PED) Education Fund		-6,700
QCE USU Operations & Maintenance	2480 (PED) Education Fund		6,700
Utah State University Reallocation 3			
QCAA USU Education & General	2480 (PED) Education Fund		1,900
QCLA USU Eastern Education & General	2480 (PED) Education Fund		-700
QCSA USU Tooele CEC	2480 (PED) Education Fund		-1,200
Utah State University Reallocation 4			
QCAA USU Education & General	2480 (PED) Education Fund		-128,600
QCRA USU Brigham City CEC	2480 (PED) Education Fund		128,600
Utah State University Reallocation 5			
QCAA USU Education & General	2480 (PED) Education Fund		-1,142,400
QCRA USU Brigham City CEC	2480 (PED) Education Fund		1,142,400
Utah State University Reallocation 6			
QCRA USU Brigham City CEC	2480 (PED) Education Fund		401,100
QCSA USU Tooele CEC	2480 (PED) Education Fund		-401,100
Utah State University Reallocation 7			
QCAA USU Education & General	1000 (GF) General Fund Unrestricted		53,700
QCAA USU Education & General	2480 (PED) Education Fund		231,200
QCCA USU Water Research Lab	1000 (GF) General Fund Unrestricted		-20,300
QCFA USU Agriculture Experiment Station	2480 (PED) Education Fund		-26,100
QCGA USU Cooperative Extension Service	2480 (PED) Education Fund		-41,400
QCHA USU Uintah Basin CEC	1000 (GF) General Fund Unrestricted		-14,900
QCJA USU Southeastern Utah CEC	1000 (GF) General Fund Unrestricted		-10,400
QCLA USU Eastern Education & General	2480 (PED) Education Fund		-19,200
QCQA USU Blanding Campus	1000 (GF) General Fund Unrestricted		-8,100
QCRA USU Brigham City CEC	2480 (PED) Education Fund		-81,500
QCSA USU Tooele CEC	2480 (PED) Education Fund		-63,000
<b>Insurance</b>			
Technical Adjustment	1423 (INS) Captive Insurance Restricted Acct		-250,000
Technical Adjustment	1428 (INS) Insurance Department Restricted Account		250,000
<b>Natural Resources</b>			
Division of Forestry, Fire and State Lands Planner			
RDD DNR FFSL Land Management	1185 (DNR) Sovereign Lands Management Account		70,000
RDH DNR FFSL Project Management	1185 (DNR) Sovereign Lands Management Account		-70,000
<b>Public Education</b>			
Beverly Taylor Sorenson Arts Learning Program			
PPAA PED Basic School Program	Beginning Balance	-625,600	
PQAA PED Related to Basic Programs	Beginning Balance	625,600	
Teacher Supplies & Materials			
PPAA PED Basic School Program	Beginning Balance	-1,000,000	
PQAA PED Related to Basic Programs	Beginning Balance	1,000,000	
Utah Futures			
PPAA PED Basic School Program	Beginning Balance	-2,000,000	
<b>Public Lands Policy Coordination</b>			
Litigation Line reallocation			
RXAA Public Lands Policy Office	1321 (FIN) Constitutional Defense Restricted Account		15,600
RXGA Public Lands Policy Office-Public Lands Litigation	1321 (FIN) Constitutional Defense Restricted Account		-15,600
<b>Public Safety</b>			
Equipment for Highway Patrol			
JAA Commissioner's Office	Beginning Balance	-1,349,000	
JHK UHP Technology Services	Beginning Balance	1,349,000	
Highway Patrol Overtime			
JAA Commissioner's Office	Beginning Balance	-1,000,000	
JHB UHP Field Operations	Beginning Balance	1,000,000	

Adjustment	Funding Source	One-time	Ongoing
<b>Tax Commission</b>			
Data Security, System Support, Testing & Analysis			
GAAA Tax Commission Administration	1000 (GF) General Fund Unrestricted		142,000
GAAA Tax Commission Administration			
	1502 (TAX) State Tax Commission Administrative Charge Account		47,500
GAAA Tax Commission Administration	2480 (PED) Education Fund		168,000
MultiState Tax Compact Costs			
GAAA Tax Commission Administration	1000 (GF) General Fund Unrestricted		10,500
GAAA Tax Commission Administration			
	1502 (TAX) State Tax Commission Administrative Charge Account		3,600
GAAA Tax Commission Administration	2480 (PED) Education Fund		5,900
Reallocate processing efficiencies			
GAAA Tax Commission Administration	1000 (GF) General Fund Unrestricted		-152,500
GAAA Tax Commission Administration			
	1502 (TAX) State Tax Commission Administrative Charge Account		-51,100
GAAA Tax Commission Administration	2480 (PED) Education Fund		-173,900
<b>Transportation</b>			
Incident Management Team Personnel and Equipment			
XDAA DOT Operations/Maintenance	2800 (DOT) Transportation Fund Unrestricted	1,650,000	2,000,000
XEAA DOT Construction Management	2800 (DOT) Transportation Fund Unrestricted	-1,650,000	-2,000,000
Traffic Operations Center Personnel			
XDAA DOT Operations/Maintenance	2800 (DOT) Transportation Fund Unrestricted		300,000
XEAA DOT Construction Management	2800 (DOT) Transportation Fund Unrestricted		-300,000
<b>Treasurer</b>			
Debt Accountant Position			
EAAA State Treasurer	Dedicated Credits		98,500
<b>Utah Education and Telehealth Network</b>			
Digital Teaching and Learning FTE			
QNDA Utah Education and Telehealth Network	2480 (PED) Education Fund		160,000
QOAA UETN Digital Teaching and Learning Program	2480 (PED) Education Fund		-160,000
Utah Futures			
QNDA Utah Education and Telehealth Network	Beginning Balance	2,000,000	
<b>Workforce Services</b>			
Consolidation of Data Alliance Funding			
NJBA DWS Operations & Policy	1000 (GF) General Fund Unrestricted		955,000
NNAA NNAA DWS Workforce Research & Analysis	1000 (GF) General Fund Unrestricted		-955,000
Reallocate Balances to Pamela Atkinson Homeless Trust Fund and Operation Rio Grande			
NSAA DWS HCD Division	1053 (DWS) Pamela Atkinson Homeless Account	580,100	
<b>Total FY 2019 Reallocations</b>		<b>\$580,100</b>	<b>\$0</b>



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