GOVERNOR GARY R. HERBERT

BUDGET RECOMMENDATIONS

FISCAL YEAR 2021

FISCAL YEAR 2020 SUPPLEMENTALS

QUALITY OF LIFE

BUDGET OVERVIEW

Education

PUBLIC EDUCATION

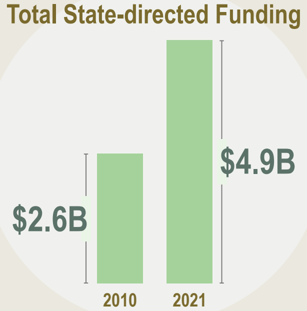
Real Ongoing Per-pupil Funding Between 2010 and 2021

- State: Increased 36%
- Local: Increased 11%
- Federal: Decreased 28%

Governor's Goal **$1 Billion**

Outcome **$1.3 Billion**

Total State-directed Funding



- **$292 MILLION** Total state-directed K-12 funding increase for FY 2021
- **$18.6 MILLION** Funding increase for optional enhanced kindergarten
- **4.5%** Increase in the WPU
- **7,900 STUDENTS** Enrollment growth
- Computer science for all
- Governor oversight on K-12
- Increase focus on the connection between investments and results
- Graduation rate increased from 76% in 2011 to 87.4% in 2019

Approach to Funding

1. Grow the economy
2. Increase educational investments and connect to desired outcomes
3. Increase the effectiveness and efficiency of state government to free up funding for educational purposes
4. Reduce the constant, unnecessary, and unbeneficial changes (to statute, policy, curricula, etc.) in the system

HIGHER EDUCATION

Recommended Reforms

1. Freeze tuition until affordability is adequately defined
2. Revamp performance funding to include institution-specific, aggressive goals
3. Consolidate postsecondary governance
4. Differentiate tuition for sub-baccalaureate students at dual-mission institutions
5. Identify programs for which competency-based education is a natural fit and propose an aggressive transition plan
6. Ensure broad articulation of credits so no student has to unnecessarily duplicate effort upon transferring

Tax Reform

$160 MILLION net tax cut returned to Utah families

- Offset expansion of sales taxes with income tax credits, including grocery tax credits
- Re-emphasize users paying for transportation
- Broaden the sales tax base to shore up the General Fund, including eliminating exemptions

TAX CREDITS DEDICATED TO LOW- & MIDDLE-INCOME HOUSEHOLDS

- Grocery tax credit
- Income tax personal exemption
- Social Security tax credit
- Earned income tax credit

Economic Growth

Governor's Goal

Utah will lead the nation as the best performing economy and be recognized as a premier global business destination

Outcome

#1

Utah leads the nation with a 33.5% job growth rate since the Great Recession

Efficiency

Fewer state employees today than in 2002, even with 900,000 more people

Governor's Goal: 25% improved performance across cabinet-level agencies

Outcome: Exceeded the goal by achieving 27.4% improvement; set a target to improve by another 25%

Quality of Life

Open Space & Outdoor Recreation

$40 million endowment to preserve, enhance, and restore access to cherished **open spaces and recreational gems**

Permanently establish Outdoor Recreation Grant Program by repealing sunset date ($5 million)

$16.6 million to expand and improve state park camping, lodging, OHV trails, and parking, including $1.6 million to expand Goblin Valley State Park

$1.5 million matching funds for the Shared Stewardship Initiative

Land Use

Increase transit-oriented development by removing statutory cap to allow market-driven development near fixed rail transit stops

$3.7 million for the Point of the Mountain Development Authority to manage and coordinate land use and development at the heart of Utah's growing Wasatch Front

$2 million for the LeRay McAllister Critical Land Conservation Fund to balance development pressures with **open space preservation**

Housing

$20 million for market-driven **affordable housing** programs that complement community character and quality of life

Air Quality

Ambitious goal to reduce per capita emissions 25% by 2026

$100 million for air quality in FY 2021 including transit and electric vehicle infrastructure

Tier 3 gasoline now available from Marathon, Silver Eagle, and Chevron refineries with Speedway and Chevron gas stations now selling tier 3 gasoline

$28.7 million funded in FY 2020 for a variety of high-impact air quality projects currently underway, including a wood stove replacement program

State leading by example in actively **managing** the state's vehicles and buildings, as well as **expanding** teleworking arrangements for state employees

$35.2 million over a decade from the settlement agreement with Volkswagen; three-fourths has already been awarded for replacement of class 4-8 local freight trucks, school buses, and transit buses

Transportation

Balance road, transit, and active transportation investment

Transition back to **user fee** revenue model for roads

Establish a **long-term funding model** that considers congestion pricing and more reliance on electric vehicles

Transition toward dedicating more transportation revenues to **transit**

Encourage **teleworking** options at all levels of government, including across higher education institutions, and in the private sector

Mental Health & Safety Net Health Programs

5
new mobile crisis outreach teams in underserved counties - $2.5 million ongoing

AT LEAST **2**
new 23-hour, no-refusal physical and behavioral health crisis treatment centers - $5.6 million ongoing

30-BED
forensic unit at the State Hospital to address population growth - $4.9 million ongoing

Enact consistent tax policy by taxing electronic cigarettes liquid, devices, and paraphernalia similar to traditional tobacco products

Behavioral Health Transition Facility for ex-offenders suffering from mental or behavioral illness who are returning to the community - $11 million

Piloting Medicaid Physical and Behavioral Health Integration Programs through ACOs and other providers

Fallback Plan Medicaid Expansion up to 138% of the Federal Poverty Level (recently received federal approval)

Fiscal Health

- $635 million in structural budget surplus and working rainy day funds
- Tax modernization
- No new bonding authorizations

Maintain AAA bond rating and correspondingly prudent debt levels

Complexity

Align the budget with service delivery systems, consolidate budget line items, and streamline over 800 existing legislatively-defined performance measures

Example: The public education budget split funding into 44 different non-WPU-based programs in FY 2010. This increased to 62 in FY 2020.

Water

- Emphasize water user fees and water efficiency
- Water loss prevention program reduces water delivery losses by up to 50%
- Agricultural water optimization encourages increased production using less water
- Water banking to encourage creation of local water markets
- Define criteria for state financing and conditions for repayment of state taxpayer dollars associated with the development of major products by stipulating meaningful down payment, tiered water rate structures, and the demonstrated ability for borrower repayment, among others

Public Safety & Corrections

- **$7.5 MILLION** for indigent defense grants to local governments and to establish a statewide appellate office for counties of the third through sixth class
- **$6.5 MILLION** to hire additional adult probation and parole agents for implementing milestone management to improve outcomes for offenders
- **$8.6 MILLION** to fund workforce needs in the Utah Highway Patrol, pay for highway patrol vehicles, and improve public safety
- **$850K** for crime lab DNA sexual assault kit processing
- **$2 MILLION** to provide evidence-based treatment for state inmates housed in county jails with the goal of reducing their risk of reoffending upon reentry into the community

Revenue Estimates

$160 MILLION net tax cut returned to Utah families

- **$20 Billion** Total Budget
- **$8.3 Billion** Education Fund General Fund Budget Total
- New Money **$482 Million** Education Fund General Fund (Ongoing)
- New Money **$200 Million** Education Fund General Fund (One-time)
- Rainy Day Fund Balance: **11%** of EF/GF Budget

STATE OF UTAH

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Budget & Policy Brief

REVENUE ESTIMATES

Consensus revenue estimates project continued revenue growth; after SB 2001's $160 million tax cut the Governor recommends budget allocations in support of long-term quality of life and fiscal stability

Consensus Estimating Process

A consensus revenue forecast underpins the Governor's budget. Jointly developed each November and February by the Governor's Office of Management and Budget (GOMB), the Office of the Legislative Fiscal Analyst (LFA), and the Utah State Tax Commission, this forecast provides a point estimate for unrestricted General Fund, Education Fund, Transportation Fund, and earmarked sales and use tax revenues.

FY 2019 Revenue Collections and Closeout

The General Fund closed the prior fiscal year (FY 2019) with a revenue shortfall of about $38 million, which was partially offset by over $16 million in budget savings and other adjustments, for a net General Fund budget shortfall of nearly $22 million. Although actual General Fund collections fell short of projections, the revenue shortfall did not create a FY 2019 budget deficit requiring special session budget cuts because the state took the fiscally prudent approach of appropriating over $112 million of projected FY 2019 General Fund revenue for spending occurring in FY 2020. However, action will be required in FY 2020 to cover the $22 million General Fund revenue shortfall.

Unlike the revenue deficit in the General Fund, the Education Fund closed FY 2019 with a revenue surplus of over $134 million, which increased to a nearly $141 million net surplus after budget savings and other adjustments. After transferring $33.5 million into the Education Fund Budget Reserve Account, the net Education Fund surplus after transfers came in at over $107 million.

The state's General Fund and Education Fund closed with a combined $119 million total budget surplus before rainy day fund transfers, consisting of about $97 million in revenue surplus and about $22 million in budget savings and other adjustments. After a $33.5 million year-end transfer to the Education Fund Budget Reserve Account, about $85.5 million remains available from FY 2019 for appropriation in the coming budget cycle. As detailed above, all of these year-end surplus revenues are in the Education Fund and not in the General Fund, which experienced a revenue shortfall. These FY 2019 closeout amounts are incorporated into the revenue estimates described below.

FY 2020 and FY 2021 General Fund and Education Fund November Revenue Estimates

In November 2019, GOMB, LFA, and the Utah State Tax Commission revised the state's FY 2020 revenue forecast and developed a new consensus revenue forecast for FY 2021 (see Table 1). The Governor's budget recommendations use this consensus revenue forecast, as adjusted for the tax changes adopted in SB 2001 of the December 2019 Second Special Session of the Legislature.

The November consensus estimate yields about $482 million in available ongoing General Fund and Education Fund revenue (which already incorporates the 2019 General Session tax cut set-aside of $80 million) and $200 million in available one-time unrestricted General Fund and Education Fund revenues. As shown in Figure 1, $440 million of the new ongoing revenues comes from the income-tax-supported Education Fund, with $42 million from the sales-tax-supported General Fund. One-time revenues show a similar pattern, with a $251 million increase in one-time Education Fund revenues offsetting a $51 million reduction in one-time General Fund revenue estimates.

SB 2001 Revenue Changes

SB 2001 (explained in more detail in the Tax Modernization budget and policy brief) reduces net tax collections by enacting the following:

- Tax credits dedicated to offsetting sales tax impacts for low- and middle-income households, including a grocery tax credit and personal exemption expansion (both of which also have “prebates” sent out in the first six months of 2020)
- An earned income tax credit for households in intergenerational poverty
- An income tax rate cut
- Social Security tax credits
- Increased General Fund collections due to adjusting the existing tax rate on food to the standard state sales tax rate, broadening the sales tax base by eliminating exemptions and adding to the list of currently taxed services, and replacing a portion of transportation earmarks with road user fees

The combined FY 2020 effect of these changes is to reduce available one-time General Fund and Education Fund revenues to $149 million ($113 million Education Fund and $36 million General Fund). After the ongoing net tax cut, about $375 million remains available for allocation—$161 million from the General Fund and $214 million from the Education Fund.

FIGURE 1

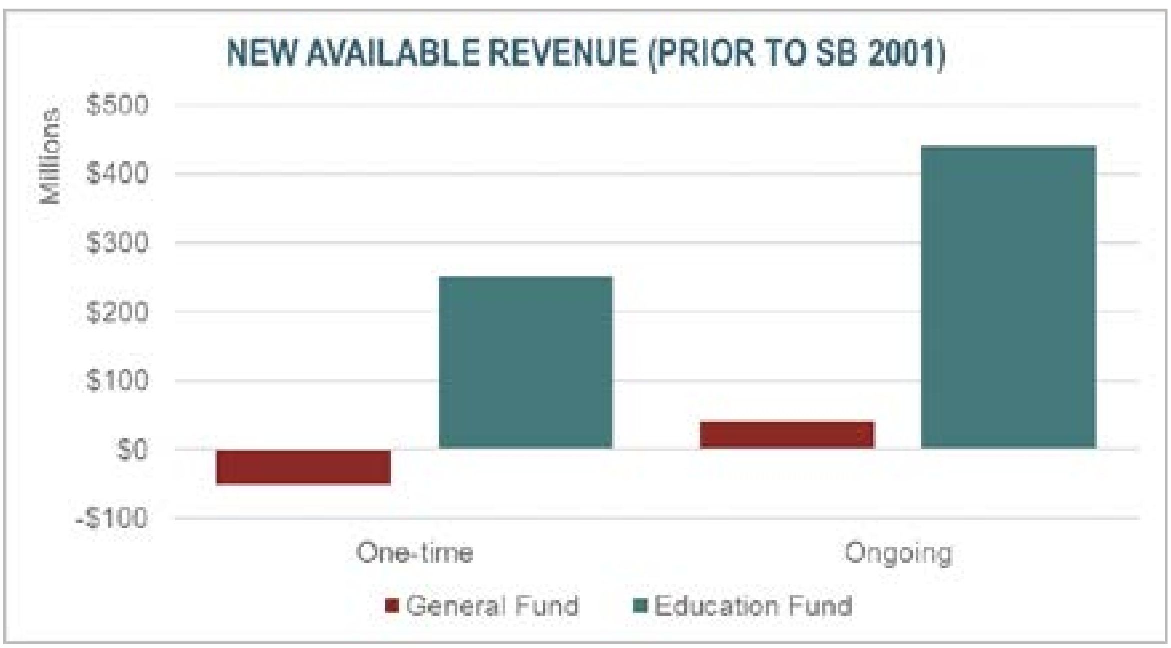
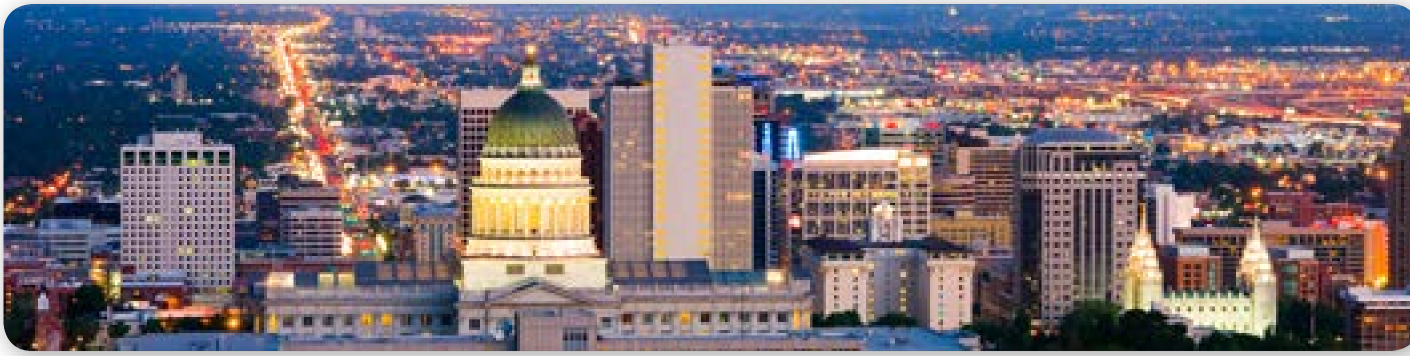


Table 1 - November 2019 & SB 2001 Revenue Estimates

All numbers are in thousands of dollars.	FY 2019 Actual	FY 2020 February Consensus Estimate	FY 2020 November Consensus Estimate	FY 2020 Post SB 2001 Estimate	FY 2021 November Consensus Estimate	FY 2021 Post SB 2001 Estimate
Sales and Use Tax - TOTAL	**2,806,863**	**3,049,816**	**3,018,307**	**3,066,846**	**3,149,857**	**3,454,368**
Sales and Use Tax - Earmarked for Transportation	621,702	644,787	638,115	600,755	651,767	500,641
Sales and Use Tax - Earmarked for Water	56,890	68,859	68,156	68,337	80,018	81,270
Sales and Use Tax - Earmarked for Other	534	534	534	534	534	534
Sales and Use Tax - Earmarked for Medicaid (SB 96)	11,481	89,049	88,128	88,400	91,975	93,645
Subtotal - Sales and Use Tax Eamark	**690,608**	**803,228**	**794,932**	**758,025**	**824,294**	**676,090**
Sales and Use Tax - General Fund	**2,116,255**	**2,246,587**	**2,223,374**	**2,308,821**	**2,325,563**	**2,778,277**
General Fund (GF) Revenue Sources						
Sales and Use Tax - General Fund	2,116,255	2,246,587	2,223,374	2,308,821	2,325,563	2,778,277
Cable/Satellite Excise Tax	28,238	29,719	28,013	28,013	27,913	27,913
Liquor Profits	118,137	121,336	121,299	121,299	126,237	183,487
Insurance Premiums	136,636	153,368	143,681	143,681	149,608	149,608
Beer, Cigarette, and Tobacco	106,038	108,341	103,198	103,198	99,667	99,667
Oil and Gas Severance Tax	14,484	19,303	15,453	15,453	15,354	15,354
Metal Severance Tax	10,036	10,692	11,016	11,016	11,364	11,364
Investment Income	34,771	36,432	38,895	38,895	39,065	39,065
Other	75,450	83,203	80,285	80,285	82,421	82,421
Property and Energy Credit	(5,807)	(6,367)	(6,000)	(6,000)	(6,033)	(6,033)
Subtotal General Fund	**2,634,238**	**2,802,614**	**2,759,214**	**2,844,660**	**2,871,157**	**3,381,122**
Subtotal General Fund / Sales and Use Tax Earmark	**3,324,846**	**3,605,843**	**3,554,146**	**3,602,685**	**3,695,451**	**4,057,212**
Education Fund (EF) Revenue Sources						
Individual Income Tax	4,320,042	4,409,530	4,602,617	4,471,740	4,886,595	4,286,095
Corporate Tax	520,918	527,287	436,175	428,851	446,725	408,225
Mineral Production Withholding	28,753	27,375	27,130	27,130	26,689	26,689
Escheats & Other	39,032	33,963	38,798	38,798	39,462	39,462
Subtotal Education Fund	**4,908,745**	**4,998,155**	**5,104,720**	**4,966,520**	**5,399,471**	**4,760,471**
Subtotal GF/EF/Sales and Use Tax Earmark	**8,233,591**	**8,603,997**	**8,658,866**	**8,569,205**	**9,094,922**	**8,817,683**
Subtotal GF/EF	**7,542,983**	**7,800,769**	**7,863,934**	**7,811,180**	**8,270,629**	**8,141,593**
Transportation Fund (TF) and TIF Fuel Taxes						
Motor Fuel Tax	371,619	375,129	387,217	387,217	411,094	411,094
Special Fuel Tax	142,332	143,912	149,440	149,440	158,314	158,314
Other	105,965	104,024	111,054	111,054	115,983	115,983
Gas and Non-Diesel Special Fuel Sales Tax	0	0	0	22,656	0	137,000
Diesel Tax	0	0	0	5,238	0	33,000
Subtotal Transportation Fund and TIF Fuel Taxes	**619,917**	**623,065**	**647,712**	**675,606**	**685,391**	**855,391**
Subtotal GF/EF/TF/TIF Fuel Tax/Sales and Use Tax Earmark	**8,853,508**	**9,227,062**	**9,306,578**	**9,244,811**	**9,780,314**	**9,673,075**
Subtotal GF/EF/TF/TIF Fuel Tax	**8,162,900**	**8,423,834**	**8,511,646**	**8,486,786**	**8,956,020**	**8,996,984**
Mineral Lease (ML) Revenue						
Royalties	67,348	67,605	63,285	63,285	61,792	61,792
Bonuses	12,103	8,642	11,881	11,881	11,917	11,917
Subtotal Mineral Lease	**79,451**	**76,247**	**75,166**	**75,166**	**73,709**	**73,709**
Total GF/EF/TF/TIF Fuel Tax/ML/Sales and Use Tax Earmark	**8,932,959**	**9,303,309**	**9,381,744**	**9,319,977**	**9,854,023**	**9,746,784**
Total GF/EF/TF/TIF Fuel Tax/ML	**8,242,351**	**8,500,080**	**8,586,812**	**8,561,952**	**9,029,730**	**9,070,694**

GOVERNOR'S BUDGET OVERVIEW



Setting Ambitious Targets and Focusing on the Goal

Utah leaders' long-term vision and focus on fundamental principles of fiscal prudence continues to pay dividends for the state and its citizens.

For example, in the depths of the Great Recession's doubt and uncertainty when Governor Herbert took office, he challenged the dismal status quo with his audacious vision that Utah would lead the nation as the best-performing economy and be recognized as a premier global business destination. While not every step was easy, Utah now has a nation-leading job growth rate of 33.5% since the end of the Great Recession, far outpacing the 26.3% growth rate of the closest competitor state. Utah's nation-leading private sector job growth is even higher over that same timeframe at 36.8%. Driven by the strong economy, the Census Bureau also now reports that Utah had the fastest population growth rate of any state over the past decade. Utah is now visible on the radar of national and global business decisionmakers and exciting future opportunities abound. And unlike some states depending on a single economic sector such as energy or tourism, Utah enjoys one of the most diverse economies in the United States. With this diversification, downturns in a single industry or sector do not extraordinarily impact the state's overall economy.

Another example of bold vision and fiscal prudence was Governor Herbert's challenge to cabinet agencies to achieve a 25% improvement in performance. This goal was set as the state was coming out of the recession and after state government had experienced significant budget cuts. State employees responded to the call, achieving a 27% statewide improvement in performance by focusing on more clearly identifying goals through a standardized metric measuring the cost per quality outcome (QT/OE - **Q**uality **T**hroughput divided by **O**perating **E**xpense) and aligning efforts and processes to achieve those goals. For example, as detailed in the Investing in What Works budget and policy brief, average wait times at the Driver License Division are now a short five minutes.

Notably, the State of Utah employed fewer full-time equivalent employees (FTE) in FY 2019 (20,700) than in FY 2002 (20,850), even with a very large population increase of nearly 900,000 over that same time period. Moreover, during the last decade, the number of Utah citizens supported by each state FTE has increased from 127 in FY 2009 to 155 in FY 2019. This means the state currently employs 4,500 fewer FTEs than would have been needed if it were not for gains in state workforce productivity, thereby generating greater value for every tax dollar invested through meaningful efficiencies from every agency.

To continually deliver the maximum value possible for Utah's citizens, the Governor has established an additional 25% improvement target for cabinet members. The Governor also calls for non-cabinet agencies to set and achieve similar ambitious performance targets.

Utah's strong economy, coupled with its focus on continually maximizing the benefit for every taxpayer dollar, allows for a sizable $160 million tax cut as part of the tax modernization effort so that Utah citizens can receive a financial dividend on their hard work and ingenuity in making Utah's economy work. Under recently passed SB 2001, these tax reductions will begin flowing to Utah households in early 2020.

Even while lowering taxes, the State of Utah can continue adding to its strong education investments. In fact, while groups such as Prosperity 2020 (a partnership between Utah education officials and private businesses) called for a nearly $850 million five-year funding plan for public education prior to the 2016 legislative session, Governor Herbert raised the bar and set a bold $1 billion target for new ongoing funding over those same five years. To the Legislature's credit, they shared the Governor's vision for strong education investments and met the $1 billion five-year ongoing funding target in just four years. For the coming budget year, the Governor again recommends strong investments in Utah's future workforce with a proposed $290 million ongoing funding increase for public education, bringing the five-year total of new ongoing state-directed revenue for public education to over $1.3 billion.

Since FY 2010 when the Governor took office, total state-directed funding will increase from $2.6 billion to $4.9 billion with his recommendation. These sizable increases represent a sizable commitment from both the Governor and Legislature to improve Utah's education outcomes and ensure Utah's citizens are prepared to contribute in the modern world. And the education investments are paying off, as evidenced by the increase in graduation rates from 76.0% to 87.4% and Utah's tied-for-top average composite score among the states that require more than 95% of students to take the ACT.

Continuing to Elevate Utah's High Quality of Life

Despite Utah's nation-leading economic performance over the past decade, it will fall behind if complacency sets in. To maintain momentum, Utah policymakers must commit to continued strategic investments in the state's high quality of life.

The Governor's budget recommendations focus on steps Utah must take today to continue its healthy economic growth and to enhance its high quality of life in the future. By using proven and fiscally sound approaches to delivering core services, this strategically focused budget aims to create the conditions for strong fundamental economic development while ensuring Utah remains a great place to live.

As detailed in various budget and policy briefs, the following four key strategic objectives are essential to Utah's long-term future:

- 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;
- 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 modern businesses; and
- thriving communities with good air quality that provide access to a range of market-driven housing, employment, education, quality healthcare, and recreation options that maximize the benefits from limited physical and financial resources.

Budget Principles

Growth remains Utah's major challenge. Maintaining Utah's competitive edge and quality of life requires proactively managing multiple demands placed on limited taxpayer dollars. Utah's growing and changing population and new revenue stream dynamics create both challenges and opportunities in everything from education to air quality, physical infrastructure to natural resources, and in the state's correctional system.

An intentional and proactive focus on excelling at a limited number of high-value activities will yield better results than trying to do too many things, losing focus, and spreading limited resources too thin. A delayed, reactionary approach to new budget demands and changes within the economy as opposed to an intentional, proactive approach to budget design and strategy risk leaving Utah vulnerable to a diminished future prosperity. The Governor's budget recommendations reflect strategic long-term investments of scarce taxpayer resources to best manage the state's many competing demands.

Five major principles guide the Governor's budget proposal:

- reduce the tax burden on Utah families with a $160 million tax cut;
- strategically allocate revenue to investments that pay dividends not only for the coming year but for decades to come;
- optimize the conditions for a healthy and growing free market economy empowering the private sector to flourish;
- 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 2020-21 (FY 2021) is $20 billion, including state, federal, and certain local sources used in state funding formulas. The recommended budget funded by state-collected funds (i.e., excluding federal funds, local property tax for schools, and higher education tuition) totals about $12.3 billion. The recommended budget for the General Fund and the Education Fund, the state's two largest discretionary accounts, total about $8.3 billion.

Major categories of General Fund and Education Fund expenditures include public education (about $4.1 billion), higher education (about $1.5 billion), Medicaid and other social services (about $1.2 billion), and corrections, public safety, and justice (about $900 million). In addition, the transportation budget from state-collected funds totals about $1.8 billion (including debt service payments for transportation projects); these expenditures are funded through various transportation funds outside the General Fund.

Budget Book Outline

Utah's budget can be viewed in many ways. The Governor's budget recommendation book is divided into two segments. The first segment explains, primarily with narrative, budget and policy issues and proposed budget changes. The second segment provides additional technical details. Both can be found online at gomb.utah.gov.

Revenue Forecast

Utah's strong and growing economy continues to provide additional funds to both return a sizable portion ($160 million) to Utah's taxpayers and to invest in Utah's long-term future as detailed below. This state government revenue growth reflects broad-based economic growth and prior fiscal prudence.

In November 2019, the Governor's Office of Management and Budget, the Office of the Legislative Fiscal Analyst, and the Utah State Tax Commission revised the state's FY 2020 revenue forecast and developed a new consensus revenue forecast for FY 2021 (see Table 1). The Governor's budget recommendations use this consensus revenue forecast, as adjusted for the tax changes adopted in SB 2001 of the 2019 Second Special Session of the Legislature.

Prior to SB 2001's tax changes, the consensus revenue estimate yielded about $482 million in available ongoing and $200 million in available one-time unrestricted General Fund and Education Fund revenues. Of the new ongoing revenues, $440 million comes from the income-tax-supported Education Fund, with $42 million from the sales-tax-supported General Fund. One-time revenues show a similar pattern, with a $251 million increase in one-time Education Fund revenues offsetting a $51 million one-time reduction in General Fund revenues. These estimates incorporate the impact of General Fund revenues coming in $38 million below forecast in FY 2019, as well as a $33.5 million Education Fund Budget Reserve Fund deposit, an $80 million tax cut set-aside, allocations of earmarked revenues, and other technical adjustments.

Tax Modernization

SB 2001, recently signed by the Governor, enacted a number of tax changes that both reduce taxes overall ($160 million ongoing) and begin to address the imbalance in the state's two major funds. First, the bill reduces income taxes for taxpayers across the income spectrum. While an income tax rate cut alone would largely benefit the high-income households who pay most of the income tax, SB

2001 creates tax credits specifically directed to benefit low- and middle-income Utahns. These tax cuts include a refundable grocery tax credit to offset adjusting the sales tax rate for groceries, a sizable personal exemption to offset the exemptions eliminated with federal tax reform, a Social Security tax credit, and an earned income tax credit that rewards work for those in intergenerational poverty. To mitigate timing concerns, the bill includes a "prebate" for the personal exemption and grocery tax credits.

SB 2001 also begins reducing the disproportionate taxpayer subsidy for roads by moving back toward the user-pays funding approach utilized for most of Utah's history. In addition, the bill eliminates a number of sales tax exemptions and adds to the list of existing services included in the sales tax base. The bill also adjusts the existing sales tax rate on food to the sales tax rate on other items (which is offset with the grocery tax credit and other tax cuts previously mentioned). The net impact of these tax adjustments is estimated at a $160 million ongoing tax cut.

While changing the state's tax structure can be difficult, the state and its taxpayers are better positioned long-term by addressing fiscal imbalances in good times rather than ignoring the challenge and waiting for a future crisis to hit.

The Governor remains concerned about the lack of economic neutrality and fairness in the existing tax structure that does not broadly share the burden across all those who benefit from government services funded by sales tax. The Governor recognizes that tax modernization is an iterative process requiring continued evaluation as the economy adjusts over time and recommends a continued review of Utah's tax structure to ensure all are paying their fair share and that Utah's tax burden remains low and competitive.

Fundamental Prudent Fiscal Management

Funding the State's Long-term Obligations

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 12 states with this rating from all three major rating agencies. The Governor recommends no new general obligation bond authorizations and further recommends reinstatement of the $110 million ongoing General Fund allocation to minimize bonding for the prison relocation.

As is always done in Utah, the Governor's budget recommendation fully funds the state's long-term obligations, including bond payments and actuarially estimated amounts for state employee retirement pension and other employee benefit programs.

Business Cycle Management and Maintaining Budget Flexibility

Budget stress testing conducted in 2019 demonstrates that the State of Utah has set aside meaningful formal and informal budget reserves to protect against various negative 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 remains well positioned for managing the budget over the business cycle.

Through sound budgeting practices, the state has prudently managed its resources. Rainy day fund balances exceed totals prior to the Great Recession, with almost $893 million in the state's various rainy day funds as of FY 2020, including the Education Fund Budget Reserve and Growth in Student Population ($542 million), General Fund Budget Reserve ($250 million), Medicaid Growth Reduction and Budget Stabilization ($75 million), and Wildland Fire Suppression and Disaster Recovery ($26 million) accounts. These balances represent about 11% of the FY 2020 General Fund and Education Fund budget.

By not authorizing any new bonds, the Governor's budget further solidifies the state's budget buffers. In addition to one-time rainy day funds, a total of $635 million in ongoing structural budget surplus and "working rainy day funds" (cash-funded capital items such as facility renovation, capital development, transportation, and capital improvement projects) could be largely replaced by bonding for capital projects during a downturn if bonding capacity is not used up during strong times. With these solid budget reserves in place, legislators should feel confident in making strategic investments that enhance Utahns' quality of life, including education.

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, this practice can create budget challenges. The Governor commends the Legislature for reducing sales tax earmarks in SB 2001 and directing the Department of Transportation to develop plans for road user fees that can then provide revenue to replace sales tax earmarks for transportation. To protect the General Fund from further erosion and ensure appropriate budget prioritization, the Governor encourages continued reductions in earmarks and discourages further earmarking of general revenues, including the further proliferation of automatic end-of-year surplus transfers.

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

Education Investments

As in prior years, education remains Governor Herbert's number one budget priority. As the budget and policy briefs on Public Education Priorities and Postsecondary Education and a Qualified Workforce highlight, Utah must invest in its people to achieve long-term success. 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 facilitates higher quality of life.

To provide resources for improving student outcomes, the Governor's budget begins with education, providing a $407 million increase ($357 million in new ongoing funds and $50 million in one-time funds) for the state's public and higher education systems (see Table 2). This brings total public and higher education funding from all state-directed sources to about $6.6 billion.

With these recommendations, the Governor's initial five-year goal of $1 billion of new ongoing revenue for public education will have been surpassed (with a total of over $1.3 billion of ongoing funding over five years), as will the $275 million of new ongoing revenue for postsecondary education (with a total of $370 million). The Governor commends the Legislature for significantly increasing its commitment to education funding in recent years. With these significant budget increases and strong continued investments going forward, education entities must deliver continued improvements in student outcomes.

Public Education

The Governor recommends $292 million in new public education funding support ($290 million ongoing, nearly $2 million one-time), bringing total public education funding from all state-directed sources to $4.9 billion (up from $2.6 billion when the Governor took office in FY 2010). Ongoing funding increases include $219 million from new Education Fund revenue, $65 million from growth in existing state-directed property taxes, and over $6 million from the state's Permanent School Trust Fund.

In the fall of 2020, about 7,900 additional students are projected to enter the doors of Utah's schools. The budget funds this anticipated enrollment growth as traditionally defined, at a net Education Fund cost of $17.6 million ($12.9 million ongoing and $4.7 million one-time from unspent balances). In addition, the Governor recommends that four additional programs receive enrollment growth funding ($277,000) and the Schools for the Deaf and Blind receive their equivalent of enrollment growth funding ($1.1 million).

Just as the Governor advocates for more state rights when it comes to federal government overreach, he also believes the state should respect the role of local officials in determining exactly how to carry out educational programs as long as policy goals for student outcomes are met. For this reason, the Governor's budget proposes to substantially increase locally controlled funding through a 4.5% ($150 million) increase in the value of the weighted pupil unit (WPU). Such a sizable increase allows local school boards flexibility as they focus on needed local investments, including compensation and professional learning for educators. Teachers, principals, and other educators are key to achieving the Governor's goal of Utah being the top state for student achievement.

Additionally, the Governor recommends $18.6 million in new ongoing funding to provide a WPU add-on for optional enhanced kindergarten expansion, $4.3 million ongoing for local operational excellence staff, and $5 million ongoing for an apprenticeship program specifically to benefit students in intergenerational poverty. The Governor's budget also includes new ongoing funds allocated under current law for charter schools, the Teacher and Student Success

Program, and the equity pupil unit (combined $47.8 million), as well as reflecting the $6.2 million in increased allocations from the Permanent School Trust Fund for allocation by school community councils. The Governor recommends an ambitious target for K-12 schools to offer at least three unique computer science classes in every middle school to help ensure the state develops the pipeline today that will meet industry demand. He recommends $10.2 million for this purpose ($8.7 million ongoing and $1.5 million one-time). These sizable funding increases represent a strong effort to meaningfully increase ongoing resources for public education.

Meaningful accountability must accompany these major investments. Over time, improved student outcomes as measured on the state accountability dashboard must continue. Important benchmarks include elementary school reading proficiency levels, middle school math proficiency levels, graduation rates, and disadvantaged student outcomes. In addition, education agencies should continue to optimize resources and find measurable ways to provide more efficient and effective services.

The Governor also recommends that future governors receive the constitutional authority to appoint the State Board of Education so that the governor can both more directly influence student outcomes and be held accountable for achieving results in the largest state-funded program.

Postsecondary Education

Following up on the state's sizable funding increases in both technical colleges and the system of higher education in recent years, the Governor recommends targeted investments in areas demonstrating a measurable impact. The resources provided in recent years should facilitate significant performance improvements in the state's higher education system, including delivering a return on the state's investment in terms of higher and faster completion rates and a more affordable cost per quality outcome for families and taxpayers. Targeted investments together with compensation increases total $67 million ongoing and $48 million one-time.

The Governor's budget includes $34.8 million ongoing to fund a 2.5% compensation increase and an estimated 4.53% percent health insurance increase for higher education employees in the Utah System of Higher Education (USHE), Utah System of Technical Colleges (UTech), and Utah Education and Telehealth Network (UETN).

With rising tuition rates and growing enrollment in recent years, it is critical that postsecondary institutions tie increasing funding to improved student outcomes. Postsecondary institutions should focus intently on increasing efficiencies, with a goal of dramatically increasing the number of higher education graduates and the speed at which those students graduate with a lower overall cost per student. To this end, the Governor's budget targets higher education funding to specific investments intended to move the needle on student achievement.

Among the Governor's recommended postsecondary education funding increases are the following items targeted to specific programs and tied to specific student outcomes:

- $12.7 million ($11.7 million ongoing and $1 million one-time) for technical education in both the USHE and UTech systems;
- $3 million one-time for a proven Statewide Advising Corps to help counsel K-12 students on higher education options and increase higher education enrollment and completions, with the intent that this amount be funded ongoing in FY 2022 through efficiency gains from shared administrative services;
- $15.8 million for performance funding tied with much more meaningful performance targets; and
- $2.9 million for enrollment growth.

The Governor also recommends consolidating the governance of Utah's postsecondary institutions and a freeze on tuition increases until affordability metrics are defined.

Air Quality

In 2017, the Governor and the Utah Division of Air Quality set an ambitious goal to reduce annual statewide per capita emissions by 25% by 2026. Last year, the Legislature took a significant step toward advancing this goal by funding $28.7 million for various air quality improvement efforts. As he did last year, the Governor recommends $100 million to accelerate air quality improvement efforts. This year's air quality recommendation focuses on the transportation system, including significant state investments in transit and in electric car infrastructure.

The Governor recommends a $34 million transit budget increase by allowing access to Transportation Investment Fund monies through a one-time General Fund transfer in FY 2021 and an ongoing recommended change going forward. This funding should facilitate more expansive service and more frequent transit schedules during peak times, both of which are necessary to achieve more widespread ridership. As part of this recommendation, the Governor recommends that any transit agency receiving state funds provide free passes for state employees in the region and that the recipient transit agency ensure transit stops are available near major state facilities so both the public and state employees can easily use transit.

The Governor also recommends $66 million for electric car infrastructure, including working with the private sector to significantly increase the number of DC fast charging stations throughout the state and to fund a $3 million match for a Utah State University National Science Foundation grant that focuses on electric vehicle transportation infrastructure buildout, leading to Utah being a hub for electric vehicle research throughout the entire intermountain region.

Recognizing that most Utahns drive cars with internal combustion engines, the Governor also applauds the Marathon, Silver Eagle, and Chevron refineries for recently bringing to market Tier 3 fuels which can reduce harmful emissions by up to 80% when combined with a Tier 3 vehicle. Of the remaining four refineries, Andeavor (formerly Tesoro) and Sinclair have committed to produce Tier 3 fuel locally and anticipate having the fuel available in 2020. The Governor encourages the other two refineries to adopt Tier 3 fuel standards.

With Tier 3 fuels now publicly available at Speedway and Chevron gas stations and others coming on board in 2020, Utahns can improve air quality by simply choosing where they buy fuel. As Utahns choose to purchase cleaner fuels, fuel markets will respond to those choices.

Transportation, Open Space, and Land Use

As limited space along the Wasatch Front fills up, state and local policymakers must recognize the interrelationships between air quality, land use, housing, transportation, water, and revenue structures. Affordable, thriving communities need physical infrastructure, including transportation and water infrastructure. However, different types of land use heavily influence the type of infrastructure needed, the cost of that infrastructure, and the mix and cost of housing. The true costs of different types of growth should be increasingly reflected in different market-driven land use choices. Those whose choices lead to greater infrastructure costs should increasingly bear the full costs of those decisions.

One key role the state can play is to work with local governments to maintain open space even as growth occurs. To this end, the Governor's budget includes $40 million to create an endowment for open space and outdoor recreation infrastructure so that citizens receive a permanent benefit from prior investment in the Fund of Funds. Moreover, as the state develops its Point of the Mountain property, it should ensure that preserving appropriate open space is a key component of the plan.

As with all programs, the state's focus should be to maximize the return on every infrastructure dollar invested. This effort should include optimizing the use of existing infrastructure through demand management, multi-modal transportation investments, and increasingly incorporating the true costs of different development patterns into the decision-making process—including an increased reliance on user fees.

With limited space along the Wasatch Front rapidly filling up, transit must increasingly become a significant future state focus, with ongoing funding better aligned between roads and transit.

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 Program and Support budget and policy brief, the Governor's budget recommends a $22.9 million ongoing General Fund increase for traditional Medicaid consensus items. In addition, the Governor's budget includes nearly $100 million in ongoing funding from the Medicaid Expansion Fund in FY 2021 to continue serving the coverage gap population and to support January 2020 implementation of the state's plan recently approved by the federal government.

The Governor's recommendation also includes $30.5 million ($21.8 million ongoing and $8.7 million one-time) in new funding for significant investments in the state's mental health services system, including $2.5 million ongoing for five new mobile crisis units to serve rural counties; $11 million for a new behavioral health transition facility for inmates with mental illness who complete their prison sentence; $10.4 million for a minimum of two urban no-refusal, short-term crisis receiving centers to properly treat people in crisis and divert caseload from jails and emergency rooms; $4.9 million for a new 30-bed forensic unit in the state hospital to accommodate projected growth in referrals; $500,000 for healthcare professional student loan repayment to increase the supply of mental health professionals in underserved areas; $1 million in Medicaid behavioral health reimbursement rate increases; and $1.3 million in ongoing funding for Operation Rio Grande Sober Living programs and mental health services.

For those with disabilities, the Governor recommends a $9 million ongoing increase to support youth in state custody who are transitioning to Division of Services for People with Disabilities (DSPD) benefits, additional needs for current DSPD service recipients, employment programs for people with disabilities, and the restoration of ongoing funding for community waiver services. Nearly $4.5 million ongoing is recommended to offer state plan services for 700 children and adults under a new limited services Medicaid waiver for people with disabilities. This waiver offers a limited array of services focused on supporting people with more narrow sets of needs who currently have little opportunity for having their needs meet through the traditional DSPD waiting list process.

The Governor also recommends $7 million ongoing to support various social service items such as local health department minimum performance standards, quality improvement incentives for intermediate care facilities, Medicaid reimbursement rate increases for autism services, and caseload increases in the Baby Watch program, among other items.

State Employee Compensation

The Governor's budget recommendation proposes a 2.5% cost of living increase for state employees as well as targeted funding to increase salaries for employees working in specific classifications with demonstrated needs. In addition, the budget funds the state share of health insurance and 401(k) match program cost increases.

Beyond these compensation items, the Governor recommends state budget savings of $19 million in medical reserve day refunds from the Public Employees Health Program (PEHP) associated with effective cost containment practices, with employees receiving rebates of $2.3 million. Moreover, the Governor recommends that PEHP continue to offer more plans designed to maximize employee choice between benefit levels and the option to convert the value of benefits to cash. Finally, similar to benefits offered by other large employers, the Governor recommends $2 million ongoing for the state to provide a paid parental leave benefit to qualifying state employees following the birth of a child.

Summary

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

PRUDENT FISCAL MANAGEMENT

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

Highlights

- Governor's budget focuses on maintaining and elevating Utah's quality of life
- Rainy day fund balances equal 11.2% of the Education Fund/ General Fund budget (12.1% of ongoing EF/GF budget)
- Stress testing results show that the state has sufficient reserves and contingencies to manage recessions. The state should continue seeking the right balance between setting aside sufficient reserves while also allowing taxpayer dollars to generate economic value.
- 1 of only 12 states with a AAA bond rating from all three major rating agencies
- The Governor recommends $3 million for rural economic development programs

Nationally recognized for its prudent fiscal management, Utah consistently considers both long-term and short-term impacts when building the budget. Managing a budget over the ups and downs of the economic cycle is one important aspect of long-term planning. 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, alter the state's economic trajectory years down the road.

The Governor's budget specifically focuses on prudently managing available revenues with an eye on the business cycle and making sure budget investments put the state and its taxpayers on a sustainable long-term path.

Utah's Rainy Day Funds Are at Healthy Levels

As shown in Figure 1, Utah has consistently increased its rainy day reserves through appropriations and automatic transfers of year-end surpluses. The state's combined rainy day fund balances total nearly $893 million as of FY 2021, including $33 million in deposits made at the end of FY 2019 and $94 million already appropriated for FY 2020. The following categories make up the combined rainy day fund balances: the Education Fund Budget Reserve and Growth in Student Population ($542 million), General Fund Budget Reserve ($250 million), Medicaid Growth Reduction and Budget Stabilization ($75 million), and the Disaster Recovery and Wildland Fire Suppression ($26 million) accounts.

These amounts total 11.2% of the combined FY 2020 Education Fund /

General Fund budget and 12.1% of the ongoing Education Fund / General Fund budget (see Figure 2).

Stress Testing: Budget Management Over the Business Cycle

While rainy day funds are a simple way to think about fiscal preparation, many other tools exist to manage the budget over the business cycle. During the 2019 interim, the Governor's Office of Management and Budget (GOMB) and the Office of Legislative Fiscal Analyst (LFA) conducted a comprehensive budget stress testing exercise to formally assess the state's ability to respond to an economic downturn (see Figure 3). As part of this process, the Tax Commission helped to analyze revenues. The stress testing exercise used two hypothetical economic scenarios, similar to the approach employed by the Federal Reserve to assess the capital strength of banks. The stress test applied the selected downturn scenarios to the state budget by examining hypothetical recessionary impacts on (a) revenues, (b) expenditures, and (c) both formal and informal reserves. The state's revenue trends were also analyzed.

The results demonstrate the State of Utah has a number of budget tools at its disposal, including formal rainy day funds at healthy levels as noted above and other informal reserves, including budget allocations for capital expenses that are not bonded against. In addition to cash-funded

FIGURE 1

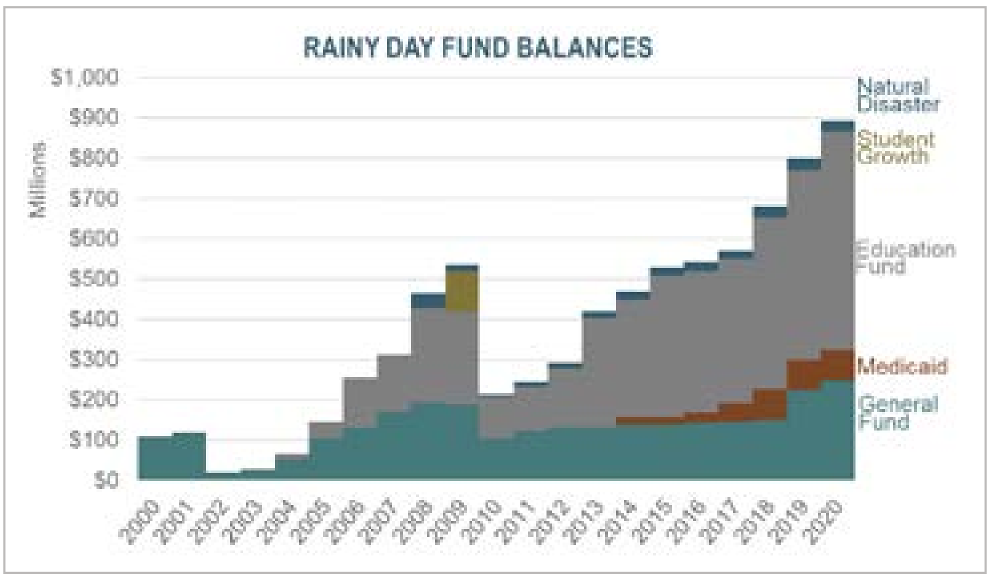
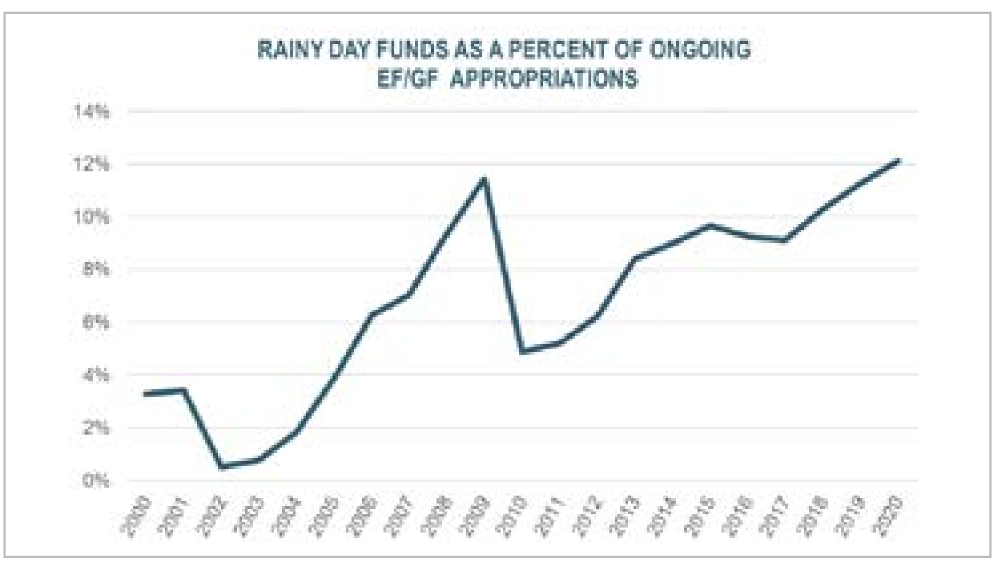


FIGURE 2



capital expenses, one important buffer to manage the economic cycle is unused bonding capacity. For this reason, the Governor recommends minimizing bonding during strong economic times to ensure this tool remains available during weaker economic times.

GOMB believes the state's approach ensures sufficient reserves and contingencies to manage recessions while also being mindful of Utah taxpayers' pocketbooks. GOMB recommends a continued joint comprehensive review of tools for managing the budget over the economic cycle.

Tax Modernization

The recent tax changes are also an important component of managing the budget over the business cycle. By expanding the sales tax base, increasingly matching road costs with road user fees, and reducing the more volatile income tax, the state will have more budget flexibility and be better prepared for managing the budget over the business cycle.

As the state modernizes its tax structure, policymakers should continue to examine the overall revenue levels collected through both taxation and fees to determine if these are at appropriate levels. For example, is a tax or a fee more appropriate for the government service being provided? Do fees properly reflect the cost of the service provided? What are the appropriate levels of taxes relative to the economy (see Figure 4)? As Utah continues to ask these critical questions and make the appropriate corresponding policy decisions, the state will maintain its status as one of the most prudently managed states in the country.

Meeting Financial Obligations

The Governor's budget fully funds long-term obligations, including pensions and various employee benefits. Even with more conservative rate-of-return assumptions, funded ratios in these programs are increasing due to consistent, full funding of actuarially-determined contributions and improved investment returns compared to the reductions in funded ratios created by investment losses during the Great Recession.

High funded ratios in non-pension employee benefits have allowed the state to dramatically cut the amortization period to fully fund the liabilities (as of the latest valuation, five years remain). Because, unlike many other states, Utah began addressing this challenge years ago, the state nears full funding of these liabilities.

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 long-standing AAA bond rating and ability to attract financial capital reflect the private market's confidence in the state's budget management practices. Utah is 1 of only 12 states with a AAA bond rating from all three rating agencies. This market confidence allows Utah to enjoy sizable interest savings compared to states with lower bond ratings.

The Governor recommends no new general obligation bond authorizations. The budget includes $110 million of

FIGURE 3

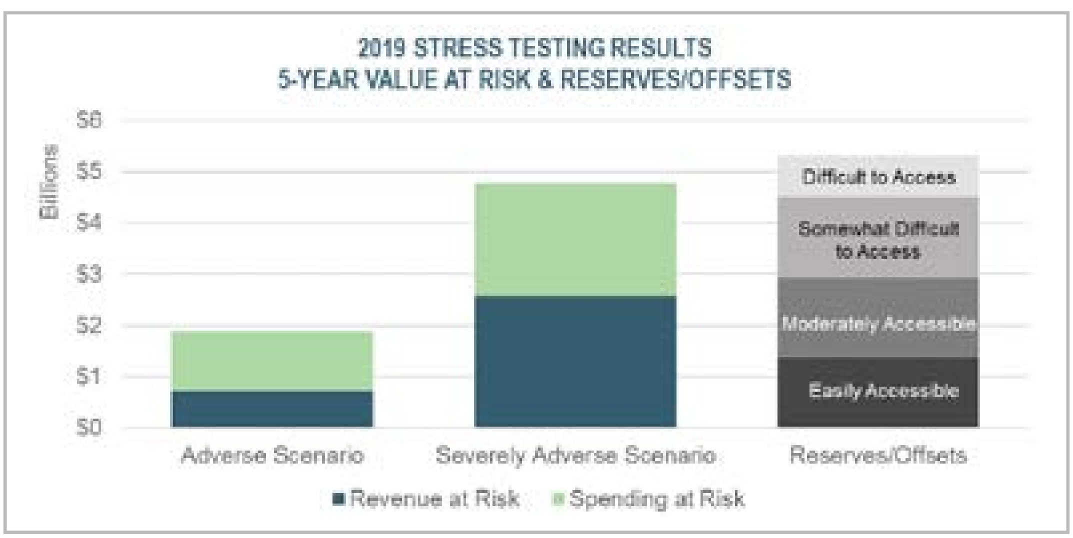
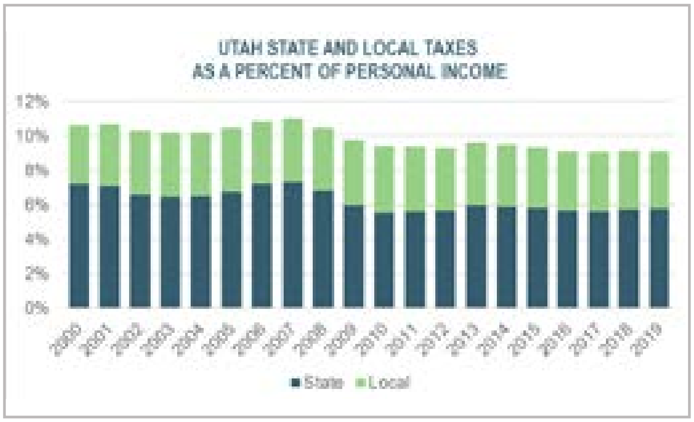


FIGURE 4



ongoing funding to pay cash for the prison instead of issuing additional bonds under the existing authorization.

Reexamining Corporate Recruitment Model

As state leaders continue over the next year to explore reforms to traditional business incentive practices, the Governor recommends considering the following economic development principles. The principles laid out below will guide sound policy decisions that will benefit Utahns in both urban and rural areas of the state.

Credible research consistently demonstrates that routinely-offered state and local business incentives pose a material risk for poor fiscal and economic outcomes. While these incentives are typically offered in pursuit of the jobs, revenue, and positive downstream effects associated with a business location or expansion decision, the way incentives are designed and measured should account for offsetting costs and economic leakage.

Utah has long imposed safeguards to mitigate the risks of economic development deals, such as using post-performance requirements related to jobs created or capital invested, narrowing the scope of eligible firms to higher-impact industries, and by requiring that new jobs pay at least 110% of an area's average wage. However, the state should also consider when and where business activity is incented, along with to whom new economic opportunities are made available.

Since the central purpose of incentives should be to increase real (cost-adjusted) per capita income of Utah residents, incentives should take costs into account and reward businesses for hiring local workers, especially those not employed or who face barriers to entering the workforce. The fiscal benefits of this sort of incentive strategy are numerous.

First, by orienting economic development policy toward local non-employed people, the state seizes the potential for increasing labor force participation and reducing unemployment more generally throughout the economy. Moreover, by incentivizing businesses to hire under-engaged Utahns, the state could potentially reduce current expenditures for safety net programs such as unemployment insurance and Medicaid. At the same time, Utah's communities would be strengthened as people with disabilities, the long-term unemployed, or those experiencing intergenerational poverty, among others, are provided with opportunities to experience the dignity of work.

Second, recognizing that not all jobs worth incentivizing are well aligned with the skills available among those not working, post-performance incentive targets should consider whether newly created jobs are filled by in-state residents. Promoting higher-wage jobs for Utahns already employed creates a vacancy chain that can ultimately increase employment and wages for non-employed Utahns.

Finally, a resident-focused economic development strategy helps to avoid just accelerating in-migration, wherein the economic benefits of growth are mostly offset by the costs of supporting new residents. Cost impacts (such as increases in government costs for transportation or education, and private sector costs for labor, land, and housing) should be central to any incentive discussion.

The economic development approach as outlined above requires close attention to the current labor market environment, both temporally and geographically. Corporate recruitment incentives should generally not be used during times of low unemployment or in areas already burdened with high growth pressures.

To support the objective of better focusing resources in areas facing economic challenges, the Governor recommends $3 million of ongoing General Fund to improve rural economic development programs and decrease reliance on one-time resources from the Industrial Assistance Fund.

INVESTING IN WHAT WORKS

Continually working to achieve more value for every tax dollar invested

Highlights

After collectively achieving a combined 27% improvement in performance over a four-year period (2017), in September 2019 the Governor challenged all cabinet-level agencies to achieve an additional 25% improvement in performance.

An additional 4,500 full-time equivalent (FTE) employees would have been needed to maintain the same employee to citizen ratio if it were not for the strong commitment of our workforce to increase productivity and the implementation of operational improvement efforts by cabinet-level agencies with a net result of roughly $400 million in cost avoidance to the state in FY 2019.

Of the 24 cabinet agencies reporting progress in the Success Management Information System (SMIS), 19 are showing overall improvement. Currently, 100 individual systems are being tracked across the 24 agencies with another 40 systems to be added over the next several months.

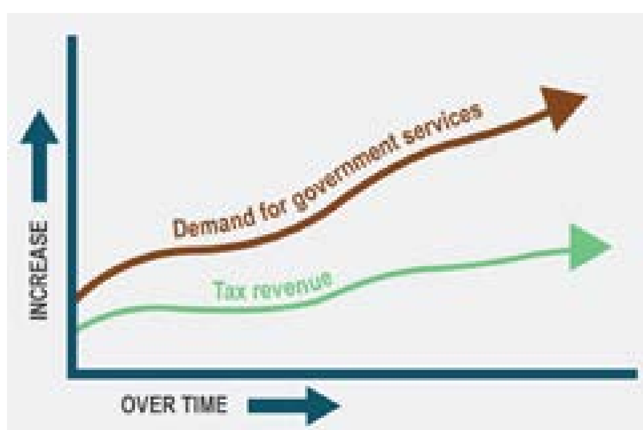
GOMB, in coordination with impacted agencies, is rolling out one of the most important operational changes for social services programs in the state's history. After testing the blueprint solution for three years, the new model is formally being implemented across the departments of Corrections, Human Services, and Workforce Services with the goal of significantly improving outcomes for people who rely on social service programs and services.

Service Demand Versus Revenue

The demand for government services will always outpace available revenue, regardless of how well the economy performs. Government is a monopoly and the demand versus revenue challenge is compounded because the external, competitive pressure faced by the private sector to provide better, faster, and cheaper services does not exist. Consequently, all levels of government must be deliberate and self-impose ambitious measures to continually improve services. There will never be enough money to satisfy all requests for services, so government must continually look for ways to get more value out of every tax dollar

FIGURE 1

THE CHALLENGE FOR GOVERNMENT



invested and to focus on those core programs and services that will have the greatest positive benefit to the citizens of Utah. This is the mission of the Governor's Office of Management and Budget (GOMB).

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 increased budget allocations may be necessary:

- Operational systems have a clear and measurable goal with related process metrics
- The agency effectively manages the flow of work within the system
- Current resources are maximized
- Demand is outpacing the ability to reliably meet quality standards
- A complete strategy exists to ensure the agency uses new funding 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.

The SUCCESS Framework

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

- **Throughput (T).** 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 (Q).** The percentage of units of work completed that meet defined criteria for performance. Examples of quality include accuracy, reliability, or intended outcomes.
- **Operating expense (OE).** The budget allocated 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

MEASURING SUCCESS

operational excellence principles to find hidden capacity, Utah state agencies have shown it is possible to add value while meeting an increased demand for services with no funding increase or with far fewer additional resources than originally anticipated.

The state's QT/OE formula provides insight into the value purchased for each dollar invested and puts Utah ahead of most government organizations when it comes to understanding the outcomes we achieve for every dollar invested. Beginning in July 2020, cabinet-level agencies will be required to track additional items related to operating expenses connected with each system. GOMB will encourage agencies to first focus on quality and throughput since those are usually the biggest cost drivers. However, it is also important to understand the causes of such costs, not just costs themselves. As agencies mature in managing quality and throughput, GOMB will expect an enhanced focus on managing operating expenses. Doing so will ultimately provide opportunities for agency staff to spend more time providing direct services, reinvest savings to better align state employee compensation with market rates, and fund prevention initiatives and other high-priority programs and services.

Real Results

In the aftermath of the Great Recession, the Governor set a bold target to measurably improve state government performance by 25%. 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% improvement in performance over a four-year period.

Bending the cost curve for government is a deliberate strategy to both free up more revenue for education—the Governor's top priority—and to ensure that policymakers have the ability to give money back to hard-working Utah citizens. This strategy has paid off. Over five years, with the Governor's recommendation, the Governor and Legislature will have invested over $1.3 billion of new ongoing revenue into public education. When adjusting for inflation and population growth, this culminates in a 36% increase in real ongoing state-directed funds per pupil during the Governor's time in office. In addition, the recently enacted tax reform package will provide taxpayers with a $160 million ongoing tax cut.

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 leadership intentionally creates learning opportunities.

Because the Governor believes the opportunities for improvement to state government operations continue to exist, in September 2019 he challenged all cabinet-level agencies to achieve an additional 25% improvement. To meet this additional challenge, agencies will continue to implement improvement strategies, monitor results, and identify new systems or processes for improvement efforts.

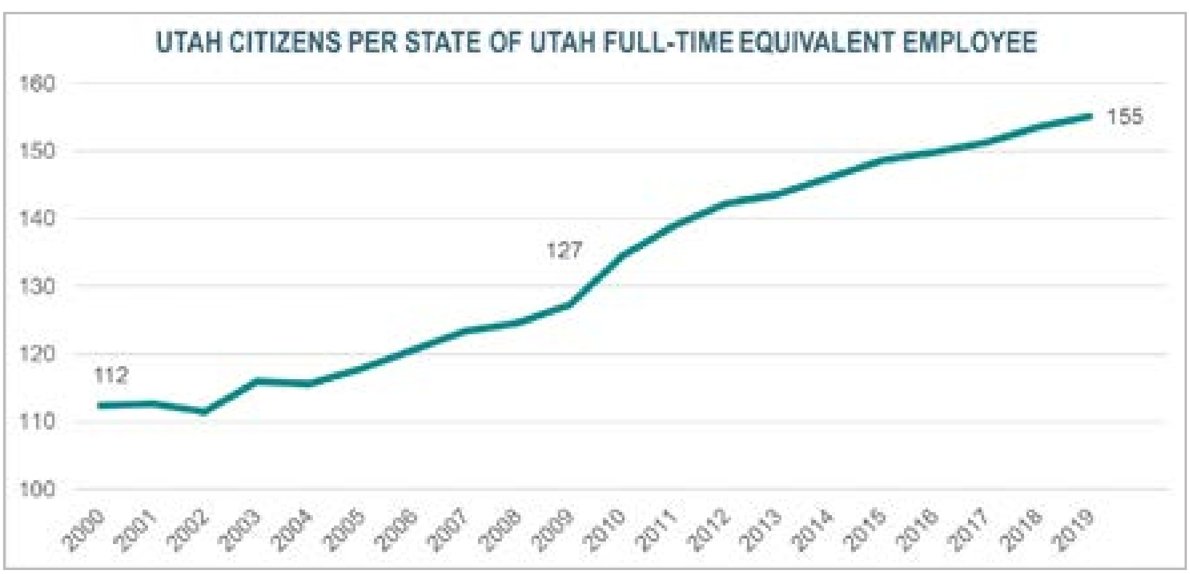
Employee Productivity

In FY 2019, there were fewer state full-time equivalent employees (20,700) than in FY 2002 (20,850). Moreover, during the last decade, the number of Utah citizens supported per state FTE has increased from 127 in FY 2009 to 155 in FY 2019. This means the state currently employs 4,500 fewer FTEs than would have been needed if it were not for gains in state workforce productivity, thereby generating greater value for every tax dollar invested through meaningful efficiencies from every agency.

Measuring Success

Utah's state agencies continue to explore and implement tangible program and system improvements to significantly enhance the quality of life for all Utahns. To track progress, agencies routinely enter performance metrics into the Success Management Information System (SMIS). Of the 24 cabinet agencies reporting, 19 are showing overall improvement as measured across the 100 systems currently being tracked. Another 40 systems are expected to be added to SMIS over the next several months.

FIGURE 2



Examples of agency improvement efforts include the following:

Social Services Blueprint Solution

- The Departments of Corrections, Workforce Services, Human Services and the Governor's Office of Management and Budget have worked hard over the last three years developing and testing the Social Services Blueprint Solution. This solution outlines strategies and tactics to help social services agencies improve quality outcomes for clients/offenders as efficiently and effectively as possible. Transformations to each program have included historic operational and supportive technology changes. These changes create capacity; front-load customized intensity, timeliness, and types of services delivered; and hold client progress to ambitious targets.

Department of Human Services

- The Utah State Hospital significantly improved overall performance by expanding capacity and better synchronizing available services. The most recent year-over results from these efforts are extraordinary: admissions increased by 50% (153 vs. 102), discharges increased by 47% (115 vs. 78), average length of stay decreased by more than 12% (750 vs. 856) and the average wait time for admission decreased by 93% to a mere four days (4 vs. 60).
- The intervention and rehabilitative and correction processes within the Division of Juvenile Justice Services achieved a 45% average reduction in youth risk scores and a 6% reduction in youth reoffending within 90 days.

Department of Administrative Services

- By implementing improved project management practices, the Division of Facilities Construction and Management achieved a 28% reduction in project backlogs and a 20% faster project completion (from 10 months to 8 months—resulting in savings of over $900,000 annually).
- Through the implementation of a value-based procurement model, the Division of Purchasing improved procurement services, resulting in decreased administrative costs of 73% and a 63% decrease in the time to procure contracted services.

Department of Technology Services

- The Department of Technology Services designed and implemented a solution to improve IT projects by uncovering core business problems prior to development which, to date, has resulted in over $1 million dollars in cost avoidance.

Department of Alcohol Beverage Control

- The Department of Alcohol Beverage Control implemented an inventory solution to increase the availability of high-demand products while decreasing overall inventory costs. While overall performance will continue to improve, initial pilot results show a $9 million increase in revenues and a 9% reduction in inventory, equating to savings of $1.4 million.

Utah National Guard

- Improvements made to facility operations and maintenance at the Utah National Guard's Camp Williams site have resulted in a 153% increase in work order completions, an 82% decrease in the time to complete a work order, and a 94% reduction in late vendor payments.

Department of Public Safety Driver License Division

- Customer wait times at the Department of Public Safety Driver License Division have been reduced in 13 field offices despite large increases in customer demand. Results include a 43% improvement in the number of customers served within three to eight minutes, 16,000 more customers seeking services per month, and average wait times currently among the lowest in the nation at five minutes.

Commission on Criminal and Juvenile Justice

- The Commission on Criminal and Juvenile Justice has seen a 38% improvement in the crime reparations application processing time, with the average processing time being reduced from 40+ days on average to less than 25 days.

In addition to agency-specific efforts, several enterprise initiatives are underway to significantly improve the value of Utah taxpayer dollars:

- The number of state employees who telework will increase, resulting in improved building utilization, reduced commuting, and more opportunities for employment in rural areas of the state.

- State employees will have more access to SUCCESS Framework content and training with a focus on new employees and individuals who are promoted into management positions. Exposure to operational excellence principles will provide an ongoing and sustainable focus on improving internal capacity and quality for Utah citizens and taxpayers.

Developing the Right Mindset for Getting Breakthrough Results

The following seven items, referred to as the "seductive seven," are solutions people often incorrectly turn to first when they encounter a challenge rather than addressing the underlying core problem. By themselves, the seductive seven don't make a real impact on solving the core problem of an organization. Instead, they just waste time and money. Each of the seductive seven is accompanied by an illusion and a solution.

More Money
Illusion: We believe we are already as good as we can get at optimizing all of our resources.
Solution: Always believe there is hidden capacity.

More Technology
Illusion: We believe we need a new capability or tool.
Solution: Define, solve, and fix the business problem first, then determine if technology can amplify the solution.

More Reorganization
Illusion: We believe we need authority over the resources to get alignment.
Solution: Focus on solving the problem, not just moving it around.

More Strategy and Planning
Illusion: We believe we need a new idea.
Solution: Define the problem you are trying to solve and then focus on excellent execution.

More Data
Illusion: We believe the more data we have, the more we will uncover reality and deepen our understanding.
Solution: Don't confuse data with understanding.

More Training and Communication
Illusion: We believe people simply need more information to improve or change their behavior.
Solution: Design systems that make it natural and easy for people to make choices and produce the results we want.

More Accountability and Assigning Blame
Illusion: We believe other people limit, hamper, and define our ability to make an impact and change how things are done.
Solution: Solve your own problem and create your own future.

Getting breakthrough results in government begins with having the right mindset and knowing what to stop doing. Too often government is distracted by pursuing initiatives that give the illusion of progress but don't actually move the needle. Government may successfully make a change, but services aren't measurably better, faster, or cheaper. The SUCCESS Framework is founded on teaching people the right mindset and how to think clearly about the core problem.

Budget & Policy Brief

TAX MODERNIZATION

Introduction

Meaningfully reforming tax policy is difficult. It's technical, it's complicated, and it can be hard to both explain and to understand. Concerns about tax changes, especially when the changes are misunderstood or misrepresented, can create anxiety. At the same time, prudent fiscal management requires a willingness to look down the road and tackle tough issues before they develop into a crisis.

Why is Tax Modernization Needed?

"Don't tax you, don't tax me, tax that fellow behind the tree." This old tax adage highlights that even though people and businesses demand government services, we typically want someone else to fund them. People and businesses want a court system and police protection to enforce property rights and criminal laws, but we want other people or businesses to pay the bill. We want improved air quality but want someone else to shoulder the financial burden of that choice. We want reduced congestion but don't want to pay for transportation solutions or to change our habits. In fact, some of the loudest voices for government services are often the same voices that do not want to pay their full share of government costs.

But the reality is taxes are necessary to pay for basic public services that people rely on every day. The challenge is finding the most efficient and fair way to collect funding for those core services and to ensure that core services are responsibly delivered. One key feature of a well-designed tax system is to send citizens price signals about the cost of providing government services, thereby allowing citizens to compare costs and benefits and then make decisions about desired service levels. People tend to spend their own money more judiciously than when "that fellow behind the tree" (someone else) pays.

For years, the Governor has spoken frequently about the need to modernize Utah's tax structure. He has joined with legislators in pointing out that while Utah's income tax is healthy, in part due to income tax modernization that occurred in the mid-2000s, sales tax and fuel tax growth is failing to keep pace with modern times and projected growth. Utah's tax structure is outdated, does not reflect the modern economy, unfairly picks economic winners and losers by unequally taxing consumption, and relies too much on general taxes to fund services where user fees and user-oriented taxes are more appropriate.

The state's tax structure is like a retirement savings portfolio that needs to be balanced to ensure both sufficient long-term growth and stability to meet core needs. Utah's tax portfolio has become unbalanced over time. And, it is increasingly reliant on more volatile revenue sources (individual and corporate income taxes), which perform well during good economic times but can drop dramatically during downturns.

Why does this revenue imbalance matter? The Utah Constitution allocates income taxes for education—both public education (K-12) and higher education—and allocates fuel taxes for roads. The sales tax is the primary revenue source to pay for all other core state services, including public safety and justice, air quality, roads (far beyond the portion funded with fuel taxes), and a safety net for the most vulnerable among us.

As Utah's economy grows and changes, sales taxes and fuel taxes are failing to pace with Utah's needs. The truth is, unless changes are made to the tax system, Utah runs the risk of eroding basic government services. Failing to act would create untenable vulnerabilities for Utah citizens and businesses, all of whom rely on these basic services in one way or another.

Even though change can be hard, meaningfully addressing this challenge is moral leadership. What would be immoral is not having the courage to address these deficiencies in our system, which would ultimately negatively impact the state's most vulnerable populations the most.

What About State Government Efficiency?

Utah's nation-leading economy and population growth rate are mostly attributable to the ingenuity and work ethic of Utah's people, but are also a result of the state's business-friendly policies and efficient state government. As explained in more detail in the Investing in What Works budget and policy brief and at gomb.utah.gov, the state developed the SUCCESS framework to bend the cost curve of state government. By putting these principles into action, cabinet agencies have measurably improved performance by more than 25% compared to just a few years ago.

In fact, Utah has fewer state employees in FY 2019 than in FY 2002, even though Utah's population has grown by nearly 900,000 people. That efficiency translates to real avoided costs that benefit Utah's taxpayers and allow for a sizable tax cut.

And, the Governor is still aggressively challenging state agencies to continue to absorb growth in service demands by changing how agencies do business.

How Big Are the Tax Changes?

To be clear, the state does not need to collect more taxes overall, but does need to change how taxes are collected. Diversifying from where taxes are collected while keeping the total tax revenue collected in check is critical to creating a more stable system. So yes, Utahns will see some changes in how they pay their taxes this year and that can be confusing, possibly even worrisome, for some.

But the vast majority of Utahns will pay less in taxes next year than they will pay this year because the Governor and Legislature have worked hard to build a net $160 million tax cut into the new reforms. In fact, the tax cut to Utahns exceeds $200 million because a sizable portion of the consumption tax adjustments will be paid by non-residents. As explained below, many tax change features were intentionally designed to benefit low- and middle-income Utahns.

What are the Major Components of the Tax Bill?

SB 2001 of the December 2019 Second Special Session of the Legislature amended Utah's tax laws in ways that stabilize and rebalance Utah's tax structure. As explained below in more detail, it reduces income taxes through dedicated tax credits for low- and middle-income households and cuts the income tax rate from 4.95% to 4.66%, as well as increases consumption taxes such as the sales tax and fuel taxes.

Importantly, as part of the tax changes, the Governor and Legislature intentionally created the following income tax credits for low- and middle-income households to ensure the income tax cut was broadly shared:

- Refundable grocery tax credit of up to $125 per person up to four people and $50 per person for each additional person;
- Refundable earned income tax credit (EITC), which rewards work for those in intergenerational poverty;
- Dependent exemption expansion from $565 to $2,500, which offsets increases experienced due to federal tax reform; and
- Social Security tax credits for senior citizens.

How is Grocery Taxation Changing?

Some people mistakenly believe grocery sales are not currently subject to sales tax, which is not the case. SB 2001 adjusts the existing state tax rate on groceries to the standard state rate (a 3.1 percentage point increase from the current grocery rate), and offsets this adjustment with a refundable grocery tax credit dedicated to low- and middle-income households. A refundable tax credit means that filers receive a check from the state even if they owe no income tax.

Responsible tax policy requires taxing more than just luxury products. It also requires taxing some economic transactions that most people participate in, like groceries, property, transportation, and clothing. This ensures the cost of government is broadly shared, is more equitable, and is more stable.

Consumer expenditure data consistently shows that high-income households spend more on groceries than low-income households do. This means that in sheer dollar terms, a reduced grocery tax rate actually benefits higher-income households more than lower-income households. However, groceries constitute a larger share of a low-income family's budget, making a grocery tax regressive. The Governor and Legislature are cognizant of this regressivity and intentionally took meaningful steps in the tax bill to counter it for low- and middle-income families while still collecting taxes on groceries from those who can better afford it.

For the roughly 200,000 Utahns at the lowest end of the economic spectrum who receive groceries from various public programs such as SNAP (food stamps) and WIC, or from church and nonprofit food pantries, not only are these items not currently subject to tax, but the food itself is provided. This does not change under the tax bill. Although these households may still purchase additional food, this existing tax exemption mitigates regressivity at the very lowest end of the income spectrum.

As shown in Figure 1, the newly created grocery tax credit is dedicated specifically to low- and middle-income households (including those who receive untaxed food from assistance programs but who may also purchase groceries) as an essential companion piece to the 3.1 percentage point adjustment to the existing rate on groceries. The grocery tax credit is $125 per person in a household for the first four people and $50 for each additional person. As shown in the table below, these tax credits phase out as income increases.

A few examples illustrate how the grocery tax changes work:

1. A family of three earning $25,000 receives a $375 grocery tax credit. This same family will on average pay about $125 more in grocery tax at the register during the year. This means they will receive a net grocery tax cut of $250 (over $80 grocery tax cut per person) with the credit.
2. A family of five earning $50,000 receives a $550 grocery tax credit. This same family will on average pay about $200 more in grocery tax at the register during the year. This means they will receive a net grocery tax cut of $350 (a $70 grocery tax cut per person) with the credit.

To deal with timing concerns about waiting for the benefit of the grocery tax credit until income tax filings are completed,

FIGURE 1

2020 Refundable Grocery Credit by Income and Family Size

	Family Size									
Income	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
$0	$125	$250	$375	$500	$550	$600	$650	$700	$750	$800
$10,000	$125	$250	$375	$500	$550	$600	$650	$700	$750	$800
$20,000	$125	$250	$375	$500	$550	$600	$650	$700	$750	$800
$30,000	$91	$250	$375	$500	$550	$600	$650	$700	$750	$800
$40,000	$47	$164	$349	$500	$550	$600	$650	$700	$750	$800
$50,000	$4	$76	$218	$428	$550	$600	$650	$700	$750	$800
$60,000	$0	$0	$86	$253	$430	$469	$508	$547	$586	$625
$70,000	$0	$0	$0	$78	$237	$259	$281	$302	$324	$345
$80,000	$0	$0	$0	$0	$45	$49	$53	$57	$61	$65
$90,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

the tax bill includes a grocery tax credit “prebate” so funds are sent to low- and moderate-income households as the sales tax adjustments are occurring rather than a year later.

What Are the Other Income Tax Changes Dedicated to Low- and Middle-Income Households?

Refundable Earned Income Tax Credit (EITC) for Those in Intergenerational Poverty. For households in intergenerational poverty, the tax changes provide an earned income tax credit. Importantly, earning income through work is required to receive this credit that is 10% of the federal earned income tax credit amount.

The federal credit amount varies by income and household size, but for 2020 the maximum amounts are over $6,600 with three or more qualifying children, about $5,900 with two qualifying children, nearly $3,600 with one qualifying child, and over $500 with no qualifying children. This tax credit phases in to incentivize work (minimal hours of work results in a minimal tax credit) and phases out as income increases up to a maximum of nearly $57,000 of income for those with three or more qualifying children.

These federal amounts translate to a maximum state tax credit for qualifying households of about $660 with three or more qualifying children, $590 with two qualifying children, nearly $360 with one qualifying child, and about $50 with no qualifying children.

As the saying goes, just giving a person a fish feeds them for a day, but helping them learn how to fish feeds them for a lifetime. By providing this benefit only to those who have earned wage income, it helps incentivize and reward work efforts that are essential to breaking the cycle of generation-to-generation poverty.

The Utah Department of Workforce Services will assess eligibility for the Utah EITC. Families who have experienced poverty for more than one generation are encouraged to contact their office to determine eligibility. Approximately 25,000 Utahns in intergenerational poverty are expected to qualify.

Dependent Exemption Increase. While many single filers and smaller families received state tax cuts due to the recent federal tax system changes, many larger families experienced increases. SB 2001 increases the Utah dependent exemption from $565 to $2,500 and also allows one exemption for joint filers with no dependents. These adjustments, which become part of the taxpayer tax credit that phases out as income increases, offset the impacts of recent federal tax law changes.

Social Security Tax Credits. A portion of Social Security income has historically been taxed. Low- and middle-income seniors can now choose between the existing retirement tax credit that not all seniors quality for and a new Social Security tax credit. The new credit fully eliminates state income taxes on Social Security income for single filers below $30,000 of income, joint filers below $48,000 of income, and gradually phases out for filers with higher incomes.

What Are the Consumption Tax Expansions?

SB 2001 takes steps to gather money from sales and fuel taxes instead of income taxes.

Road User Charges. The new system increases road user fuel taxes and at the same time reduces general tax subsidies for roads. This change is long overdue, as the state has gradually moved away from its historic practice of users paying for the roads they drive on according to their road use.

The bill also sets the state on a path to continue moving back to road user charges as the primary funding method for roads rather than taking funds from general tax revenues. This change will allow those using roads to better understand the true costs of building and maintaining roads and, unlike general taxes, give road users the ability to reduce the amount they pay in fees and user-oriented taxes by changing their road use habits.

Sales Tax Changes. The bill also broadens the sales tax base. The sale of most goods and some services is already subject to sales tax. By drawing legal lines imposing sales tax on some goods and services and not on others, government currently tilts the economic playing field by unequally taxing consumption. It’s not fair or moral to make a shrinking segment of the economy shoulder an increasingly larger burden while others don’t contribute to the costs of paying for general government (but still continue to demand services).

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 products or services can become distorted. Notably, those not bearing a full share of the tax burden often demand more public services because these services appear less expensive than they truly are.

While the current broadening efforts are not a complete solution, the new tax system begins the work of fixing these inequities by both repealing exemptions and broadening the sales tax to a variety of services that have historically been excluded from taxation. True and lasting stability and equity will require the Legislature to further broaden the sales tax base over time and then lower the rate.

It bears repeating that even with these expansions the state is not increasing tax revenues overall - it's reducing them by $160 million overall by changing the way they're collected. For example, those who pay a sales tax on a rideshare will still be better off because their income taxes are now lower.

In fact, according to the Utah Foundation, Utahns today enjoy the lowest overall tax burden in the past 25 years. Additionally, Utahns as a whole have a lower tax burden than their peers in 30 other states, even with a nation-leading young population that doesn't pay most taxes. The tax burden reduction in recent decades is not inconsequential or by accident, and it's one of the reasons Utahns enjoy the healthiest and most diverse economy in the nation.

Finally, during the extensive tax review process over the past year, it became clear the state needs to invest in a more rigorous econometric review of tax exemptions, exclusions, and credits. It is challenging to appropriately evaluate these types of preferential tax treatment otherwise. The Governor recommends $200,000 in ongoing funding for this review.

Will These Tax Changes Harm Education?

No. Not only will school funding not be cut, it will be significantly increased.

Education has been and continues to be Governor Herbert's number one budget priority. Building on past strong funding efforts, the Governor recommends a $290 million increase in K-12 education ongoing funding, bringing total ongoing funding over five years to over $1.3 billion. This far exceeds both his original five-year $1 billion target and the roughly $850 million recommended by education and business leaders through Prosperity 2020. In fact, this constitutes his largest recommended allocation to public education entities to date, even with the $160 million tax cut.

For decades, Utah's income tax has gone to fund K-12 and higher education. This is fine as long as the economy is doing well, but income tax is a historically unstable revenue source. It can drop dramatically during an economic downturn. This puts education funding at significant risk. For example, during the Great Recession when income tax revenues dropped by over 20%, schools did not lay off 20% of teachers. The state was able to keep teachers paid and classrooms running only by dipping into non-income-tax revenues, which supplemented dramatic losses in Education Fund revenue. Without a viable and stable sales tax, this supplement may not be possible going forward. Changing the state's tax portfolio to collect more from sales tax and less from income taxes provides a better, more equitable foundation for education funding.

To be clear, Governor Herbert and the Legislature remain committed to making continued and strong investments in education funding. It's also worth noting that while the Governor and Legislature are dedicated to providing more funding to education, spending more is not the end goal — improving outcomes for students is the goal. By that standard, Utah is doing quite well. For example, Utah has some of the highest ACT and AP scores in the nation and graduation rates continue to rise steadily. Educators should be commended for their good work and encouraged as they continue to use increased state funding to improve students' learning.

Summary

Meaningful tax changes always come with anxiety, but the Governor expects that anxiety will subside as Utahns come to both understand the tax changes and experience the lightened tax burden in 2020. Adapting tax policies to reflect our modern and ever-changing economy is important. These changes are the culmination of 15 years of discussion and work.

Together, Utahns are taking the first steps toward a more stable and equitable tax system to ensure continued economic success in the future. This benefits individuals and families, businesses, the rising generation, and the future of Utah.

Budget & Policy Brief

OPEN SPACE & RECREATION

Preserve Utah's legacy of a high quality of life by balancing quality urban growth with trails, parks, recreation amenities, wildlife habitat, watershed protection, and agricultural and open space preservation

Highlights

- $40 million one-time endowment to preserve, enhance, and restore access to the state's cherished open spaces and recreational gems
- $2 million one-time for the LeRay McAllister Critical Lands Conservation Fund to preserve and restore natural and agricultural lands in areas facing the greatest likelihood of development
- $16.6 million to expand and improve Utah's state park camping, lodging, OHV trails, and parking, including $1.6 million to expand Goblin Valley State Park
- $3 million for the Watershed Restoration Initiative
- $1.5 million matching funds for the Shared Stewardship Initiative
- $18 million for tourism marketing, $3 million for tourism infrastructure, and $3 million for rural economic development to better align tourism promotion with recreation infrastructure investments and community placemaking and economic development
- Remove sunset on Outdoor Recreation Grant funding
- Continue progress on the Governor's goal of adding 1,000 miles of family-friendly trails and pathways by funding and developing an additional 700 miles by 2027
- $150,000 for a trails planner and coordinator in the Office of Outdoor Recreation
- Encourage investment in parks and protected open space to keep pace with Utah's projected growth rate – requiring an estimated 29,600 additional acres to maintain our current acres of parks and protected open space per capita along the Wasatch Front through 2050

Background

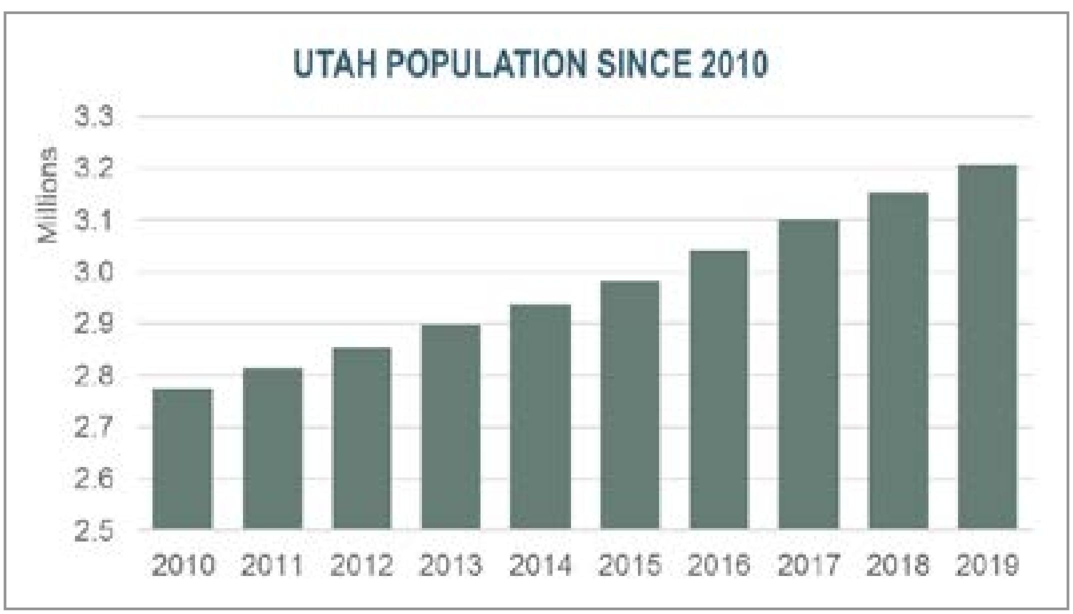
Since the last decennial Census in 2010, Utah has been the fastest growing state in the nation. While people flock here for many reasons, our unmatched quality of life and connections to magnificent landscapes play a key role in attracting and retaining residents. According to a study from the Kem C. Gardner Policy Institute, Utah's outdoor lifestyle and access to outdoor recreation played a significant role in business owners' decisions to locate in Utah - ranking higher than tax rates, transportation, or educational quality. As Utah retains and attracts the best and brightest individuals, development pressures increase, open spaces are lost, and recreational destinations become increasingly crowded. In short, the very quality of life that makes Utah so attractive will likely diminish if we do not take proactive steps to preserve and enhance it.

In fostering market-driven developments and transportation solutions, we must consider the balance of open spaces and recreation facilities that provide the much needed and close-to-home open spaces and recreational access residents desire. While land uses can change over time, it is much more difficult to undevelop a site and return it to a natural open space, recreation amenity, or agricultural land than it is to redevelop a site. Thus, planning for and preserving open space must be done prior to development.

As a high growth state, Utah's success can be measured not only by what and how it builds, but also by what it chooses to leave untouched. We remember with gratitude the visionary leaders of foregone generations who built the freeway systems, transit systems, and airports that allow easier travel. We also appreciate the significant structures that provide places of learning, employment, worship, and entertainment and add architectural interest to the skylines of Utah's cities. However, we also commemorate with fondness visionaries, like William Howard Taft, who recognized that unique and irreplaceable landscapes were better left as they were. Taft was the first to place protections on the area that would become Zion National Park - celebrating its 100th year as a national park this year.

In spite of these broad protections 100 years ago, future generations must do their part to maintain access to this global treasure. For example, state dollars allocated this year through the LeRay McAllister Critical Land Conservation Fund have combined with federal and local sources to preserve access to the Zion Narrows by placing a conservation easement on the last remaining private inholding on the globally significant gem. Without the contributions of federal, state, and local dollars, one of the most treasured hikes in the entire state could have been closed down and access eliminated or granted only to the highest bidder. With these contributions and the cooperation of a willing landowner, private property will be

FIGURE 1



protected; property owners will be justly compensated; and continued public access, wildlife habitat, and ranch land will be secured for current and future generations to enjoy.

In addition to this significant project, thousands of Utahns and visitors benefit each year from investments in state parks, regional trail systems, and conserved rural landscapes throughout the state. These protected landscapes provide access to Utah's incredible outdoor recreation, protect pristine watersheds, improve critical wildlife habitat, and conserve the prime agricultural lands that maintain our rural heritage and future ability to produce food locally. This year, the LeRay McAllister Fund dedicated $3.4 million to preserve significant agricultural lands, provide access to urban open spaces, and protect wildlife habitat for sensitive species. Additionally, the Watershed Restoration Initiative contributed over $10 million state dollars (matched by an additional $20 million from non-state sources) to restoring nearly 200,000 acres of impaired watersheds and wildlife habitat.

Land preservation is crucial to preserve access and open space. However, demand for outdoor recreation infrastructure is increasing. State Park visitation has increased by over 65% since 2015. National Park visitation has increased by 86% over the past decade as nearly 11 million visitors enjoyed Utah's "Mighty Five." Hunting and fishing participation has increased substantially over the past decade as over 43,000 new hunters have taken to the field and 47,000 new anglers have wetted a line. Many more enjoyed hiking, wildlife watching, and camping in developed and undeveloped areas of Utah's magnificent landscape.

Accommodating these recreationists requires effort and resources. Fortunately, a 48% increase in fee revenues has reduced State Park reliance on the General Fund by nearly 75%. During this time period, Utah's state parks have added over 100 improved campsites, added and improved restrooms, and built new state parks and facilities. Revenue from increasing hunting and fishing license sales have allowed Wildlife Resource professionals to manage our fisheries and wildlife populations and habitat.

Furthermore, Utahns have benefited from $10.2 million in state Outdoor Recreation grants invested in outdoor recreation infrastructure development since 2015. The funding provides sustained returns in Utah's quality of life, physical and mental health improvements, and ability to attract visitor spending for years to come. Through this program, 293 miles of new family friendly trails have been funded, seven campgrounds have been improved, and several other projects have improved fishing, skiing, and bouldering amenities throughout the state. These investments improve residents' quality of life as well as the experience of the visitors Utah attracts each year.

While these initial investments provide a strong beginning to the state's commitment to funding outdoor recreation, the needs will not diminish once the funding source sunsets on January 1, 2023. Even with current funding, the demand continues to surpass available funds. As more people discover Utah and the many benefits of outdoor recreation, additional facilities must be developed and maintained. While progress has been significant, the state and local entities still need to fund and develop an estimated 700 miles of new family-friendly trails to meet the Governor's goal of adding 1,000 miles of family-friendly trails between 2017 and 2027. Additionally, while many of Utah's cities have a high number of parks and protected open space per capita, the Wasatch Front Regional Council projects that an additional 29,600 acres would be needed along the Wasatch Front alone to keep pace with population growth through 2050 to maintain the current ratio of protected open space per person in this region. The state's commitment to quality of life, open spaces, and outdoor recreation infrastructure needs to remain strong to keep pace with its rapidly growing population.

Recommendations

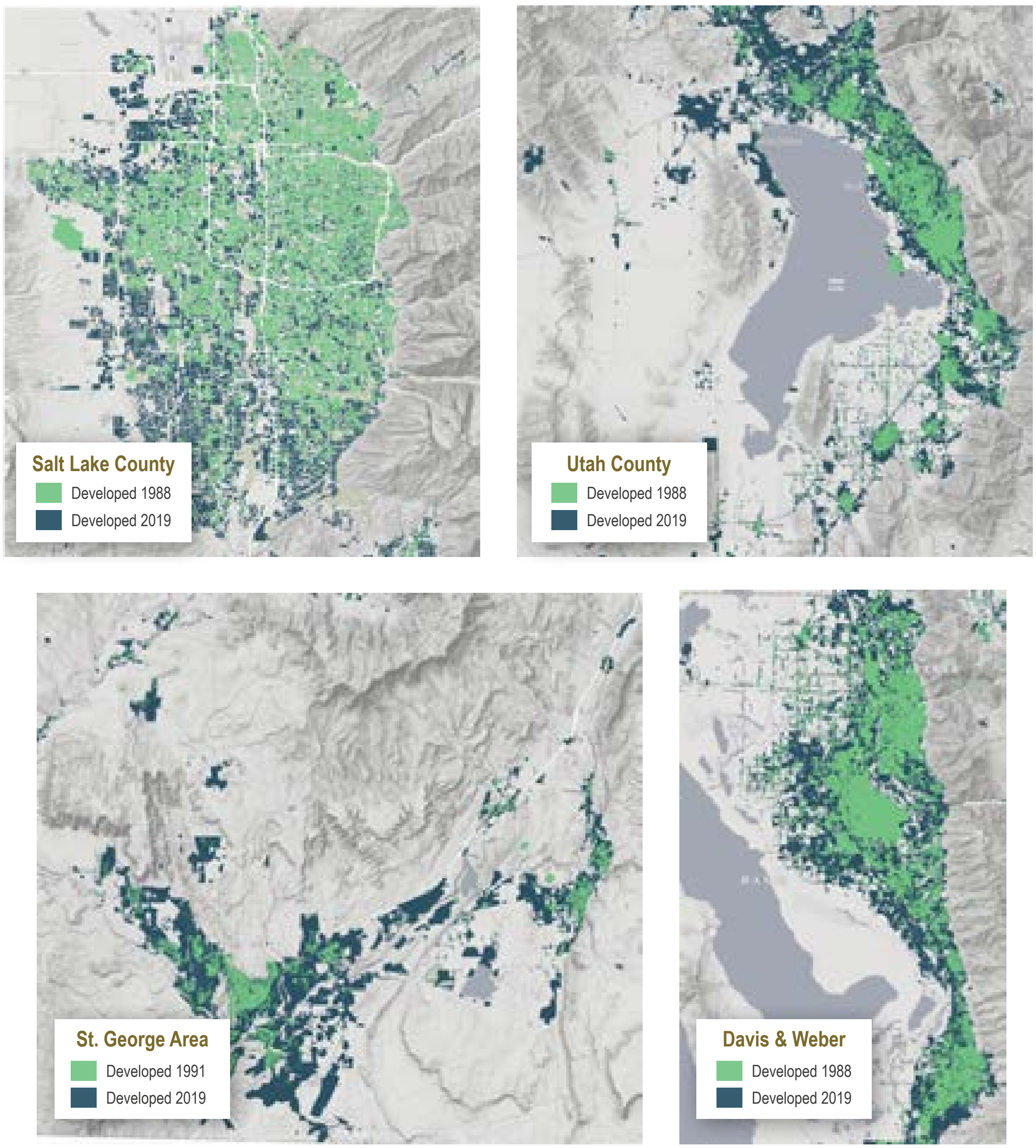
To perpetuate Utah's heritage as a wise steward of the natural landscape and to allow continued preservation of the most unique and irreplaceable open spaces, agricultural lands, and recreational amenities, the Governor recommends:

- Creating a $40 million one-time endowment to preserve, enhance, and restore access to the state's cherished open spaces and recreational gems. By setting aside these funds and allowing an annual appropriation of 5% of the endowment balance, this endowment can create an ongoing legacy to benefit current and future generations through preserving and enhancing our quality of life, leaving a permanent taxpayer return from the taxpayer investment in the Fund of Funds. The Governor directs the State Planning Coordinator to work in cooperation with the Quality Growth Commission and the Office of Outdoor Recreation to develop funding criteria ensuring the endowment provides the greatest enhancements to quality of life for the greatest number of Utahns.

- Investing $2 million one-time for the LeRay McAllister Fund to preserve and restore natural and agricultural lands in areas facing the greatest likelihood of development. As Utah experiences steady population growth and the accompanying

FIGURE 2

CHANGES IN DEVELOPED LAND



Geographic data from the Division of Water Resources Water Related Land Use layer, County Assessor Land Information Records, and the Utah Automated Geographic Reference Center (AGRC) increase in development, state-funded open space preservation should keep pace with population growth – projected to increase by 18% over the next 10 years. The LeRay McAllister Critical Land Conservation Fund has been a unique and significant source of matching funds for preserving over 93,000 acres of prime agricultural lands, cherished cultural landscapes, pristine watersheds, and critical wildlife habitat for sensitive species and prized game alike.

- Investing $16.6 million of user fees to expand and improve State Park camping, lodging, OHV trails, and parking, including $1.6 million to expand Goblin Valley State Park. As State Parks experience record visitation, revenues should continue to be reinvested to improve and expand the visitor experience.
- Removing the sunset on the Utah Outdoor Recreation Grant funding. As more and more people discover Utah's magnificent outdoor landscapes, the need to expand, enhance, and maintain our recreation infrastructure will only increase. Since a significant percentage of those who pay transient room taxes participate in outdoor recreation, it is appropriate to continue dedicating a portion of these taxes to improve the visitor experience by improving facilities. In addition to facilitating a variety of other outdoor recreation infrastructure, this funding will contribute toward funding and developing the estimated 700 additional trail miles needed by 2027 to meet the Governor's goal of 1,000 miles of family friendly trails within 10 years. To assist in this effort, the Governor recommends $150,000 to fund a full-time Trails Planner and Coordinator in the Office of Outdoor Recreation.
- Investing $3 million ongoing for the Watershed Restoration Initiative to continue the momentum of restoring Utah's range and forestlands to improve wildlife habitat, reduce wildfire risk, and enhance the yield of our watersheds. Additionally, the $1.5 million for the Shared Stewardship Initiative will leverage $4 million from the U.S. Forest Service and go to on-the-ground projects in mutually identified landscapes and accelerate planning and implementation for priority forest management work.
- Invest in tourism infrastructure development. Over the past several years, a confluence of factors such as record Mighty 5 park visitation and regional economic recomposition trends have put strong pressure on local infrastructure and community placemaking needs. To be responsive to these pressures, the Governor recommends that the state rebalance resources currently dedicated to fueling consumption through tourism promotion. To this end, the Governor recommends $18 million of ongoing funding in FY 2021 for Tourism Performance Marketing, $3 million for rural economic development efforts, and $3 million in ongoing funding for the development and repair of community infrastructure and other growth-strained assets.

As Utah continues to grow and develop, proactive steps must be taken to preserve open spaces and recreation amenities that contribute so significantly to our quality of life.

TRANSPORTATION & HOUSING

Utah's high quality of life will be maintained only through efficient land use, improved air quality, and more affordable housing and integrated transportation systems.

Highlights

Balance road, transit, and active transportation investments and take a more holistic and integrated approach to transportation and land use planning.

$34 million ongoing appropriation to begin the process of double-tracking FrontRunner to increase frequencies and make transit a more convenient option for commuters.

To better align with needs identified in Utah's Unified Transportation plans and based on transit currently anticipated to be 33% of demand through 2050, allocate a larger share of total transportation revenues to transit options.

$3 million ($1 million ongoing and $2 million one-time) for technical planning assistance for rapidly growing communities that tie into the regional transportation system to help balance local character and values with regional visions and transportation needs.

Increase focus on Transit Oriented Developments (TODs) by removing the statutory cap on UTA-owned land to allow for more intense land uses near fixed rail transit stops.

Support options that lead to greater housing affordability.

Increase teleworking options across all levels of government and in the private sector.

$20 million ($5 million ongoing and $15 million one-time) to affordable housing programs.

$3.7 million ($1.2 million ongoing and $2.5 million one-time) for the Point of the Mountain Development Authority.

UDOT to focus on a timely transition to various transportation user fees, including from an excise fuel tax to a Road Usage Charge (RUC) by identifying and implementing strategies to accelerate enrollment in a RUC consistent with SB 2001 of the 2019 Second Special Session.

Background

Utah has been the fastest growing state in the nation since the 2010 decennial census. With a projected growth rate of 18% between 2010 and 2020, Utah will have welcomed nearly half a million new residents during the past decade. While growth indicates positive economic momentum, unmanaged or poorly managed growth that fails to balance economic, housing, and transportation needs can negatively impact Utah's quality of life.

Fortunately, Utah's communities, regional planning entities, the Utah Transit Authority (UTA), and state agencies have been proactively looking ahead and working together to manage growth. Maintaining the state's high quality of life will require continued commitment to roads and highways as well as increased transit investments. It will require recognition that land use and transportation are inextricably interconnected. Land use drives transportation decisions, and transportation decisions drive land use and development decisions.

To maintain and enhance the state's high quality of life and improve air quality, Utah must ensure a majority of residents have easy access to ample opportunities for jobs, education, recreation, and shopping within a short walk, drive, transit trip, or bike ride. This can be accomplished by increasing the state's commitment to transit, maintaining its commitment to roads, and working with community leaders, planners, and developers to promote a pattern of well-planned and dispersed regional centers and transit-oriented developments with a vibrant mix of jobs and affordable, market-driven housing choices.

Transportation

In 2019, Utah celebrated the 150th year since the transcontinental railroad was completed at Promontory Point, cementing Utah's place as the crossroads of the West. Since that time, the transportation landscape has evolved significantly. However, Utah remains a literal crossroads of travel for freight, commuters, and millions of visitors each year. Just as the state's transportation system has evolved over the past 150 years, Utah must continue to meet the needs of a diverse and growing population and economy.

As growth increases the demand on transportation, one possible response would be to rely solely on new highways and additional traffic lanes. However, additional key strategies should be considered for improving the total transportation

FIGURE 1

system to include options for active transportation (biking and walking) networks, developing and improving transit networks, and private investments. For instance, as Wasatch Front development pressures increase at the Point of the Mountain, we face the once-in-a-lifetime opportunity to create an innovative development plan that can serve as a model for integrating housing, employment, recreation, and services that are each linked by highways, transit, and active transportation.

In addition, the state can reduce congestion and the demand for more roads by allowing market-driven housing to be developed close to economic centers and encouraging job and housing centers in appropriate locations that are closer to existing transit infrastructure. Simply changing the mix and location of housing and jobs to leverage existing infrastructure capacity will bend the cost curve of transportation and other infrastructure while decreasing the negative impacts on air quality.

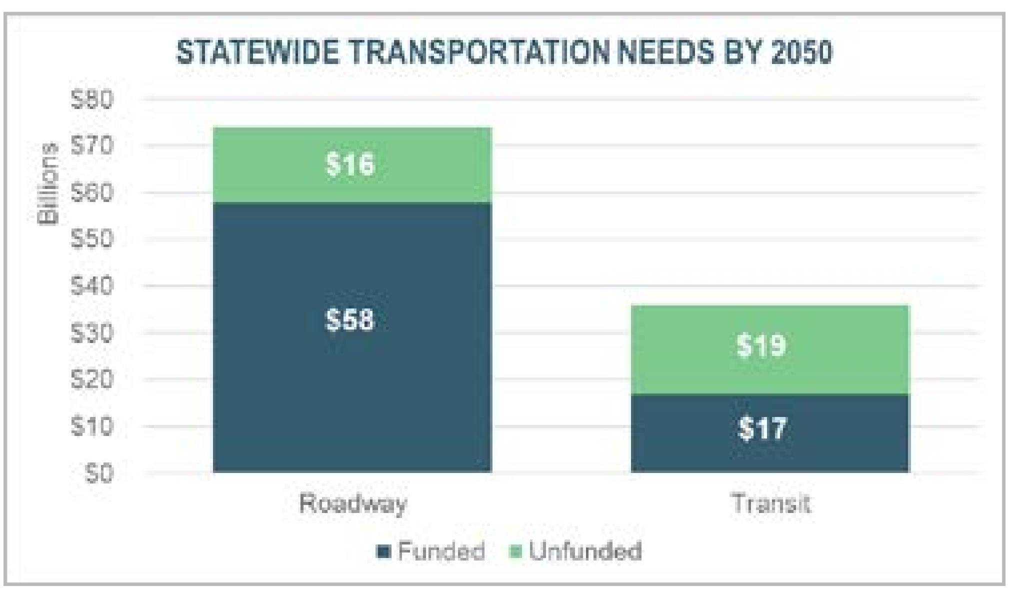
The era of rapidly changing and improved technology brings increased flexibility in job location. Flexible work options, such as teleworking and flexible hours, can improve employee retention, alleviate highway congestion, and reduce air pollution. To this end, the State of Utah has implemented a robust teleworking program that is reducing the number of state employees commuting to a physical work location; however, the state cannot solve congestion and air quality issues alone. The Governor calls on employers at every level of government, as well as the private sector, to review their workforce needs and determine how they can be part of the solution.

While innovation and flexibility in where and how citizens live and work will help, people and goods will always need to be moved. To ensure a more effective and efficient transportation system, the Governor calls on the Utah Department of Transportation (UDOT), the Utah Transit Authority (UTA), and other transportation planning entities to jointly develop strategic recommendations for a more integrated and holistic transportation system.

In addition to moving to a funding system based more on road user fees, the state must place a greater emphasis on transit funding. Recognizing the Utah Constitution stipulates that certain transportation revenues (i.e. fuel taxes) be used for roads, the Governor recommends that transit receive a higher portion of total transportation revenues over time. With transit currently anticipated to be 33% of demand through 2050, total transportation funding should be apportioned so that new revenue growth allows for funding allocations better aligned with Utah's Unified Transportation plans.

As a first step, the Governor recommends a $34 million ongoing appropriation to begin the process of double-tracking FrontRunner to increase frequencies and make transit a more convenient option for commuters. For instance, strategically placed sections of track could allow for increased-capacity Express Trains that would depart every 15 minutes and allow for reduced travel times during

FIGURE 2



peak demand. In addition, as road user fees increasingly replace sales tax revenues over time, a portion of those sales tax revenues can be appropriated for transit. In conjunction with this strong state investment in transit, the Governor recommends UTA provide transit passes to all state employees and that state employees and the public have transit access to major state facilities, including the new state office building in Taylorsville. Further, with this investment, the Governor recommends UTA develop a strategic plan for double-tracking Frontrunner by July 2021.

While additional state funding should be part of the solution, UTA must also be subject to the same standards as UDOT (and all state agencies) and leverage existing funding to offset increasing costs through operational improvements. The Governor recommends UTA review its operations and commit to improving performance by 25% and committing those savings to expanding service.

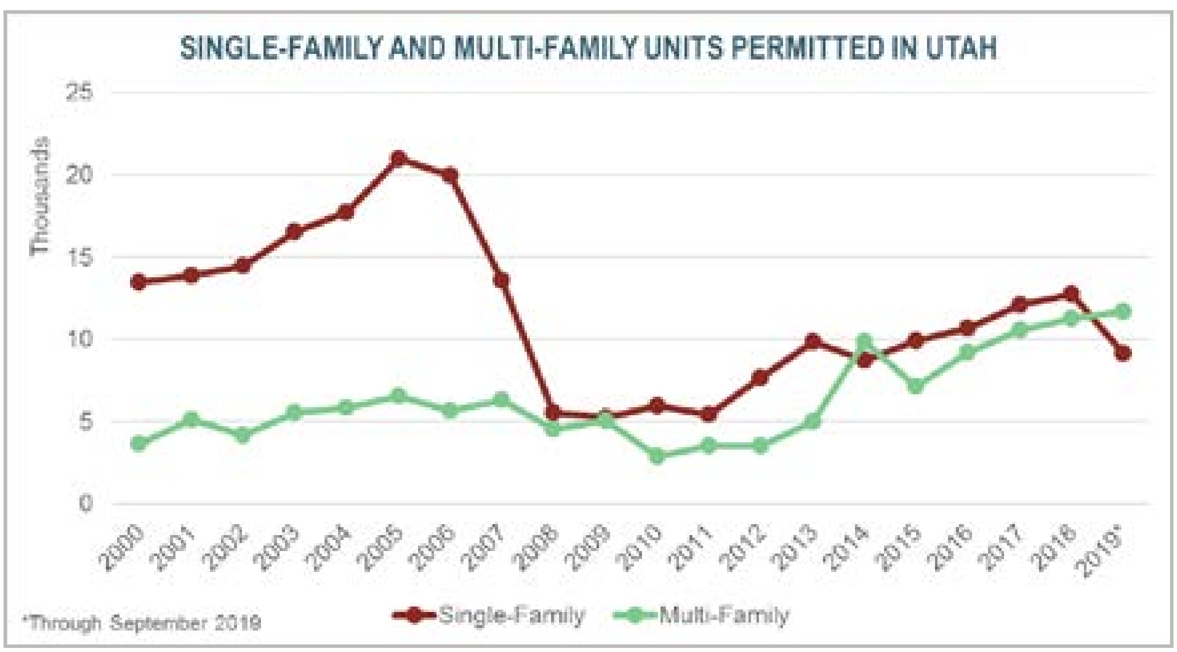
Additionally, the Governor calls on UDOT to design a user-fee-based funding model for any unfunded portion of the Unified Transportation Plan by the end of 2020. This should include a mix of alternatives such as direct mileage-based charges, congestion pricing, expanded tolling, registration fees, and fuel taxes. Consistent with SB 2001 of the 2019 Second Special Session, UDOT should focus intently on how best to advance the timely transition to various transportation user fees, including from an excise fuel tax to a Road Usage Charge (RUC) by identifying and implementing strategies to accelerate enrollment in a RUC.

Ultimately, the state needs to reduce reliance on sales taxes for transportation and increase reliance on user fees. These new revenues should allow the growth in total transportation funding to be proportionally allocated between roads and transit based on the needs identified in the Unified Plan through 2050. Just as Utah's transportation systems must evolve, the mechanisms for funding transportation must change to ensure equitable, market-based solutions that will meet the needs of a growing population, changing transportation demands, and changing revenue structures.

Housing

To ensure a supply of affordable housing, market forces must be allowed to help shape how communities grow and are developed. According the Kem C. Gardner Policy Institute, between 1991 and 2017 housing prices in Utah increased faster than all but three states: Colorado, Oregon, and Montana. Over those 26 years, the average annual increase in housing prices was 5.7%. If that rate of increase continues for the next 26 years, a median priced home in the Salt Lake and Provo-Orem metropolitan areas will be $736,600 in inflation-adjusted dollars.

FIGURE 3



Housing price increases will not only make it difficult to attract and retain needed talent, but will also make it difficult for rising generations to remain close to home. While local zoning controls provide a necessary check on inappropriate and potentially costly developments, they must also be agile enough to respond to changing market conditions. Utah's growing population is expected to add an additional 133,000 households over the next five years, and the market must provide more affordable housing.

Responding to these challenges is a tall order. As growth pressures and market forces increase, the demand for more complex mixed-use and transit-oriented developments in urban areas increases. And, as unprecedented growth moves to small towns on the urban fringe, communities will need to reevaluate how to accommodate new growth in a manner that aligns with their community character. Existing zoning policies that may have served a community well for decades could be insufficient in responding to today's needs.

For instance, 74% of residential units permitted in 2005 were for single-family units and only 23% were for multi-family housing. In 2019, over half of permitted residential units were for multi-family units, a trend that highlights the changing housing market. In many cases, communities facing the greatest growth pressures are the least equipped to respond as limited staff resources are strained under the demands of rapid growth. In such cases, additional support and resources may be needed to help communities ensure that planning efforts provide the highest quality of life for Utah residents.

Recommendations

Utah will likely continue to experience significant population growth. The challenge will be to chart a course that accommodates a growing population while maintaining and improving quality of life. Supporting effective land use decisions at the local level with collaboration at the regional and state level provides the best chance of creating a future with the lowest possible tax burden while maintaining a high quality of life.

For example, ongoing efforts to link local land use and regional transportation provide a more integrated approach to reduce congestion, improve economic development, and enhance community character. With recent changes in state law, the Transportation Commission should heavily emphasize good land use planning when allocating scarce state transportation funds.

The Governor's Life Elevated 2020 Initiative outlines key strategies to accommodate growth while maintaining a high quality of life. These include continuing to invest in transportation choices and encouraging growth within market-driven, mixed-use centers. To accomplish these strategies while maintaining local authority, the Governor proposes implementing the following tactics:

- Balance road, transit, and active transportation investments. The Governor recommends the state transition toward significantly increased transit funding. As a start, the Governor recommends $34 million to begin the process of double-tracking FrontRunner to increase frequencies and make transit a more convenient option for commuters.
- Balance local character and values with regional visions and transportation needs by providing technical planning assistance to rapidly growing communities that tie into the regional transportation system. The Governor recommends $1 million in ongoing funds to continue UDOT's Technical Planning Assistance program and $2 million one-time to the Quality Growth Commission to coordinate with Metropolitan Planning Organizations in funding transportation-supportive land use planning efforts.
- Increase Focus on Transit Oriented Developments (TODs) by removing the statutory cap on UTA-owned land to allow for more intense land uses near fixed rail transit stops according to market demands and local government zoning. Currently capped at eight, UTA has identified more than twice that many transit-oriented developments that could be established throughout the Wasatch Front. Rather than setting an artificial cap on the number of transit-oriented developments that can be built, the Governor recommends allowing the market to work and allowing for appropriate development that will meet the needs of the community, provide additional market-driven housing options, and support transit investments.
- Support options that lead to greater housing affordability. To ensure the most vulnerable residents' immediate needs are met, the Governor

recommends a $20 million ($15 million one-time and $5 million ongoing) allocation to affordable housing programs through the Olene Walker Housing Fund. Ultimately, land use patterns need to adapt to the increasing demands for a range of market-driven housing options that will allow the rising generation to call Utah home.

- Increase teleworking options. The Governor calls on employers at every level of government and the private sector to review their workforce needs and determine how they can be part of the solution to air quality and congestion through flexible work options.
- Invest in the Point of the Mountain State Land Authority to create and implement an innovative development plan for the future of the Draper Prison site that will generate significant economic and quality-of-life benefits for Utah residents for generations to come. The Governor recommends $3.7 million ($2.5 million one-time and $1.23 million ongoing) to begin this effort.

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 set an ambitious goal to reduce annual statewide per capita emissions by 25% by 2026.

The Governor recommends $100 million ($34 million ongoing and $66 million one-time) in new funding to improve air quality, including transit and electric car infrastructure.

The Governor reaffirms the state's commitment to effective transportation and land use alternatives that reduce both negative air quality impacts and traffic congestion. By increasing the state's commitment to transit and working with community leaders to promote a pattern of transit-oriented regional centers, residents can easily access daily activities within a short walk, drive, transit trip, or bike ride and improve air quality at the same time.

The Governor commends the Marathon, Silver Eagle, and Chevron refineries for producing Tier 3 fuels, which significantly reduce emissions and are now publicly available at Speedway and Chevron gas stations. Utahns can now make a choice to improve air quality simply by choosing where they purchase fuel. To ensure Tier 3 gasoline is widely available in the Utah market in 2020, the Governor continues to encourage all Utah refineries to produce, and fuel retailers to sell, low-sulfur gasoline.

The State of Utah is leading by example in taking action to reduce emissions. Steps include better managing vehicles and buildings, expanding telework arrangements for state employees, and reducing the number of human-caused equipment related wildfires along roadsides.

$28.7 million funded in FY 2020 for a variety of air quality projects, including a wood stove replacement program.

Over $45.5 million in recent settlements and federal funds that support continued air quality improvements.

Objective

To find practical, effective, and fiscally prudent solutions to improve Utah's air quality. Air quality impacts residents' health, business recruitment, tourism, and overall quality of life.

Background

Utah's air quality continues a trend of significant improvement, even with a growing population and economy. Between 2002 and 2017, Utah's population increased by more than 770,000—a 33% increase. During the same period, total statewide emissions declined from 2.5 million tons to just over 1.7 million tons—a 31% total reduction and a 49% per capita reduction (see Figure 1).

Air quality now meets the 2006 federal standard for fine particulate matter (PM2.5) in the Logan and Provo Non-attainment Areas. Air quality in the Salt Lake Non-attainment Area is improving, and only Salt Lake City air quality does not comply with the federal standard. In addition, all other locations in the 5-county (Salt Lake, Weber, Davis, Tooele, and Box Elder County) Non-attainment Area comply with the federal standard.

An estimated 85% of Utah's winter air pollution comes from mobile and local area sources such as vehicles, homes, consumer products, and small businesses. Over the past three years, winter air pollution levels have also improved significantly.

Human-caused wildfires account for more than half of all wildfires in Utah annually and contribute to Utah's air quality problems. Specifically problematic are equipment-caused wildfires along roadsides.

To reduce fire risk, the Governor directs roadside mowing by Utah's Department of Transportation (UDOT) be done in advance of fire season. This change will measurably reduce burnable fuels on the roadside, reduce the number of wildfires, and improve air quality during fire season. UDOT and the Division of Forestry, Fire, and State lands have begun discussions on how to best implement this direction.

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

- Required industrial sources to install stringent new control technology
- Passed nearly 30 new formal administrative rules addressing large categories of emission sources
- Launched public education campaigns
- Implemented travel reduction plans
- Obtained grants to help build clean fuel infrastructure
- Coordinated prescribed fire and smoke management activities to mitigate the impacts from large wildfires

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. The Department of Environmental Quality (DEQ) is conducting research through state and federally funded grant dollars to gain a greater understanding of the causes and effects of Utah's unique air pollution contributors to determine the most effective and cost-efficient mechanisms for improvement.

Of specific importance is new DEQ research into the role ammonia plays in wintertime smog as a precursor to air pollution. On a bad winter day, up to 70% of the airborne particulates measuring 2.5 microns or smaller are ammonium nitrate. Although Division of Air Quality (DAQ) researchers are hesitant to draw specific conclusions on the sources of ammonia at this point in their research, evidence suggests that fertilizer and farm emissions (specifically in Utah County), as well as mobile sources (cars and trucks) play a major role in ammonia production along the Wasatch Front.

Scientists and researchers at DAQ have finished the sample collection portion of the study and will continue to look at the contribution and sources of the compounds to better evaluate public health and air pollution along Wasatch Front. With more robust data on the sources of air pollution, DAQ can build more accurate models. These models help inform policy decisions and assist in regulation of pollution. Better policies and regulation lead to improved air quality.

25% Air Quality Improvement Target

As part of the SUCCESS initiative, the Governor and DAQ set an ambitious goal to reduce annual statewide anthropogenic (human-originated) emissions by 100,000 tons by 2026. This goal represents a 25% per capita reduction.

To help meet this target, the Governor proposed a historic $100 million allocation to fund high-impact air quality improvement projects in 2019. Investment strategies focus on efforts generating the greatest pollution reduction at the lowest cost. The Legislature appropriated $28.7 million for FY 2020, a historic allocation in its own right, for both statewide enterprise projects and efforts focused on the public at large.

$100 Million in New Funding Again Recommended to Improve Air Quality

The Governor again recommends $100 million in new funding for air quality improvement efforts, this year focused on Utah's transportation system including state investments in transit and electric car infrastructure.

Of this amount, the Governor recommends a $34 million ongoing increase for transit, as further explained in the Transportation and Housing budget and policy brief.

The remaining $66 million is recommended for electric car infrastructure, of which $63 million is recommended for implementing a comprehensive DC fast charger installation plan to broaden electric car infrastructure in all parts of the state. The plan will include expanded charging options in major shopping areas, park and rides, and stadiums along the Wasatch Front and in rural areas frequently visited by the public such as Moab and areas near the national parks.

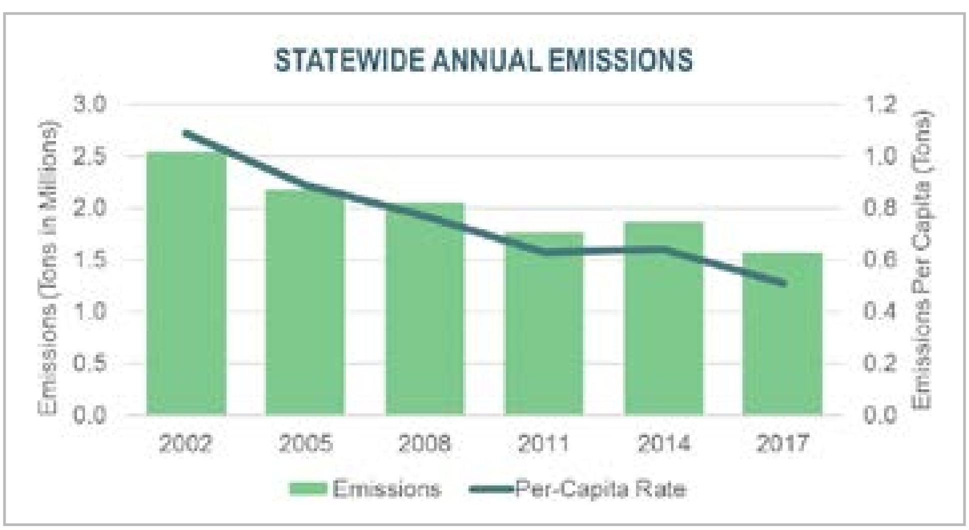
According to the U.S. Office of Energy Efficiency and Renewable Energy, electric vehicles typically produce fewer life cycle emissions than conventional gas vehicles because most electricity-generated emissions are lower than gasoline or diesel. Also, on a national average, it costs less than half as much to travel the same distance in an electric vehicle than a conventional gas vehicle. These benefits, coupled with the fact that 42% of air pollution on the Wasatch Front comes from mobile vehicle emissions, means that the more zero emissions vehicles on the road (with the state assisting with basic infrastructure by helping develop a comprehensive charging network), the greater the benefit to regional air quality.

Utah does have the framework for a statewide DC fast charger network. However, this network is largely limited to urban areas and interstate highways. The network must be extended into key areas of rural Utah, including the Uintah Basin, central and southern Utah, and the West Desert to eliminate range anxiety (i.e. the electric-vehicle driver's worry that the battery will run out of power before the destination or a suitable charging point is reached). More chargers are also needed along existing corridors to reduce crowding and to provide alternative charging sites in the event of equipment failure. Finally, locating chargers at Utah's state parks, national parks, and national monuments will enhance tourism opportunities.

To accelerate plan adoption, the Governor recommends that the state work with private partners to build out the necessary charging infrastructure.

The Governor also recommends a $3 million match for a Utah State University National Science Foundation grant that

FIGURE 1



focuses on an electric vehicle transportation infrastructure buildout. This award would make Utah a hub for electric vehicle research throughout the entire intermountain region.

Significant Progress Achieved With Recent Funding

Although the $28.7 million in new funding provided last legislative session has been available for only a few months, DEQ's Division of Air Quality and the Department of Administrative Service's Resource Stewardship Division have already achieved significant progress in implementing the programs.

Wood burning contributes significantly to winter inversions and pollution levels across the most populated parts of Utah. For example, one fireplace can emit as much particulate pollution as 90 SUVs, and the pollution from one wood-burning stove is equivalent to the amount emitted from 3,000 gas stoves. Because of this large impact, a significant portion of the $28.7 million FY 2020 investment ($9 million) went to a comprehensive wood stove replacement program that offers incentives to convert existing fireplaces or wood stoves into natural gas units.

In December 2019, DAQ began a staged monthly application and award process for the wood stove replacement program within the greater Salt Lake City area. The program will become available in the remaining portions of Salt Lake county and Davis, Box Elder, Utah, and Weber counties in 2020-2021. Low-income households will receive higher rebates.

To reduce emissions long term, nearly $7 million went to electric vehicle charging stations in FY 2020 at government offices around the state. To date, funds have been allocated to purchase a total of 122 Level 2 dual port electric vehicle chargers at state facilities. Installation of the chargers is currently underway. Utah stands to save an estimated 11 tons of emissions annually and an estimated 106 tons of emissions over the lifetime of the project.

Nearly $4 million was allocated to replace pre-2007 state vehicles. The Division of Fleet Operations is replacing 238 pre-2007 over-polluting state vehicles with cleaner models.

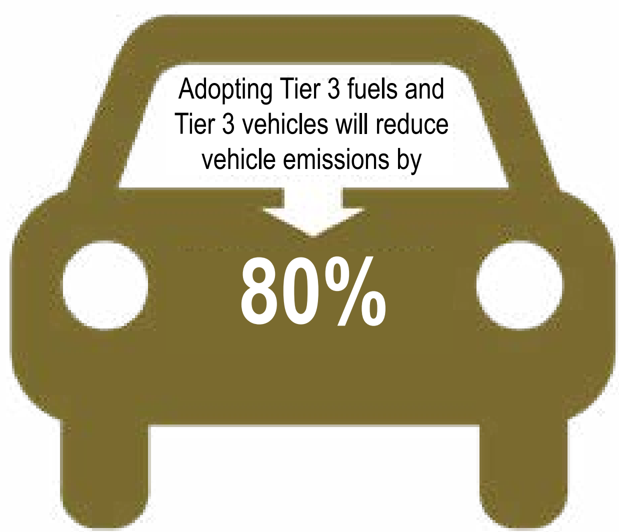
In addition to better managing vehicles, the Governor also identified opportunities for more of the state's workforce to enter into teleworking arrangements. With a $6.3 million allocation for this program, the state is working to ensure the proper arrangements are in place for successful implementation. The project benefits both the state and the employee and reduces emissions by reducing the number of vehicles on Utah's highways. Utah stands to reduce 21.3 tons of emissions annually, and an estimated 319 tons over the lifetime of the project.

The goal of the telework initiative is to have over 2,000 state employees working remotely by the end of 2020.

Tier 3 Vehicle and Fuel Standards

In 2014, the Governor endorsed accelerating the transition to Tier 3 standards. Tier 3, an integrated system of national vehicle and fuel standards, requires that much cleaner vehicles phase 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).

Vehicle emission controls are more effective when the gasoline used has lower sulfur content. For this reason, the Governor continues to encourage local gasoline refineries to produce low-sulfur Tier 3 gasoline. Three operators, Silver Eagle, Marathon, and Chevron are already producing Tier 3 gasoline that can currently be purchased at local Speedway and Chevron gas stations. Of the remaining four refineries, Utah has received commitments from both Andeavor (formerly Tesoro) and Sinclair to produce Tier 3 fuel locally,



and both anticipate having the fuel available in the Utah market in 2020. The Holly and Big West refineries continue to evaluate compliance options under the Tier 3 standard. DAQ will continue to work with these two facilities to address low-sulfur fuel levels in the state.

The Governor applauds the Chevron, Andeavor, Marathon, Silver Eagle, and Sinclair refineries for committing to install equipment to produce cleaner fuels for Utah.

Utahns can now make a choice to improve air quality simply by choosing where they purchase fuel. As more consumers demand lower emission fuels through their fuel choices, the Utah market should respond to consumer demand.

Reducing Vehicle Emissions Through Mitigation Projects

Recent settlements and federal grants also contribute to improving Utah's air quality.

The State of Utah is a beneficiary of nearly $35.2 million through a Volkswagen (VW) settlement agreement for violations of the Clean Air Act. VW admitted to installing software on diesel vehicles to cheat the federal emissions test procedure, resulting in certain vehicles emitting 9 to 40 times the nitrogen oxides (NOx) allowed by federal law. The settlement provides specific eligible mitigation action categories that beneficiaries may fund to mitigate the excess NOx emissions from the illegal vehicles.

Under the settlement terms, the State is required to use the funds for eligible mitigation actions that include repowering or replacing certain diesel vehicles/equipment or investments in light-duty electric vehicle supply equipment projects. The State has 10 years from the trust effective date of October 2, 2017 to use the settlement funds.

DEQ, with input from the public and an advisory committee, developed an environmental mitigation plan for these funds. Its goal is to reduce the excess nitrogen NOx emissions produced by the illegal vehicles registered in Utah.

Nearly three-fourths of the Volkswagen settlement funds will go toward the replacement of class 4-8 local freight trucks, school buses, and transit buses. DEQ has prioritized vehicle replacement projects based on their achievement of the highest NOx reductions for the lowest cost. The remaining quarter of the funds will go toward the purchase and installation of light-duty electric vehicle supply equipment, projects through the Diesel Emissions Reduction Act, and administrative costs.

To date, DEQ has received 50 applications that include 379 total vehicles, resulting in a combined request for over $72 million. Nearly $25.7 million (73.5% of the settlement money) has been awarded to a variety of local school districts and cities (14 government entities in all) to replace local freight trucks, school buses, and transit buses. In total, DEQ selected 104 vehicles to replace at 50-65% of the cost of the new vehicle. Awardees will now have three years to use the awards for replacement and are required to permanently disable the replaced vehicles by drilling a hole in the engine block and cutting both sides of the chassis rails to ensure the vehicle can no longer be used.

So far, $3.8 million (11% of the settlement) has been awarded to various cities and government entities for electric vehicle charging stations at locations including the Utah Department of Transportation (UDOT), the Salt Lake County Health Department, Utah Valley University, Provo City, Orem City, and West Valley City, among many others.

In 2017, the Governor allocated $7.9 million to replace diesel school buses from additional Volkswagen violation settlement funds. Approximately 100 diesel school buses have been replaced by local school districts across the state to date, reducing emissions by approximately 24 tons per year.

In 2018, Utah received an additional $2.4 million in federal clean diesel grants to help replace older diesel engines. The grants have and will continue to remove inefficient, polluting diesel engines from Utah's roadways. With over $17 million allocated from this program to Utah since 2008, hundreds of these trucks with newly replaced engines are back on the road, resulting in thousands of tons reduced from diesel emissions and over a million gallons of diesel fuel saved over the last decade.

Budget & Policy Brief

WATER

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

Highlights

Increasingly emphasize water rates as the core funding mechanism for water

$1.2 million one-time and $300,000 ongoing to support improved water efficiency through implementation of the American Water Works Association's Water Efficiency and Water Loss Control methodology

$1.4 million one-time for aquatic invasive species/inspection program

$230,000 in staffing to support water banking and watershed efforts

$3 million for agricultural water optimization

$3 million for an agricultural water pollution reduction plan

$1 million one-time for water metering efforts

$2.5 million for drinking water SUCCESS program implementation

Objective

To develop water funding policies and mechanisms that ensure the following:

- the State of Utah maintains a financial role that is fiscally prudent and sustainable
- 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
- 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.

Background

As one of the driest states in the nation, water is always a topic of interest in Utah. While Utah has successfully thrived despite its arid environment, the challenges of population growth, aging infrastructure, and an uncertain climate require a more comprehensive view of water management.

The state must develop or better implement policies and strategies to encourage 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, increased use of existing and emerging water-saving technologies, enhanced public education, increased water-wise landscaping, and the elimination of conservation barriers in local and state laws. As growing demands stress existing supply, solutions should recognize the increasing value of limited water resources and optimize the use of existing water infrastructure and supplies.

An increased recent focus on water has yielded positive results. Improved processes and strategic investments have accelerated the slow pace of water rights adjudication. The state has improved water usage data collection and reporting, which improved insight into current water use. Individuals, businesses, researchers, communities, non-profit entities, and agricultural producers across the state have contributed to conservation efforts.

However, much work still remains to optimize Utah's limited water supply.

Water Use

Assuming current water usage levels remain as is or only minor efficiency improvements occur, demand for municipal and industrial (M&I) water is projected to exceed supply over the coming decades as Utah's population growth continues.

This means Utahns have a very important choice to make about water use. If population growth continues as projected, the timing of new water system development can vary significantly depending on water usage levels. More judicious use of existing water could delay costly major development projects, while the failure to use existing developed water more efficiently will lead to accelerated water project construction schedules and bring accelerated cost increases.

Looking to the future, policymakers should take a comprehensive view of water and seek to optimize water use across the board. In particular, a strong emphasis on more efficient M&I water use should continue for all types of water users, particularly for excessive outdoor water use.

As Utah's single largest water use type, 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 for agricultural water users, relatively minor increases in true agricultural efficiency (accounting for return flow) could have a sizeable impact on the state's overall water use. The Governor recommends $3 million ongoing to the Department of Agriculture to work with the Agricultural Water Optimization Task Force and the agricultural community to baseline diversions and depletions, set ambitious conservation targets, and find ways to help producers optimize their water usage to improve yields and ensure adequate water.

State Water Studies

Using the funding provided in SB 251 (2016), the Division of Water Resources has contracted for various water studies through a request for proposal process.

A recent study completed for the Division of Water Resources identifies localized water conservation targets for 2030 in different Utah regions. The Governor supports these new regional targets as a meaningful step toward improved optimization of water and calls on all Utahns, including families, businesses, state agencies, local governments, churches and other non-profits, conservancy districts, planning and zoning authorities, and state policymakers to create and implement conservation policies and tactics to achieve the targets, and even exceed them where possible. Important steps include approaches such as secondary water metering, more water-wise landscaping, and widespread adoption of current technology such as smart meters and controllers.

In addition, various financial studies are also nearing completion. These studies will explore funding and financing alternatives for major water projects and project repayment feasibility. The studies are designed to provide information and tools to inform policymakers as they consider the following questions:

- How much should state taxpayers subsidize water projects, both initially and ultimately?
- Which of the project costs paid up front by state taxpayers should be ultimately repaid?
- Is interest on state taxpayer costs intended to result in full ultimate repayment or in an ultimate subsidy beyond the initial timing subsidy?

- Should up-front local participation in project funding be required, such as through a meaningful down payment and meaningful water rates?
- What are the proposed repayment revenue sources and how reliable are they over the ups and downs of the business cycle?

Water Metering and Efficiency

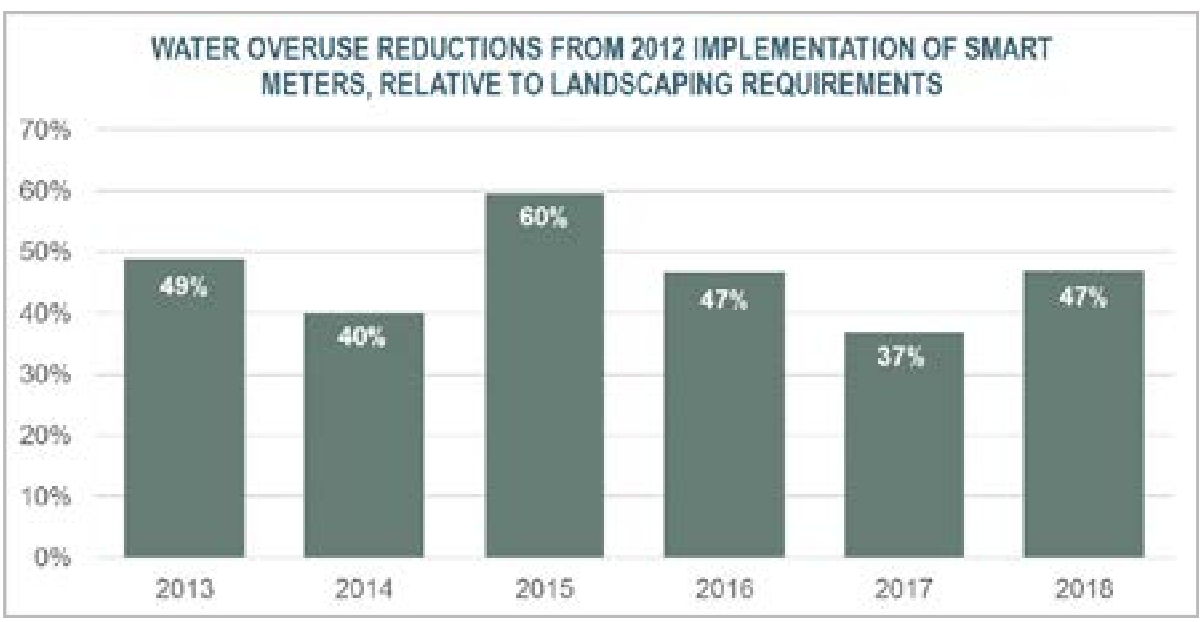
Unfortunately, significant portions of Utah's M&I water remain unmetered, especially for residential and institutional (government and nonprofit entity) users. For example, the fiscal note on SB 204 of the 2018 General Session estimated that nearly 220,000 water connections remain unmetered. Having significant unmetered water means, at best, total water use levels and water use per capita are approximations. This uncertainty about current water use creates challenges for appropriate long-term planning.

Measuring all M&I water use and informing consumers of their water use are important steps in better managing this scarce resource and should be completed prior to the state funding major water projects. Figure 2 shows how Weber Basin Water Conservancy District has started metering unmetered connections and found water metering alone reduced excessive outdoor water use by an average of 44%, with even higher levels (up to 60%) during hot and dry years. The Governor's budget recommends $1 million to support greater water efficiency through M&I secondary water meters and smart water meters and controllers.

Another important step is better understanding and improving the water delivery process. Some water systems lose up to 35% of their water before delivery to the end user. Recognizing that existing water delivery systems may be inefficient, the Governor recommends $1.2 million in one-time and $300,000 in ongoing funding to the Division of Water Resources to implement water loss audits of Utah's various water systems through the American Water Works Association's (AWWA) Water Efficiency and Water Loss Control methodology. In addition to the recommended state funding, municipalities should pay into and support the program as they participate. This effort allows for better data to track total system water losses, identify costs, establish validity of data, and allow for technical assistance to address problem areas. Water providers implementing the AWWA's Water Efficiency and Water Loss Control methodology, such as Kearns, Orem, and others have reduced system water losses by up to 50%. The Governor recommends that all water systems serving a population of more than 3,300 individuals engage in the water loss audit program and that all systems participating target a minimum reduction of system losses at 30% or greater.

The Governor is also requesting that the Executive Water Finance Board, together with the divisions of Water

FIGURE 1



Resources, Water Quality, and Drinking Water, comprehensively review the state's water revolving loan funds in the coming year. It is imperative to better understand the true need for the various loan programs; re-emphasize the use of private market financing when it is available; leverage the maximum impact from limited taxpayer resources; identify where program overlap may exist; and, to the extent possible, align program definitions and qualifying requirements with each other as well as with overarching state objectives such as efficiently using limited water resources, measuring water use, ensuring water quality, and providing good water data for decision-making.

Emphasizing Water Rates to Pay for Water Costs

No one wants increased water rates. However, water rates need to increase over time to pay to fix and replace aging infrastructure and for new development projects. While local water user fee increases are unpopular, so are state tax increases. Depending on the cost levels incurred by the state, Utahns will likely soon face a real choice between state tax increases or local water rate increases to pay for water costs. Unlike state tax increases, water rates encourage efficient use of limited water resources.

In addition to repairing aging infrastructure, it is also critical to protect our existing water storage and delivery systems. For instance, the spread of aquatic invasive species, such as quagga mussels, could drastically increase the cost of maintaining existing water delivery systems. Containing quagga mussels in Lake Powell must be an ongoing priority for the state and, although the Governor recommends $1.4 million to aid in setting up additional watercraft inspection stations within the state, ongoing costs of inspection should primarily be funded by those who use the resource and pose the greatest threat of spreading mussels. By providing the needed infrastructure for a robust inspection system, the Division of Water Resources will work towards its ambitious target of total compliance of boat inspections and ultimately contain the invasive species to Lake Powell.

STATE WATER OBJECTIVES

- Maintain a fiscally prudent financial role
- Use limited resources wisely
- Align costs with water use
- Protect the quality of lakes, rivers and streams
- Ensure accurate and reliable data is available to policymakers to make informed financial decisions
- Ensure future water supply is safe and sufficient to meet the demands of the growing population

Water Banking

A multi-organizational effort has commenced over the past several years to help facilitate local, voluntary, and temporary transfers of water to meet Utah's growing demands through water banking. Water banking allows individuals to lease out their own water rights and can help alleviate water supply and demand constraints in various local systems. Efforts spearheaded by legislators, water attorneys, and others attempt to remove legal barriers surrounding the voluntary temporary leasing of water. The Governor recommends $130,000 in ongoing funds to the Division of Water Resources to help facilitate the water banking efforts, in addition to $100,000 ongoing to aid in setting up regional watershed councils.

Water Quality

The Governor recommends a $2.5 million ongoing increase from the General Fund to aid the Department of Environmental Quality's Division of Drinking Water in its SUCCESS effort of moving toward a more sustainable funding mechanism by ultimately relying less on state and federal resources and more on user fees to administer drinking water inspection, enforcement, certification, and permitting. The effort to move toward a sustainable approach requires investment to enhance the division's water system inspection program and upgrade its permitting process with the goal of fulfilling the department's regulatory function with consistent and comprehensive annual site inspections of all 400 required sites. This effort also provides technical assistance to small-scale water systems that struggle to operate safely and efficiently.

There are 261 impaired bodies of water in Utah that are largely dominated by private agricultural land use. Impaired waters can lead to water quality issues including algal blooms, compromised fisheries, and threatened drinking water sources. A new and comprehensive approach paired with additional resources are needed to incentivize agricultural producers to adopt practices that improve water quality and add value to their operation. To this end, the Governor recommends $3 million to the Department of Environmental Quality to award additional agricultural water quality infrastructure grants, increase staff to develop more nutrient management plans, and add additional regulatory oversight on animal feeding operations. These efforts aim to increase the acres enrolled in nutrient management plans from roughly 8,000 acres (1%) to 150,000 acres (15%) and increase the percent of animal units inspected each year from 11% to 20%.

SOCIAL SERVICE PROGRAMS & SUPPORT

Elevate vulnerable populations in order to achieve sustainable and positive outcomes, appropriate workforce participation, and self-sufficiency through efficient operational design and effective service delivery

Highlights

By uncovering hidden capacity within relevant systems and redirecting recouped resources to improve outcomes, the state can increase preventive services without sacrificing existing treatment needs.

State social service agencies and the healthcare community should focus on eliminating layered complexity within and across programs.

The Governor recommends significant investments of over $30 million in the state's mental health services system, including a new behavioral health transition facility for inmates with mental illness who complete their prison sentence; an additional 30 bed unit at the state hospital; five new mobile crisis unit teams; and at least two no-refusal, short-term crisis receiving centers.

$22.9 million in ongoing funding for traditional Medicaid consensus items in FY 2021.

Nearly $100 million from the Medicaid Expansion Fund to continue serving the coverage gap population and to support January 2020 implementation of Utah's Medicaid expansion "fallback" plan into FY 2021.

Nearly $4.5 million in ongoing funding for a new limited community services Medicaid waiver for people with disabilities.

Enact consistent tax policy by taxing electronic cigarettes liquid, devices, and paraphernalia similar to traditional tobacco products.

The Governor directs executive branch agencies to participate in a new internship program for people with disabilities by providing a total of 15 to 20 internship positions annually for people with disabilities. This program will be specifically designed to provide incumbents with transferable skills and experience to other employment opportunities within state government and the private sector.

Departments of Corrections, Workforce Services, and Human Services should continue to apply the Social Services Blueprint Solution to improve quality outcomes for clients/offenders as efficiently and effectively as possible.

Objective

Effective social services programs and support will elevate vulnerable populations to achieve sustainable and positive outcomes, appropriate workforce participation, and self-sufficiency through efficient operational design and effective service delivery. While the precise goals and performance measures for these objectives are system specific, yet-to-be-implemented ambitious targets could approximate the following: reduce Medicaid beneficiary average length of stay in inpatient hospital settings by 25% over the next four years, transition able bodied working age adults off of Medicaid and on to employer-provided insurance benefits 33% faster over the next year, and increase the number of state internship positions for people with disabilities such that at least 20% of internship program graduates go on to fill permanent employment positions with state agencies.

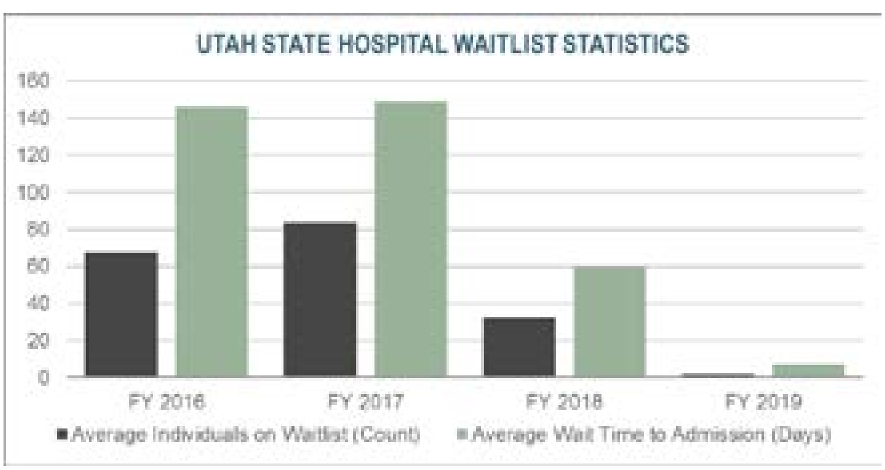
Background

Utah continues to build on the hard-earned budget, policy, and operational successes experienced across social service programs in recent years. This improvement effort is guided by application of the concepts and principles found in the Social Services Blueprint Solution, which was developed and tested by the departments of Corrections, Workforce Services, Human Services, and the Governor's Office of Management and Budget (GOMB).

The blueprint solution helps social services agencies improve quality outcomes for clients/offenders as efficiently and effectively as possible by defining key elements of a well-designed social service program intervention. This includes maximizing the time and attention of treatment providers and practitioners with patients and/or clients by providing evidence-based services with correct frequency, duration, and intensity. The solution also requires strong process measures for monitoring milestone completion and helping patients and clients progress through their plans to the point of completion.

A great example of the blueprint solution in action can be found at the Utah State Hospital. In December 2017, the Utah State Hospital began applying operational improvements to its work to reduce wait times and better serve patients. Through the adoption of concepts like case movement and flow, and the addition of 24 new beds, the average wait time for admission of court-ordered patients is down from 168 days to four days. Other measured results are similarly astonishing: FY 2019 admissions increased by 50%[1], discharges increased by 47%[2], and average length of stay decreased by more than 12%[3] throughout FY 2019. These dramatic operational improvements and resource optimization have allowed the state to fully comply with the terms of the 2017 forensic settlement agreement and, more critically, provide needed treatment to patients in a timely fashion.

FIGURE 1



[1]FY 2019 admissions increased to 153, up from 102 the year before.
[2]FY 2019 discharges increased to 115, up from 78 the year before.
[3]The average length of stay decreased from 856 days at the start of FY 2019 to 750 days by the end of the year.

These accomplishments, along with outcomes from previous operational improvement pilots in the Department of Workforce Services Family Employment Program, Department of Corrections Adult Probation and Parole programming, and the Department of Human Services Child Protective Services unit, demonstrate what is possible through scalable deployment of the statewide Social Services Blueprint Solution.

In the most recent application of the blueprint solution, the Department of Corrections is focused on reducing the 36-month-average offender parole period by half to 18 months and also cutting the average 18-month probation period by half to 9 months. These ambitious targets will be pursued with attendant decreases in recidivism, ultimately driving recidivism to zero as people permanently and successfully return to their communities.

Beyond the Utah State Hospital's progress, other investments have been made in the state's mental and behavioral health services systems to include operationalizing five multidisciplinary Mobile Crisis Outreach Teams that provide intensive crisis response services in urban counties, funding four new psychiatry resident slots at the University of Utah medical school, increasing state funding for mental health providers in local schools, and providing additional state resources for the SafeUT crisis line. Despite these advances, Utah ranked concerningly low on national measures for adult mental health in 2018 and near the national average on youth measures that same year. A number of factors contribute to these figures, including statewide mental healthcare professional shortages and a lack of community-level resources for individuals experiencing mental health crises. The Governor recommends both funding and policy changes to address these shortcomings.

Perhaps the most noteworthy development in the social services arena over the past year was the launch of the state's Medicaid Expansion 'bridge' program. The 'bridge' program went into effect on April 1, 2019, and provides access to Medicaid benefits by previously ineligible adults with earnings less than the Federal Poverty Level (FPL). This population has been traditionally characterized as falling in the 'coverage gap' because the group didn't qualify for either traditional Medicaid benefits or federal subsidies for exchange-based healthcare plans purchased under the Affordable Care Act.

With affordable healthcare now accessible to the coverage gap population and nearly 38,000 beneficiaries enrolled in the bridge program, the state turned its attention to obtaining federal approval of the Medicaid expansion 'fallback' waiver. In the fallback waiver, the income eligibility threshold is increased to 138% FPL and the federal match rate increases to 90% of program costs. The fallback waiver also includes Utah-oriented policy solutions such as community engagement requirements for enrollees and leveraging third-party private insurance when available. The Governor lauds recent federal approval of several provisions central to the fallback waiver and directs immediate implementation of the program.

Recommended Operational and Policy Responses to Ongoing Challenges

As Utah continues to make strides in increasing the accessibility, effectiveness, and long-term sustainability of its social service programs, it is important to recognize that dated paradigms for responding to persistent and unresolved challenges will not suffice. From responding to the recent outbreak of vaping illnesses to scaling proven interventions, the Governor recommends the following operational and policy principles:

- The state should advance prevention without discontinuing remediation. Prioritizing prevention over remediation is an ever-present conflict for most social service programs as resources are insufficient to simultaneously address the current needs of a given population and also all potential future needs of a population via interventions aimed at prevention. To break this conflict, state agencies and social service programs must uncover hidden capacity in each system to redirect existing resources to preventive activities without ignoring immediate community needs.
- State social service agencies should focus intently on eliminating layered complexity within and across programs. As needs arise within the scope of agency missions and across relevant patient/customer groups, the inertia of traditional response methods often gives rise to new programs or increased granularity within existing programs. These new initiatives and program carveouts perpetuate efforts to create distinctions without meaningful differences

and, in turn, require additional administrative resources, time, and attention that could have been used much more directly to respond to patient needs and advance agency goals.

- Increase regulation and tax electronic cigarettes. The Governor recommends taxing electronic cigarette liquid, devices, and paraphernalia similar to traditional tobacco products under Utah's tax code. As of 2017, an average of 11.1% of Utah's 8th, 10th, and 12th graders used electronic cigarettes routinely (within 30 days of being surveyed), up from 10.5% in 2015 and 5.8% in 2013. In comparison, electronic cigarette use among Utah adults has been roughly flat at between 4.6% and 4.8% since 2013.

Budget and Policy Recommendations for Selected Social Service Items

- $25 million in one-time savings in FY 2020 for Medicaid consensus items, primarily due to lower than expected caseload in the expansion population.
- $22.9 million in ongoing funding for traditional Medicaid consensus items in FY 2021 to address net cost changes associated with year-over differences in enrollment, inflation, and other anticipated program expenditures.
- Nearly $100 million from the Medicaid Expansion Fund in FY 2021 to continue serving the coverage gap population and to support January 2020 implementation of the fallback plan.
- $30.5 million ($8.7 million one-time, $21.8 million ongoing) in new funding for significant investments in the state's mental health services system, to include $2.5 million ongoing for five new mobile crisis units to serve rural counties; $11 million for a new behavioral health transition facility for inmates with mental illness who complete their prison sentence; $10.4 million for a minimum of two urban no-refusal, short-term crisis receiving centers to properly treat people in crisis and divert caseload from jails and emergency rooms; $4.9 million for a new 30-bed forensic unit in the state hospital to accommodate projected growth in referrals; $500,000 for healthcare professional student loan repayment to increase the supply of mental health professionals in underserved areas; $1 million in Medicaid behavioral health reimbursement rate increases; and $1.3 million in ongoing funding for Operation Rio Grande Sober Living programs and mental health services.
- $9 million ongoing to support youth in state custody who are transitioning to Division of Services for People with Disabilities (DSPD) benefits, additional needs for current DSPD service recipients, and employment programs for people with disabilities.
- Nearly $4.5 million ongoing to offer state plan services for 700 children and adults under a new limited services Medicaid waiver for people with disabilities. This waiver would offer a limited array of services focused on supporting people with more narrow sets of needs who currently have little opportunity for moving off of the traditional DSPD waiting list.
- $7 million ongoing to support various social service items such as local health department minimum performance standards, quality improvement incentives for intermediate care facilities, Medicaid reimbursement rate increases for autism services, and caseload increases in the Baby Watch program, among other items.
- The Governor also directs executive branch agencies to participate in a new internship program for people with disabilities, where 15 to 20 internship positions with state departments will be made available to people with disabilities on an annual basis. These positions will be specifically designed to provide transferrable experience to employment opportunities within state government and in the private sector.

Budget & Policy Brief

PREVENTING DOWNSTREAM PROBLEMS

Identifying existing hidden capacity in order to more deeply invest in preventive programs without sacrificing immediate treatment needs in the community

Introduction

Government services represent the epitome of the well-known saying "an ounce of prevention is worth a pound of cure." Preventing problems from occurring or minimizing their impact is far better for taxpayers because it minimizes long-term costs and is better for customers because prevention improves long-term outcomes for customers.

Yet despite the value of such services, government faces legitimate constraints to initiating, integrating, and scaling preventive services. The stark reality is there will never be enough revenue to meet all demands for government services. While policymakers want to fund programs that help avoid future problems, they must also fund interventions responsive to pressing and proximate needs. In an environment of finite resources, tradeoffs exist for every budget and policy demand.

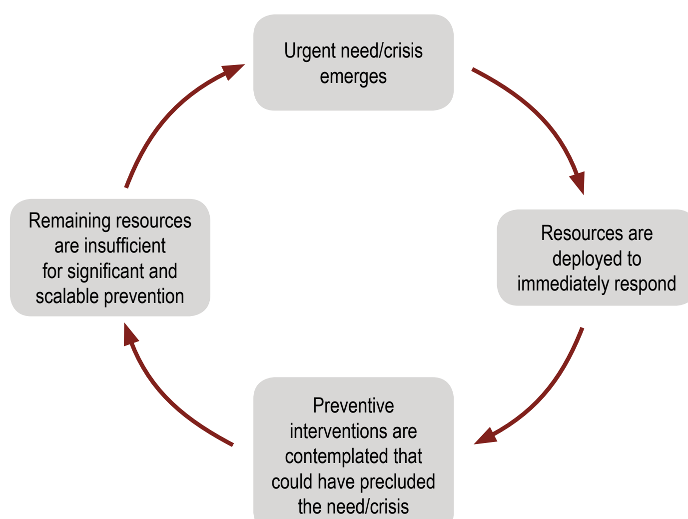
Vicious Cycle

Trying to carve out enough resources for prevention that will truly move the needle and minimize more expensive downstream services is nearly impossible under the traditional "more money is the answer" model. The reason? New revenue is usually needed to fund existing service demands. This means little money is left over to invest in prevention efforts.

The money that is invested is usually sprinkled across multiple programs. As a result, those prevention programs that do exist often don't have enough substance or reach to make the kind of impact required for real change. Some prevention programs may have marginal impact, but they often lack the momentum and scale needed to reduce system costs, divert people from crisis, and improve quality upstream. Because the problems persist, the sprinkling of resources continues to fund pressing and proximate needs that could have been avoided through robust prevention efforts. The root of this vicious cycle (see Figure 1) is not a lack of research or empirical evidence that would otherwise reveal the most worthy sources of prevention program

FIGURE 1

PREVENTION VICIOUS CYCLE



investment. Rather, this vicious cycle is perpetuated through the allocation of scarce resources to the most immediate and critical needs.

Find Hidden Capacity

Scaling up prevention in a way that fundamentally changes the delivery model takes money. But waiting for a significant infusion of new dollars is unlikely due to the vicious cycle described above. Given existing budget constraints, some may argue for tax increases, an untenable proposition for multiple reasons. First, increasing taxes can slow down the economy and negatively impact the ability to generate new revenue. Second, it would be difficult to generate enough money through new tax collections to scale all existing prevention programs, let alone create new ones.

With existing money tied up and higher taxes untenable, advocates for prevention have only one viable alternative: find hidden capacity within existing programs and services in order to reallocate those resources to prevention programs. Future potential risk should not be prioritized over current immediate needs.

The Prevention Continuum

When discussing what falls under the "prevention" category, differentiating between prevention and remediation isn't always straightforward. Prevention and remediation fall along a continuum. Some measures, like inoculation against illness, are clearly preventive. Other interventions, such as in-home counseling for families with children who are at risk of abuse and neglect, may fall along a prevention-to-remediation continuum. In this example, an issue already exists that must be remediated, but future monetary costs (and enormous social costs) could also be avoided by preventing conditions in the household from worsening.

Whether a given intervention is plainly preventive or along the prevention-to-remediation spectrum, getting ahead of a problem is better than reacting to one. Helping vulnerable individuals get support before they need intensive, crisis-oriented services provides a much higher quality of life and is usually less expensive. Preparing children to come to school ready to learn is more effective than having to invest in remediation programs. Maintaining roads is much cheaper and less disruptive than having to rebuild them. Keeping IT systems up to date with new releases and patches is better than having to deal with costly security breaches.

Key Questions to Consider Prior to Asking for Money for Prevention Programs/Activities

- To which broader system does the prevention program belong? For example, the program may be designed to help youth avoid repeating an offense. In this case, this proposed program would be part of the broader juvenile justice services system.
- What specific population is the program focused on helping? Be specific. For example, the program may focus on helping male youth between the ages of 12 to 16 who live in Salt Lake City.
- If the program is designed to provide preventive services to people, consider the following: How large is the target population? How many people would be impacted if the program were at full scale? Consider what it would take to scale the program so that it were fully accessible by those in need and could make a transformative impact.
- If the program is targeting a resource—such as cars or roads: What other prevention activities/ programs already exist? What is the cost for these programs and what are the outcomes? Can any of these resources be diverted to this new effort?
- What is the level of current expenditures across the broader system?
- What specific and measurable efforts have been made to improve the performance of the broader system? How are these improvement efforts tracked so that resources can be diverted into other efforts, such as prevention?
- What operational measures does the system use to determine if deeper-end and non-prevention services are working?
- What performance measures would be used to determine the prevention program's impact? Consider measures around desired outcomes, cost avoidance, timeliness of the intervention,

and the cost of the program.

- Many prevention programs point to cost avoidance or diversion as a primary benefit. How is this calculated for this effort? What is the current cost per person/service? Accounting for population growth, what savings do you expect from the prevention effort when it comes to the costs for the entire system? What methods will you have to capture these savings in order to reinvest in and expand the prevention program?
- What operational changes need to be made to the flow of work so that the prevention effort is robust, viable, measured, and sustainable?
- What activities will you stop doing in the day-to-day work of front-line staff so that they can take on prevention activities assigned to them?
- If the prevention activity requires any coordination across other organizations, what do you plan on doing to implement the "synchronization" model outlined in the SUCCESS framework?
- What would you have spent absence the intervention and how will you quantify the impact for the entire system?
- Are there other organizations or individuals who should be involved in the prevention effort? If so, how should this effort leverage and support their role?

Given the widespread and common sense recognition that preventing a problem from occurring is more desirable than allowing a problem to emerge and then remediating it, program administrators should strive to identify hidden capacity in existing systems and redeploy those resources to preventive causes.

HEALTHCARE COSTS & MEDICAID

Implementing operational improvement principles in healthcare delivery and managed care plan settings to address rising cost pressures and maximize positive patient outcomes

Highlights

The state will incorporate changes into contracts with providers and managed care plans to ensure measurable improvements in patient outcomes and costs.

The state will evaluate Accountable-Care-Organization-led physical and behavioral health integration programs relative to non-integrated and alternatively designed integration plans.

State social service programs and healthcare providers should strive for continued improvement across many domains.

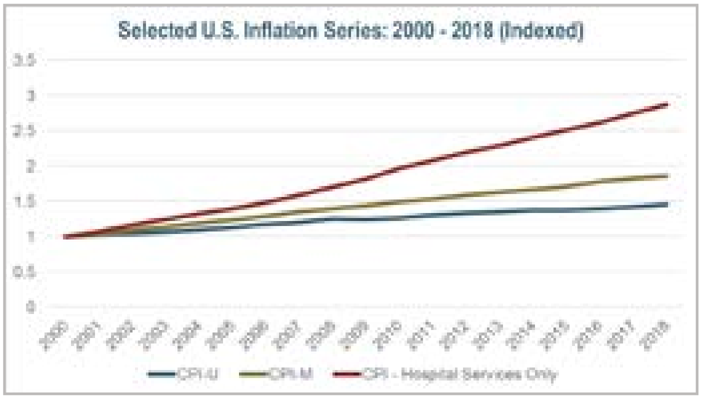
Background

With national health care expenditures totaling nearly $3.5 trillion and comprising 17.9% of Gross Domestic Product (GDP) in 2017, the U.S. healthcare system is the most cost-burdened in the world. Healthcare spending as a percent of GDP in other high-income, common-comparison countries range from 9.6% (Australia) to 12.4% (Switzerland).

Various leading causes may account for these comparatively high health care expenditures, including inflexible and locally unresponsive federal programs, tort vulnerability, and distorted market prices for consumers and producers. Ultimately, the U.S. Congress must address these national cost drivers. However, after many years of congressional inaction, Utah cannot wait to intervene in the areas under its purview. The state is known for proactively uncovering and implementing breakthrough solutions. Areas worthy of investigation and state response include the following:

- **Administrative Complexity.** A recent article in the Journal of the American Medical Association estimates the cost of waste in the U.S. health care system approximates 25% of total healthcare spending (Waste in the US Health Care System, Estimated Costs and Potential for Savings, 2019). Of the potential sources of waste, administrative complexity was estimated as the largest contributor, nearly $266 billion annually.
- **Hospital Services Inflation.** Since 2000, U.S. price inflation for consumer goods and services (CPI-U) has been 46%. Overall medical service price increases have nearly doubled general inflation over that same time period, at 86% (CPI-M). Hospital price increases, however, have almost tripled, posting a 187% inflation rate over the same period. With hospital care comprising

FIGURE 1



about one third of all national health expenditures, rapid inflation in hospital prices puts significant upward pressure on healthcare expenditures over time.

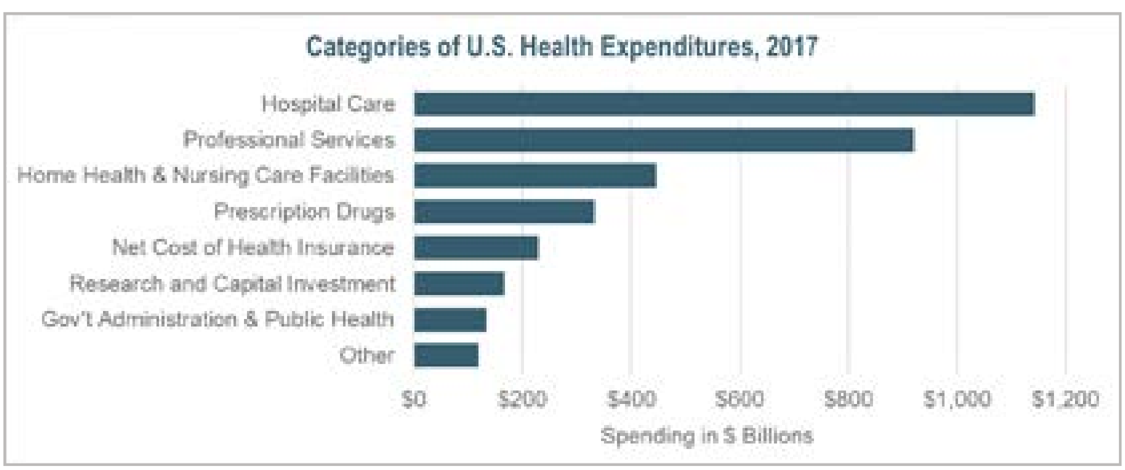
- **Drug Spending.** A recently published meta-analysis of healthcare spending across developed countries (Health Care Spending in the United State and Other High-Income Countries, Journal of American Medical Association, 2018) found that the U.S. has the highest pharmaceutical spending per capita at $1,443, nearly double the $749 for comparison countries. If per capita U.S. pharmaceutical spending was more like that of the comparison countries, U.S. health spending would fall by about $200 billion, or one percentage point of GDP (from 17.9% to 16.9%).
- **Chronic Illness and Acute Care Needs.** According to national Medical Expenditures Panel Survey Data (MEPS), a relatively small number of patients account for a very high share of healthcare spending. It is estimated that 1% of the U.S. civilian population accounts for more than 28% of healthcare expenditures, and that 5% of the population accounts for more than half of all health expenditures. Utah's Medicaid program has witnessed a similar phenomenon, as less than 1% of Medicaid enrollees accounted for more than 16% of total Medicaid costs in FY 2015.

The Utah Context

Healthcare expenditure trends and the overall efficiency of the healthcare system are concerning not just from a social welfare perspective, but also from the taxpayer perspective as a payor. In 2018, nearly one in four Utahns were enrolled in some form of government-sponsored Medicaid or Medicare healthcare coverage. Moreover, with the Medicaid expansion "fallback plan" now approved, over 50,000 more Utahns are projected to join the state's Medicaid rolls by FY 2021.

While Medicare is administered by the federal government, Medicaid is a cooperative state-federal program where Utah must budget for a meaningful portion of the cost. Since FY 2000, the share of available General Fund revenue spent on Medicaid roughly doubled, increasing from about 13% to about 25% in FY 2018. Strikingly, this expenditure trend will mostly exclude anticipated "fallback plan" expenditures moving forward as the primary funding source for that expansion program comes from earmarked non-General Fund revenue collected through a 0.15 percentage point sales tax increase.

FIGURE 2



Policymakers have sought to address the causes and impacts of rising Medicaid costs over the years through various methods including using a preferred drug list for Medicaid prescriptions, moving to Accountable Care Organization (ACO) health plans designed to increase the delivery of value-based care, and creating multiple restricted accounts used to accumulate surplus funds that serve as disaggregated buffers. Despite these interventions, the state has been unable to overcome the rising cost pressures witnessed across the broader healthcare system.

Recommendations

To begin addressing these challenges and others within Utah's healthcare delivery system, the Governor recommends the following near-term budget and policy solutions:

- The state's provider networks and practitioner communities should focus on developing and adopting operational care principles that significantly improve patient outcomes while also pushing down costs. For example, as noted in the Social Service Program and Support budget and policy brief, a multitude of state agency pilots and subsequent permanent program changes have shown that serious gains can be made by applying Utah's Social Services Blueprint Solution. This solution includes best practices of flow, embracing and measuring progress toward ambitious targets, and making efforts to deliver interventions that are frontloaded and include the right intensity, time, and type of intervention. The state's healthcare providers and managed care entities, such as Medicaid Accountable Care Organizations and hospital networks, should recognize these or similar principles when adopting operational improvement strategies focused on improving patient outcomes at lower costs. Moreover, the direction of this solution must fundamentally rely on improvements in treatment delivery at the practitioner level – if changes do not ultimately trickle down to that level of resolution, it is unlikely any real improvements will materialize. The state will open a Medicaid value-based contract bid process such that providers and managed care plans can submit their best ideas and proposals for operationalizing these principles.
- The state will evaluate ACO-led physical and behavioral health integration programs against non-integrated and alternatively designed integration plans. It is well understood that care delivery should be responsive to the 'whole person' and that care should be 'coordinated' so that treatment pathways are not fragmented for patients with co-occurring conditions and multiple treatment needs. However, it is less clear which entities should lead integration efforts and for which patient groups, and how payments for services should be bundled and to whom they should be remitted. All of these outstanding questions should be addressed through the piloting of ACO-led integrated physical and behavioral health services in select metro areas of the state (Salt Lake, Utah, Weber, Davis and Washington counties), with ongoing evaluation of key performance metrics, state fiscal outcomes, and patient health outcomes within and between non-integrated and alternatively integrated models.
- State social service programs and healthcare providers should strive for continued improvement across many domains. There are a host of areas in which the state and broader healthcare network should continue to make gains. Administrative complexity should be reduced as it is counterproductive and costly, opportunities for prioritizing preventive care over emergent or episodic care should be explored, community-based services should be made more available, and efforts should be made to enhance a continuum of care that is responsive to a spectrum of patient needs.

Table 2 - Governor's Budget Recommendations for Education

Public K-12 Education	One-time	Ongoing	Total
A. New Education Fund and General Fund			
Increase Weighted Pupil Unit (WPU) Value by 4.5%	$0	$150,459,400	$150,459,400
Net Enrollment Growth (Estimated 7,902 New Students)[1]	$0	$12,895,100	$12,895,100
Enrollment Growth for Four Additional Below-the-line Programs [2]	$0	$276,500	$276,500
WPU Add-on for Optional Enhanced Kindergarten Expansion[3]	$0	$18,647,200	$18,647,200
K-12 Computer Science Initiative	$1,500,000	$8,700,000	$10,200,000
School Nutrition Program (SB 2001) [4]	$0	$7,575,700	$7,575,700
Apprenticeship Program for Students Experiencing Intergenerational Poverty	$0	$5,000,000	$5,000,000
Operational Excellence Staff for Schools	$0	$4,300,000	$4,300,000
Teacher Salary Supplement Program	$0	$3,300,000	$3,300,000
Beverley Taylor Sorenson Arts Learning Program	$0	$2,300,000	$2,300,000
Underage Drinking Prevention Program (SB 2001)	$0	$1,099,000	$1,099,000
Compensation Increases for the State Board of Education Staff	$165,600	$1,330,200	$1,495,800
Utah Schools for the Deaf and the Blind Steps and Lanes (Statutory Increase)	$0	$1,145,000	$1,145,000
Utah Schools for the Deaf and the Blind Staffing	$0	$1,200,000	$1,200,000
Necessarily Existent Small Schools Program (NESS)	$0	$500,000	$500,000
Section A Subtotal	***$1,665,600***	***$218,728,100***	***$220,393,700***
B. New Property Tax Revenue from Existing Statewide Levies			
Equity Pupil Unit	$0	$21,137,300	$21,137,300
Teacher and Student Success Program (WPU Value Amount)	$0	$23,179,100	$23,179,100
Net Enrollment Growth (7,902 new students) - Basic Levy	$0	$17,330,700	$17,330,700
Net Enrollment Growth (7,902 new students) - Charter School Levy	$0	$3,497,500	$3,497,500
Section B Subtotal	***$0***	***$65,144,600***	***$65,144,600***
C. New Funding from Other Sources			
Increased Allocations from Permanent School Trust Fund	$0	$6,166,000	$6,166,000
Section C Subtotal	***$0***	***$6,166,000***	***$6,166,000***
New State-directed Funding for Public K-12 Education	***$1,665,600***	***$290,038,700***	***$291,704,300***
D. Use of Nonlapsing Balances			
Net Enrollment Growth (Estimated 7,902 New Students)	$4,680,900	$0	$4,680,900
Teacher Salary Supplement Program	$3,820,200	$0	$3,820,200
Utah State Instructional Materials Access Center (USIMAC) Braille Transcription	$500,000	$0	$500,000
Utah Schools for the Deaf and the Blind Millcreek Modular Building	$425,000	$0	$425,000
Total Funding from Nonlapsing Balances	***$9,426,100***	***$0***	***$9,426,100***
Postsecondary Education	**One-time**	**Ongoing**	**Total**
E. New Education Fund and General Fund			
2.5% COLA (USHE, UTech, UETN)	$0	$28,000,200	$28,000,200
4.53% Health Insurance Increase (USHE, UTech, UETN)	$0	$6,783,800	$6,783,800
Utah System of Higher Education			
Performance Funding With More Meaningful Targets for Institutional Priorities	$0	$15,793,900	$15,793,900
Institutional Enrollment Growth	$0	$2,937,000	$2,937,000
USU Electric Vehicle Research Grant Match	$3,000,000	$0	$3,000,000
College Access Advisors[5]	$3,000,000	$0	$3,000,000
Technical Education Funding	$0	$1,500,000	$1,500,000
O&M for SUU's Child and Family Development Center	$0	$101,400	$101,400
Utah System of Technical Education			
Bridgerland Technical College Health, Science, and Technology Building	$38,059,600	$0	$38,059,600
Bridgerland Technical College Health, Science, and Technology Building O&M	($624,000)	$624,000	$0
Employer-driven Program Expansion & Student Support	$0	$9,000,000	$9,000,000
Equipment Funds	$1,000,000	$1,000,000	$2,000,000
Custom Fit	$0	$245,000	$245,000
Utah Education and Telehealth Network			
Equipment Funds	$3,000,000	$822,300	$3,822,300
Growth and Operations[6]	$1,000,000	$552,000	$1,552,000
Section E Subtotal	***$48,435,600***	***$67,359,600***	***$115,795,200***
New State-directed Funding for Postsecondary Education	***$48,435,600***	***$67,359,600***	***$115,795,200***
New State EF/GF Funding (Sections A and E)	***$50,101,200***	***$286,087,700***	***$336,188,900***
New State-directed Funding for Education	***$50,101,200***	***$357,398,300***	***$407,499,500***

1. The Governor recommends using consensus savings in the Minimum School Program to offset the consensus increased costs of enrollment growth.
2. Rural Transportation Grants; Title I Paraeducators; Early Literacy; Early Intervention
3. The Governor recommends moving the $7,500,000 appropriation for Early Intervention into the Kindergarten program and appropriating an additional $18,647,200 to expand OEK.
4. This is the net funding increase above expected liquor tax funding in FY 2020 (which exceeds the appropriation) and the $55,500,000 Education Fund appropriated in SB 2001.
5. The Governor recommends that USHE move to a shared-services model and use the savings to fund these advisors on an ongoing basis.
6. New Circuits and Sites: $100,000 ongoing and $300,000 one-time; Network Upgrades: $252,000 ongoing and $700,000 one-time; Network Monitoring and Efficiency: $200,000 ongoing

POSTSECONDARY EDUCATION & A QUALIFIED WORKFORCE

The Governor continues his commitment to postsecondary education and calls for consolidation of governing bodies and other systemic changes to increase effectiveness and improve student outcomes.

Highlights

The Governor recommends consolidating governance of the Utah System of Higher Education and the Utah System of Technical Colleges

The Governor makes recommendations regarding tuition policy, transfer and articulation, competency-based education, and performance funding

$115.8 million ($67.4 million ongoing, $48.4 million one-time) for postsecondary education

Objective

Prepare Utah's citizens to outcompete other populations for high-paying jobs and support significant economic growth by:

1. Providing access and equity to postsecondary education for all students, including first-generation and nontraditional students;
2. Ensuring alignment of technical and academic programs to workforce demands; and
3. Dramatically increasing the completion rate and number of graduates while lowering per-student costs.

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. Postsecondary education levels correspond to higher average income and lower levels of government dependence.

Postsecondary education is among the largest state funding commitments and constitutes approximately 18% of the combined Education Fund and General Fund budget.

Cause for Action

Utah has a remarkable postsecondary education system from which students are earning credentials in ever-increasing numbers and graduating with the lowest student debt in the country. These graduates are finding personal success and are a critical ingredient in the state's thriving economy. However, the postsecondary system is not as effective as it could be.

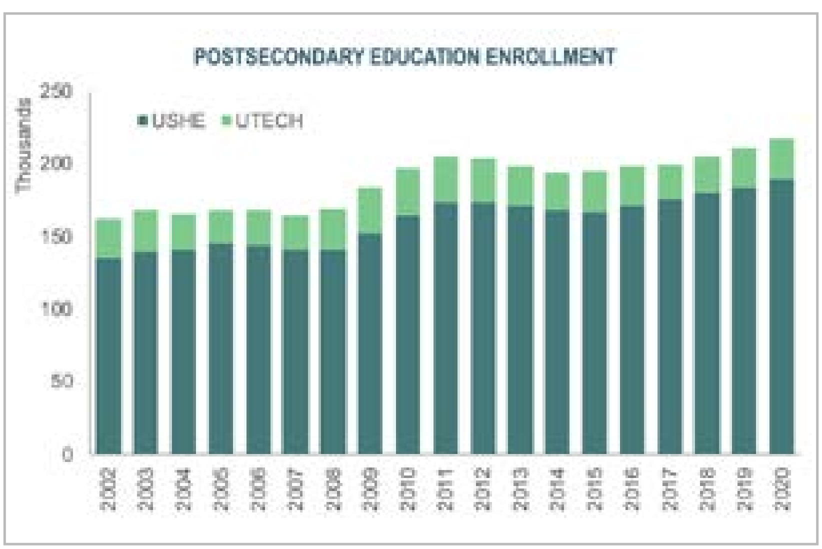
- On average, only 41% of students graduate within eight years of enrollment for associate and bachelor's degrees
- Tuition and fees have increased 216% since the year 2000, compared to a 48% increase in general inflation and a 62% increase in median household income
- Utah's students borrowed over $980 million in federal student loans last year
- Since 2010, $2.3 billion in state revenue, bonds, institutional funds, donations, and other funding sources has been spent on new building construction (excluding hospital facilities and operations and maintenance expenses)
- The average classroom is used 29 hours per week during the fall semester and 12 hours during the summer semester
- On average, 61% of seats were occupied when a classroom was in use during the fall semester and 39% during the summer semester

The Governor has identified several areas in which action should be taken to address these issues.

Governance. Governance of the postsecondary system is currently divided between two bodies: the Utah System of Higher Education's Board of Regents that is responsible for traditional higher education and technical education, and the Utah System of Technical College's Board of Trustees that is also responsible for technical education. The Governor has long noted the importance of postsecondary education and the critical role that technical education plays in postsecondary offerings. The recent work of the Higher Education Strategic Planning Commission highlights the opportunities for better coordination between traditional higher education institutions and the state's technical colleges. The Governor supports recommendations by the Commission to consolidate postsecondary governance into a single governing body and recommends that USHE, UTech, and the Higher Education Strategic Planning Commission collaborate with the Legislature and Governor's Office to adopt a preferred structure for approval in the 2020 general session.

The Governor further recommends the new governing body focus intently on establishing operational measures that capture how institutional resources are being used and synchronized to effectively meet students' needs as they move through the system. In short, the system should become more student centered and efficient than it is today.

FIGURE 1



Competency-based Education. As the population of students aged 25 years and older continues to increase, institutions of higher education should adapt traditional methods of certifying competency and awarding credit. The awarding of credit for prior learning is a critical component of student success, particularly for non-traditional students. The Governor applauds the Board of Regents' efforts to clarify institutional responsibilities regarding the assessment and awarding of credit for prior learning.

In addition to receiving credit for prior learning, students should have the opportunity to move through coursework and courses as quickly as they are able to learn the material, develop the skills, and demonstrate competency. Students should have the opportunity to demonstrate competency and have it certified as it is attained rather than be required to wait for the end of a traditional semester. The Governor recommends that the system of higher education begin the transition to competency-based education by identifying the courses and programs for which competency-based education is a natural fit and proposing an aggressive transition plan.

Transfer Barriers. System leadership should tear down the barriers to transferring credits between institutions and having those credits articulate into a program rather than simply burdening a student's transcript. The Governor applauds the Board of Regents' current efforts to identify these barriers and map out articulations between institutions for the top 50 majors, in which at least 75% of all students

FIGURE 2

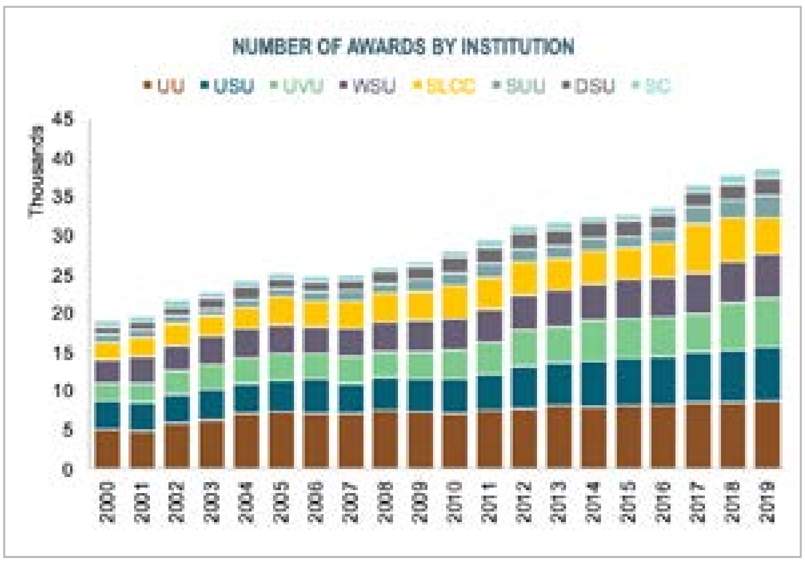
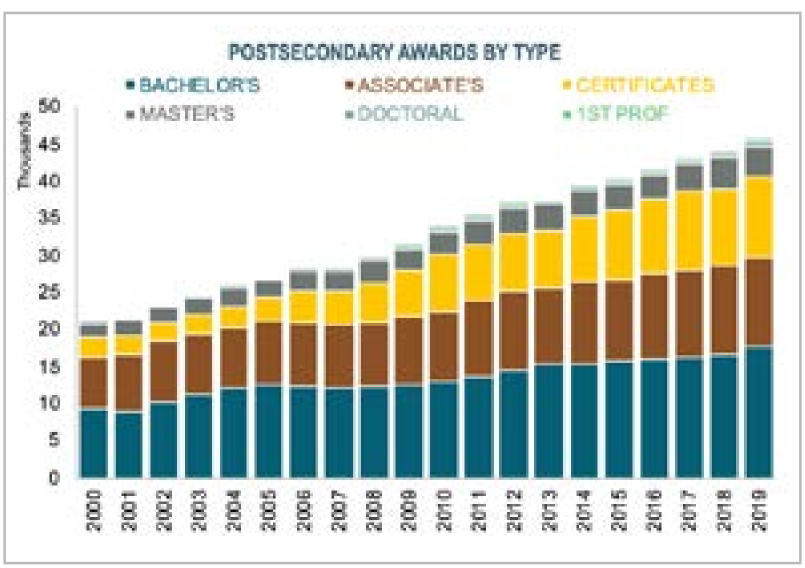


FIGURE 3



are enrolled. The Governor recommends the system of higher education continue this work until no student has to duplicate effort upon transferring to another institution in the system.

Affordability. While on average our public institutions have the third lowest tuition and fees in the nation, since the year 2000 the cost of tuition and fees has increased 216% while median household income has increased 62%. The Governor recommends a freeze on tuition and fees until the state has defined affordability for students by institutional mission.

The Governor believes that affordability must be defined in a way that all stakeholders can embrace, and he recognizes that the definition may vary with institutional missions. In defining affordability, the Governor recommends stakeholders focus on what is right for students, families, and taxpayers and avoid being complacent as a result of how favorably our institutions fare in national comparisons of tuition costs.

Differential Tuition. Utah's dual-mission institutions have received national and international attention for their innovative model that combines the roles of a traditional community college and regional university. And while this model yields a number of significant benefits, the current practice of charging university tuition for sub-baccalaureate programs eliminates the financial savings a student would expect from enrolling in a community college. The Governor recommends that the presidents of Utah's dual-mission institutions develop a plan for differentiating tuition for their sub-baccalaureate students by FY 2022.

Performance Funding. The Governor applauds the use of performance to determine funding, but is dissatisfied with the very modest statutory targets for improvement. The Governor recommends the Legislature adopt the Board of Regents' proposed changes with the stipulation that the system and institutions embrace audacious expectations and set aggressive goals.

Facilities. Leaders of postsecondary institutions have a responsibility to actively seek internal efficiencies, maximizing the quality return on the state's substantial investment in postsecondary education. These leaders should seek to maximize the efficient use of existing facilities, including at night and during the summer months, and focus capital expenditures on extending the operational lives of existing facilities to avoid unnecessary expenditures for expensive new facilities. The Governor appreciates ongoing efforts to measure and report building utilization rates. The Governor believes the state must develop a statewide prioritization plan for postsecondary capital investments.

The Governor recommends funding the Bridgerland Technical College Health, Science, and Technology building. However, he recommends limiting future capital development funding to statutorily defined dedicated projects funded from the Higher Education Capital Projects Fund and Technical Colleges Capital Projects Fund until a statewide prioritization plan is in place.

Notable Improvements

In 2018, administrators at Utah State University developed and implemented the Aggie First Scholars initiative, a targeted and proactive approach to increase the retention rate of first-generation students to that of their peers. The first-to-second semester persistence rate of fully participating students was 99% compared to their first-generation peers' baseline of 90%. And the first-year retention rate of fully participating students was 69% compared to their first-generation peer's baseline of 60%.

In January 2020, Southern Utah University will roll out a three-year degree option for programs that currently enroll approximately half the student population. Within two to three years nearly all students will have the option to earn a degree in three years. This innovation will enable students to save time and money, faculty to work through the summer, and the university to better utilize its facilities.

Current System

The Utah System of Higher Education (USHE), the Utah System of Technical Colleges (UTech), and the Utah Education and Telehealth Network (UETN) currently comprise Utah's postsecondary public education system.

USHE is comprised of eight institutions: the University of Utah, Utah State University, Weber State University, Southern Utah University, Utah Valley University, Dixie State University, Salt Lake Community College and Snow

College. In FY 2019, USHE served approximately 184,000 students. In FY 2019, USHE granted approximately 38,622 awards, an increase of roughly 10,200 from FY 2010.

UTech is comprised of eight institutions: Bridgerland, Ogden-Weber, Davis, Tooele, Mountainland, Uintah Basin, Southwest, and Dixie Technical Colleges. In FY 2019, UTech served nearly 27,000 postsecondary and nearly 10,000 secondary students enrolled in various short-term occupational training programs and traditional certificate programs of varying lengths. In FY 2019, UTech awarded traditional certificates to 5,261 postsecondary students and 1,749 secondary students.

The Utah Education and Telehealth Network (UETN) manages the robust network infrastructure that connects educational and health care institutions statewide. UETN also connects elementary and secondary schools and postsecondary institutions to quality educational resources.

Budget Recommendations

Funding

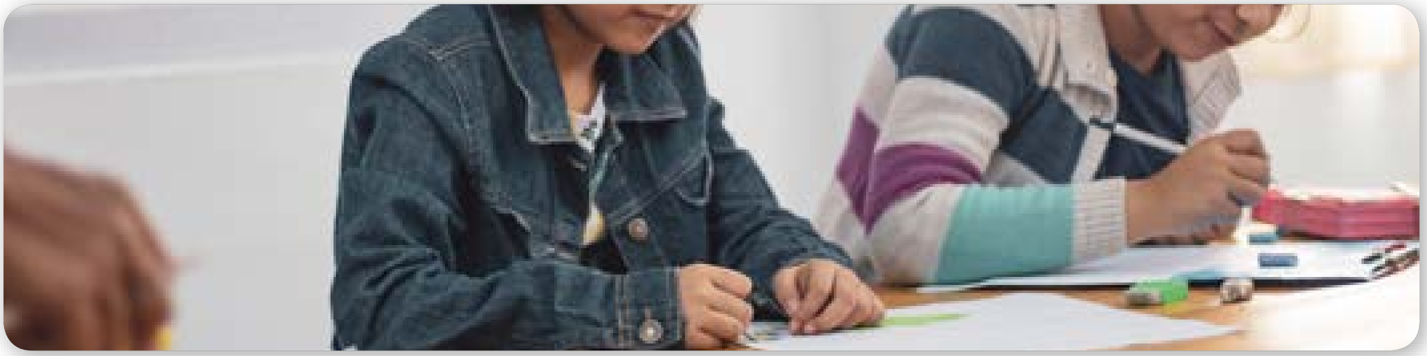
- $38.1 million one-time and $624,000 ongoing for construction and maintenance of the Bridgerland Technical College Health, Science, and Technology building
- $34.8 million for employee compensation, including $28 million in flexible merit-based compensation funding to USHE, UTech, and UETN to help retain highly qualified employees and $6.8 million for health benefits
- $15.8 million in performance funding for USHE institutional priorities, conditioned on the establishment of more meaningful performance targets
- $2.9 million for USHE institutional enrollment growth
- $12.7 million for technical education:
  - $9 million for UTech employer-driven program expansion and student support
  - $1.5 million for USHE technical education
  - $2 million for UTech equipment
  - $245,000 for Custom Fit
- $3 million one-time for College Access Advisors—the Governor intends USHE to move to a shared-services model and use savings to fund these advisors on an ongoing basis
- $3 million one-time for USU electric vehicle research grants
- $3 million one-time for UETN equipment
- $1.6 million for UETN growth and operations ($1 million one-time and $552,000 ongoing)
- $822,300 to restore ongoing UETN equipment funding
- $101,400 for operations and maintenance of Southern Utah University's Child and Family Development Center

Policy

The Governor recommends:

- Consolidating postsecondary governance into a single governing body
- The new governing body establish operational measures that capture how institutional resources are being used and synchronized to effectively meet students' needs as they move through the system
- The system of higher education begin the transition to competency-based education by identifying the courses and programs for which competency-based education is a natural fit and proposing an aggressive transition plan
- The system of higher education continue its work to improve transfer and articulation until not a single student has to duplicate efforts upon transferring to another institution in the system
- A freeze on tuition and fees until the state has defined affordability for students
- The presidents of Utah's dual-mission institutions develop a plan for differentiating tuition for their sub-baccalaureate students by fiscal year 2022
- The Legislature adopt the Board of Regents' proposed changes for the performance funding model with the stipulation that the system and institutions embrace audacious expectations and set aggressive goals
- Limiting future capital development funding to statutorily-defined dedicated projects funded from the Higher Education Capital Projects Fund and Technical Colleges Capital Projects Fund until a statewide prioritization plan is in place

PUBLIC EDUCATION PRIORITIES



The Governor recommends a nearly $292 million funding increase for public education – bringing ongoing funding increases over the past five years to a total of $1.3 billion

Highlights

Strong state investments must focus on measurably improving student outcomes. As teachers are the single most important resource in any school, local boards should use increased flexible funding (both state and local) to recruit and retain the best and brightest teachers.

$291.7 million new state-directed funding, including:

- $150.5 million for a 4.5% increase in the value of the weighted pupil unit (WPU)
- $34 million for enrollment growth ($13.2 million ongoing Education Fund/General Fund and $20.8 million ongoing from other funding sources; plus $4.7 million one-time from existing unused balances)
- $21.1 million for the Voted and Board Local Levy Guarantee Programs (Equity Pupil Unit)
- $23.2 million for the Teacher and Student Success Program
- $18.6 million for increasing the kindergarten WPU count to support optional enhanced kindergarten
- $10.2 million for the K-12 Computer Science Initiative ($8.7 million ongoing and $1.5 million one-time)
- $5 million for an apprenticeship program
- $4.3 million for locally hired and supervised operational excellence staff in schools
- $3.3 million for the Teacher Salary Supplement Program (plus $3.8 million one-time from existing unused balances)
- $2.3 million for the Beverley Taylor Sorenson Arts Learning Program

7,902 new students projected in FY 2021 for a total of 675,305 students

Dividends from prior investments:

- Graduation rate of 87.4%, up from 76%
- Top average ACT score among states with comparable participation rates
- 1st in the nation in 8th grade science proficiency

Objective

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

- Significant investment in public education to facilitate Utah's goal to be the number one state for student achievement;
- Meaningful local funding flexibility to address unique local needs related to issues such as student success and teacher retention; and
- Local accountability that enables constituents and policymakers to clearly understand the use of taxpayer dollars.

Background

Utah's economy continues to garner the attention of major national and international firms that demand highly skilled workers. Investments in education impact the state's long-term economic success as our students develop the skills required for postsecondary educational pursuits, careers, and meaningful civic engagement. Failure to invest in education will hamper Utah's economic growth, both in the short and long term. The Governor consistently says improving educational outcomes "is not all about the money, but it is some about the money." Adequate resources are necessary to produce desired outcomes.

The Governor believes the best approach to providing adequate resources is to:

- Grow the economy
- Increase the effectiveness and efficiency of state government to free up funding for educational purposes
- Connect educational investments to desired outcomes
- Reduce the constant unnecessary and unbeneficial changes (to statute, policy, curricula, etc.) in the system

The Governor's Education Excellence Commission, comprised of key stakeholders from the education community, adopted the Utah Education Roadmap to guide decisions about policy and investments. The Roadmap identifies critical areas of attention and examples of strategies for consideration. The Governor used the Roadmap to guide his recommendations.

Celebrating Utah's Education Successes

For years headlines have noted Utah's per-student funding compared to other states and, each year, calls for K-12 funding have focused primarily on increased spending. With the Governor's FY 2021 recommendations, the Legislature will have invested over $2.3 billion of new ongoing funding since 2010, which equals a 36% increase in real (CPI-adjusted) per-pupil ongoing state funding for education. (See discussion of per-pupil funding in the Public Education Funding in Utah budget brief.)

While funding levels are important, calls for increased funding rarely make mention of the specific anticipated impacts on desirable outcomes. Taxpayers deserve to know what they are purchasing with their sizeable investment in K-12 education, which is by far the largest program funded with state taxes. While our public education system is performing admirably with the resources currently available, increased funding must lead to improved student outcomes.

Recent investments are clearly paying dividends. Some measures of success include:

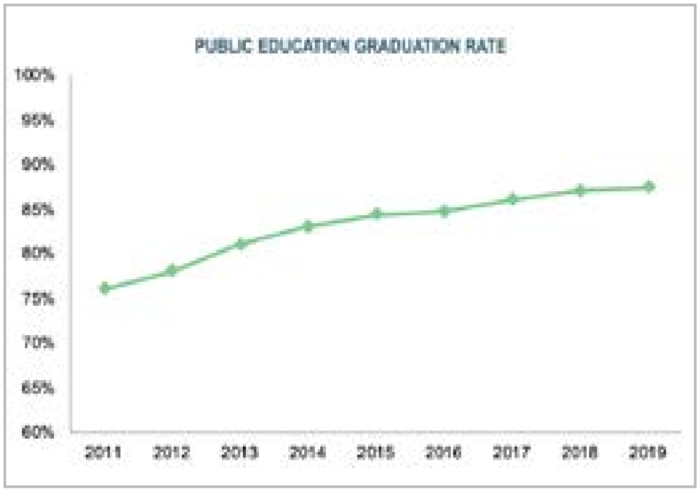
National Assessment of Educational Progress (NAEP). Our eighth-grade students rank first in the nation on the science assessment while our fourth-grade students rank sixth. Additionally, our fourth-grade and eighth-grade students are in or on the cusp of the top 10 in math and reading.

ACT. Our students are tied for first in average composite score among the 16 states that require more than 95% of students to take the ACT.

Advanced Placement (AP). Our students' passage rate ranks seventh in the nation and is 15% higher than the national rate.

Graduation Rate. Since 2011, our students' graduation rate has steadily increased from 76.0% to 87.4%, which exceeds the national average (see Figure 1).

FIGURE 1



Room for Improvement Remains

While evidence shows that our students outperform many of their peers, national and state assessments and graduation rates also demonstrate room for improvement. Not all students experience the same success. Persistent achievement gaps continue for many student groups. The Governor continues to advocate for resources that enable all of our students to continue improving—ensuring that Utah becomes the top state for educational outcomes in the nation.

In addition to recommending $18.6 million for increasing the WPU count from 0.55 to 1.00 for optional enhanced kindergarten for students unprepared for kindergarten, the Governor recommends the State Board of Education develop a methodology for calculating WPUs for students who are at risk of academic failure and present the methodology to the Governor's Education Excellence Commission by September 2020.

The Governor is committed to increasing the return on each taxpayer dollar invested in the public education system and will continue to collaborate with key stakeholders and education officials to take advantage of opportunities to more effectively and efficiently deliver K-12 services.

Key Issues

Accountability. The public has an interest in how well their schools perform. The Governor believes that a dashboard of key measures should be considered when evaluating school performance and that the Legislature should reconsider mandating assignment of single letter grades that tend to distract from the more meaningful measures and their context.

A clearer view of the relationship between spending and outcomes will help support proposals for increased funding. The view will become clearer when the State Board of Education, local boards, and local administrators can easily answer questions such as:

- What are the core programs or functions in public education and what percentage of existing funding is being spent on them?
- What percentage of funding is spent outside the classroom, and how has that spending impacted outcomes?
- Are districts and charter schools directing supplemental funding for students at risk of academic failure to those students without supplanting base funding? How much per student are schools intentionally spending on students at risk of academic failure compared to their peers and what are the outcomes of that funding?
- What is the per-student spending on English, math, and science compared to the respective proficiency rates at demographically similar schools and for demographically similar students? And what is the trend?
- What pattern, if any, exists when comparing teachers with more than five years of experience and student outcomes over time?
- What is the utilization rate of facilities, including during the entire day and during summer months?
- What is the full project cost per square foot for new and remodeled facilities and how does that cost compare to similar projects in other districts?
- How often are curricula being changed and at what expense, including textbooks, materials, and professional development? What are the impacts of these changes on outcomes?
- How do decisions between funding instructional programs versus funding facilities influence student outcomes?

While administrators must be able to answer these questions, the Governor recognizes that formal reporting requirements have grown out of control—a recent audit from the Office of the Legislative Auditor General found that school districts and charter schools may be required to submit as many as 339 reports annually. The Governor echoes the auditors' recommendations and calls on state and local leaders to eliminate any reports that are not regularly used to inform operational decisions and that are not federally mandated.

Additionally, with significant taxpayer resources spent on capital-related expenses each year–$1.9 billion, or nearly 30% of total expenditures in FY 2018–the Governor calls for an audit of capital project costs, capital procurement processes, and the use of facility condition assessments in prioritizing capital improvements. The Governor also recommends the state Division of Facilities Construction and Management work with the Utah State Board of Education and stakeholder groups to examine the potential value of meaningful statewide capital project standards.

The Governor further recommends that school districts and charter schools employ individuals responsible for pursuing operational excellence as the Governor's Office of Management and Budget does for state cabinet agencies. These local employees can provide key operational insights to local superintendents. The Governor recommends $4.3 million for districts and charters to employ operational excellence staff.

Local Control vs. State Control. The Governor firmly believes local board members, local administrators, teachers, and parents know best how to meet their students' needs—which they do most effectively when granted local funding control. The Governor believes local control is the dominant need in most funding decisions and is committed to ensuring local leaders have as much control over allocation of funding as possible, including for teacher compensation. For these reasons, the Governor recommends a 4.5% increase in the value of the WPU, which translates into $150.5 million in flexible funding through the Basic School Program and its WPU allocation methodology.

The Governor recognizes the single most important resource in a classroom for our students is a motivated and qualified teacher. As in the past, he remains committed to providing local boards flexible funding they can use to adjust compensation to better recruit and retain teachers.

Local taxing authority represents an important and significant opportunity for local school boards and citizens to exercise local control. While the local decision to increase property taxes can be complex and politically challenging, approximately $1 billion in unused local taxing authority ($495 million for operations and $575 million for capital facilities and technology) is available to meet local needs. Local taxing effort through property tax needs to be a key part of the school funding discussion. In recent years state effort has outpaced local effort: real (CPI adjusted) ongoing state funding per-pupil has increased 36% since 2010 while local per-pupil funding has only increased 11%.

Governance. A governor elected to serve as the state's chief executive officer and charged with ensuring financial responsibility and implementing prudent statewide policies is sometimes hobbled when the governor does not have authority to directly oversee the K-12 education system and the very large share of the state's tax revenue invested in this critical enterprise. A governor should have the authority to hold state-level leadership of Utah's K-12 education system accountable, which in turn enables the citizenry to hold the governor accountable. A separate board of education with executive branch responsibilities and no direct accountability to the chief executive officer is a vestige of apprehensions from a bygone era rather than a well-founded and practical approach to effective governance that leads to educational excellence. Concerns with this approach to governance have resulted in numerous changes to the State Board election process over time, including three changes in just the past five years. To increase accountability for the education system, the Governor recommends that the Legislature submit to the voters a constitutional amendment providing that future governors have the responsibility to appoint qualified individuals to the Utah State Board of Education.

Student-age Population. A noticeable decline in the state's fertility rate has recently led to revised projections of the student-age population, with the new projections showing this internal student-age population beginning to decline in FY 2023. While in-migration may offset some or all of this slowdown in internal student-age population, the future cost of enrollment growth may decrease significantly. The Governor recommends that the state's long-term funding plan for education include using funds that would previously have been needed for enrollment growth to continue the state's strong recent investments in improving student outcomes rather than simply realizing budget savings.

Guiding Principles

- The state must work together with local school boards to define the state role and local role in investing sufficient funding to ensure Utah becomes the top state in the nation for student achievement.
- 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 student outcomes the public expects.
- Policymakers must continue to monitor student achievement to ensure the $4.9 billion in state-directed revenues (estimated $7.4 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 4.5% increase in the WPU value. This funding enables local boards to build upon strategies already in place while balancing other critical needs.

Summary of Recommendations

Funding

- $150.5 million for a 4.5% increase in the value of the weighted pupil unit.
- $33.7 million for consensus enrollment growth ($12.9 million net EF/GF cost after offsets; plus $4.7 million one-time from existing unused balances).
- $276,500 for enrollment growth in four additional programs. The Governor calls for a reevaluation of which programs currently excluded from the enrollment growth calculations should be included.
- $21.1 million for the Voted and Board Local Levy Guarantee Programs from growth in the Equity Pupil Unit.
- $23.2 million for the Teacher and Student Success Program.
- $18.6 million to increase the value of the kindergarten WPU from 0.55 to 1.0 to support optional enhanced kindergarten (OEK) options for students who are unprepared for kindergarten. The Governor continues to advocate for appropriating

CONSENSUS ENROLLMENT GROWTH FACTORS			
	EF/GF One-time	EF/GF Ongoing	State-directed Property Tax Ongoing
Increased Costs			
Basic School Program		$16,069,700	$17,330,700
Related-to-basic Program	$4,680,900	$34,155,700	$3,497,500
Carson Smith Scholarship		$350,000	
Statewide Online Education Program		$9,800	
Offsets to Costs			
Charter Local Replacement Funding		($4,000,000)	
Voted & Board Levy Guarantee		($33,690,100)	
Use of Existing Unused Balances	($4,680,900)		
Net EF/GF		$12,895,100	
New Local			$20,828,200
Total New Funding		**$33,723,300**	

funding to WPU programs to ensure maximum local flexibility and thus recommends moving the $7.5 million currently appropriated to the Enhanced Kindergarten Early Intervention Program into the WPU-based kindergarten program.
- $5 million for an apprenticeship program for students experiencing intergenerational poverty.
- $4.3 million for locally hired and supervised operational excellence staff in schools.
- $2.3 million for the Beverley Taylor Sorenson Arts Learning Program (BTSALP) with the stipulation that the State Board of Education and the BTSALP staff provide recommendations for changing the local match from a uniform floor of 20% to a match that accounts for local ability to pay.
- $7.1 million for the Teacher Salary Supplement Program (including $3.8 million one-time from existing unused balances) to ensure that the state maintains its statutory commitment to teachers.
- $10.2 million for the K-12 Computer Science Initiative ($8.7 million ongoing and $1.5 million one-time).
- $500,000 for the Necessarily Existent Small Schools Program.
- $6.2 million in increased distributions from the permanent trust fund for the School LAND Trust Program.
- $3.3 million for the Utah Schools for the Deaf and the Blind:
    - $1.2 million for new staffing
    - $1.15 million for steps and lane increases
    - $500,000 one-time (from existing unused balances) for the Utah State Instructional Materials Access Center
    - $425,000 one-time (from existing unused balances) for a new Millcreek modular building
- $1.5 million to increase compensation for the State Board of Education's staff, commensurate with increases for other state employees.
- $7.6 million for the School Nutrition Program (SB 2001)—the difference between the new Education Fund appropriation and the estimated FY 2020 liquor tax funding.
- $1.1 million for the Underage Drinking Prevention Program (SB 2001).

Policy

The Governor recommends:

- The State Board of Education provide a recommendation on calculating WPUs for students at risk of academic failure
- Improved data transparency that evaluates the impact of funding on outcomes
- An audit of capital expenditures that examines project costs, procurement processes, and the use of facility condition assessments in prioritizing capital improvements
- The Utah Division of Facilities Construction and Management work with the Utah State Board of Education and stakeholder groups to examine the potential value of meaningful statewide capital project standards and oversight
- As enrollment growth slows, redirecting enrollment funding to increase per-pupil spending tied to outcomes
- Discontinuing the practice of assigning single letter grades to schools along with providing greater transparency into education spending and its impact on student outcomes
- Providing future governors with the responsibility to appoint members to the State Board of Education

Budget & Policy Brief

PUBLIC EDUCATION FUNDING IN UTAH

The Governor recommends nearly $292 million in new ongoing and one-time public education funding, including enrollment growth and a 4.5% increase in locally controlled WPU funding. The $290 million of increased ongoing funding brings ongoing funding over five years to over $1.3 billion.

Highlights

$291.7 million increase in state funding ($290 million ongoing and $1.7 million one-time)

$1 billion in unused discretionary local property tax capacity available for operations and capital

$4.9 billion in FY 2021 total state-directed funds for public education

$7.4 billion in FY 2021 total federal, state, and local funds for public education

Overview

Utah's public education system is comprised of a shared governance and funding structure. The Legislature and Governor establish tax policies to generate revenue, allocate state funds for public education, and create the statutory framework within which the system operates. The State Board of Education exercises general control and supervision of the system. School district boards impose local property taxes. And school district and charter school boards oversee educational service delivery.

Funding Utah's education needs can be complex. However, the overarching structure of Utah's 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 across the state through equalization programs. School district boards and local citizens can then provide additional local funding if they vote to do so.

Enrollment Increases. The number of students in Utah's public schools continues to grow. However, as shown in Figure 1, the downside of a demographic wave combined with a decreasing fertility rate is projected to yield a decline

FIGURE 1

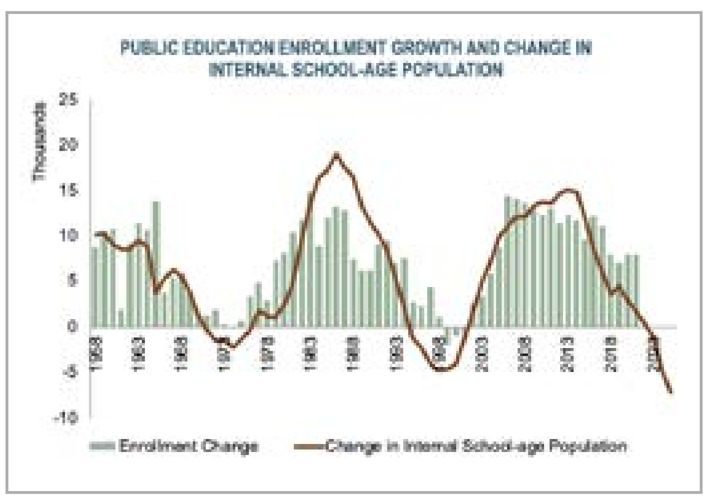


FIGURE 2

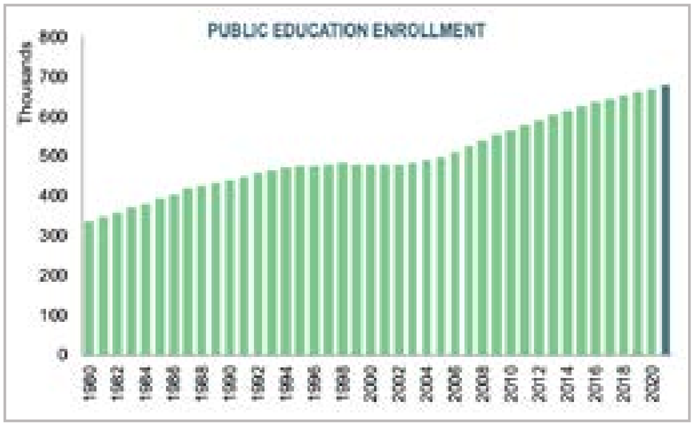
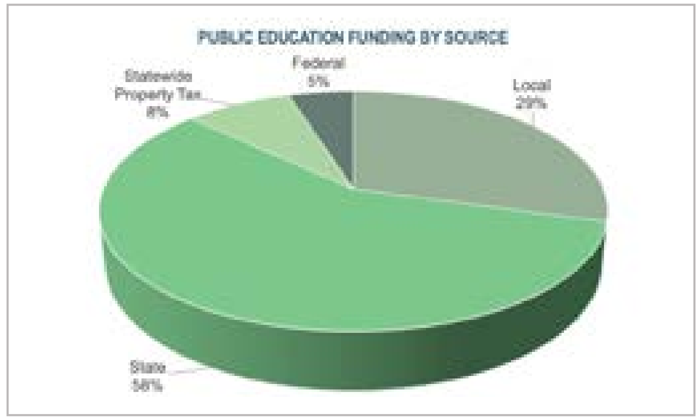


FIGURE 3



in enrollment beginning in FY 2023, unless in-migration offsets the slowing internal population changes. The student population reached 667,403 in FY 2020—an increase of nearly 8,000 students from FY 2019. Consensus estimates project 7,902 additional students enrolled in schools in FY 2021, bringing total estimated enrollment to 675,305 (see Figure 2).

The Governor recommends fully funding enrollment growth costs. This recommendation includes $34 million in FY 2021 (including $13.2 million from the Education Fund and General Fund) and $4.7 million from existing unspent balances in FY 2020 for programs that have historically received enrollment growth funding, and $276,500 for additional programs that have not historically been provided enrollment growth funding but that merit enrollment growth funding.

Total Funding. Considering all sources, funding for Utah's public education system will total an estimated $7.4 billion in FY 2021. As Figure 3 shows, this includes about $4.9 billion from state-directed funds, including nearly $4.3 billion (58%) from state funds (generally income tax) and nearly $600 million (8%) from the state-mandated local property taxes; an estimated $2.2 billion (29%) of local funds (generally property tax); and nearly $370 million (5%) of federal funds.

State-directed Funding. Public education is Utah's largest state-funded program, with the Governor recommending about $4.9 billion in total state-directed funding, including nearly $4.1 billion from the Education Fund and General Fund, about $600 million from state-mandated local property taxes, and over $200 million from other state funding sources. The $4.1 billion Education Fund and General Fund amount equals about half of the state's combined Education Fund and 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. In FY 2021, school districts are projected to generate an estimated $2.2 billion from discretionary local property taxes and other local sources.

Charter schools cannot impose property taxes; however, 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.

While the local decision to increase property taxes can be complex and politically challenging, over $1 billion in local discretionary property taxing authority remains unused under existing statutory rate caps. This total includes $495 million in unused local capacity for operational uses and $575 million in unused local capacity for capital uses such as buildings, technology infrastructure, and school safety. The Governor recommends that local school boards receive additional flexibility in the use of discretionary school property taxes by reducing or eliminating the property tax silos that exist between levies for operations and capital.

Differences in local property values yield funding inequalities between school districts, so in FY 2021 the Governor recommends the state continue to provide ongoing funds ($200 million existing and $21 million new) to equalize local funding from discretionary local property taxes.

Capital expenses are generally funded at the local level with property taxes or other locally controlled funds. In FY 2021, the Governor recommends continuing to provide $33 million ongoing to partially equalize funding for capital infrastructure.

What is the Minimum School Program?

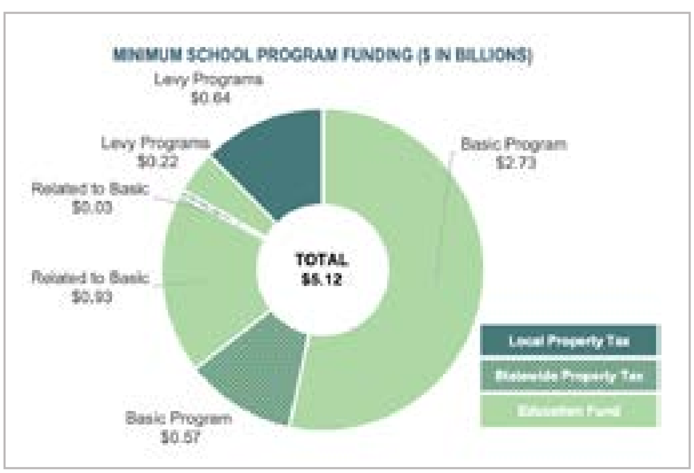
Of the estimated $7.4 billion in FY 2021 public education funding, the Minimum School Program accounts for $5.1 billion (69%) and is comprised of the following three major sub-programs, as shown in Figure 4: the Basic School Program, the Related-to-Basic Program, and the Voted and Board Local Levy Programs.

Basic School Program. The Basic School Program is the largest subprogram within the Minimum School Program and comprises 44% of all K-12 funding.

Under this program, school districts and charter schools are entitled to an 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 and student characteristics. For example, a student in grades one through 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, geography, and other needs.

Utah's income tax is the primary revenue source for this program. A state-directed uniform statewide property tax that school districts levy is the other funding source.

FIGURE 4



Related-to-Basic Program. The Related-to-Basic Program is comprised of more than 30 programs for which the state has specifically appropriated funding. Among these programs are educator salary adjustments, student transportation, concurrent enrollment, early intervention, counseling, and dual language immersion.

Voted & Board Local Levy Programs. The Voted & Board Local Levy Programs are state-funded efforts to partially equalize revenue from local taxing efforts for school districts that make a significant local property tax effort, but due to low property values generate comparatively low revenue per student.

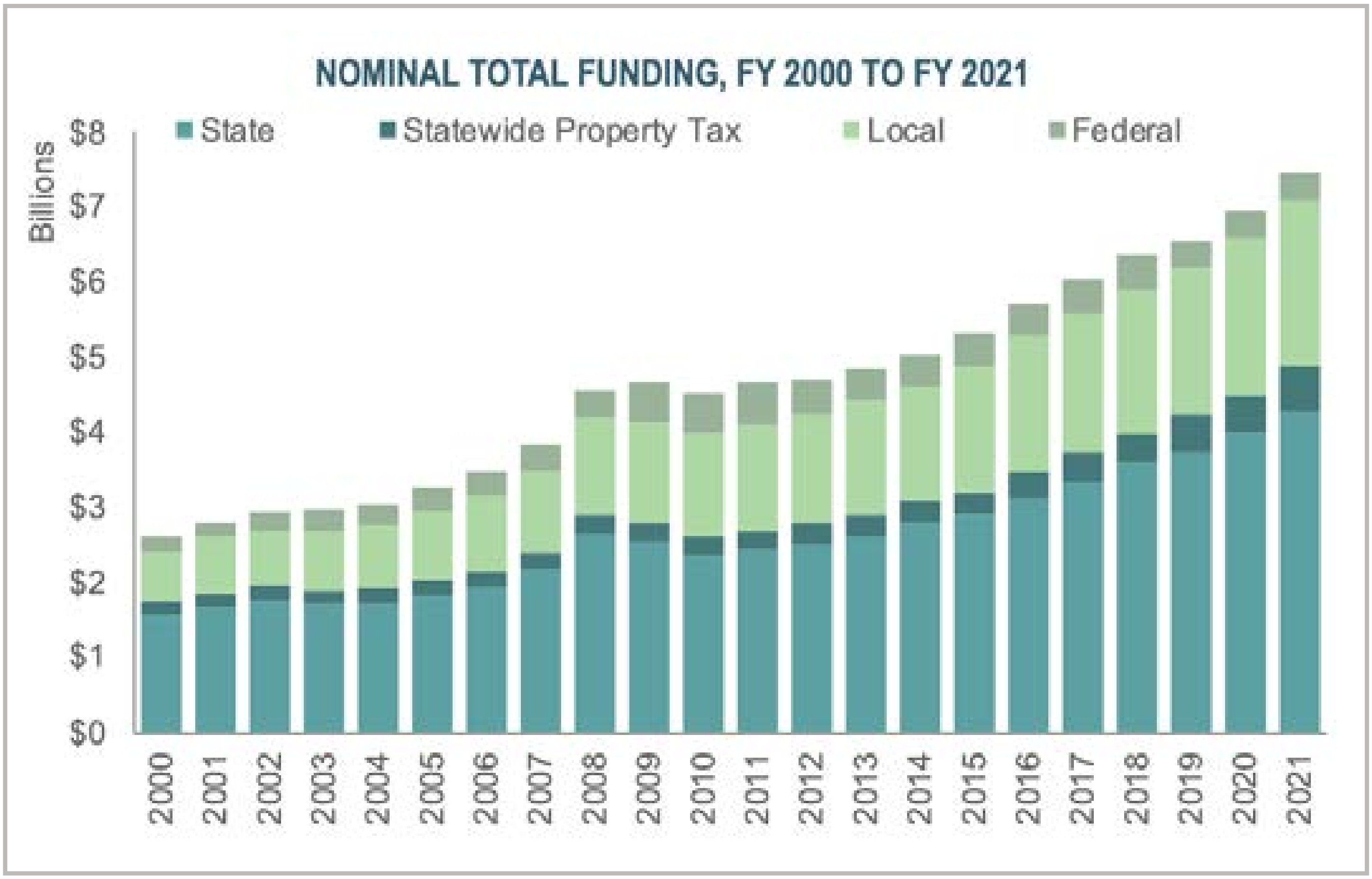
Total and Per-pupil Funding Over Time

The Governor applauds the Legislature's major public education investments in recent years. As data from final state appropriation and State Board of Education annual financial reports summarized in Figure 5 show, since the Governor took office during FY 2010, total state-directed funding for education has increased from about $2.6 billion in FY 2010 to $4.9 billion in FY 2021 with the Governor's recommendation. Importantly, ongoing funding has increased from $2.4 billion in FY 2010 to $4.7 billion with the Governor's FY 2021 recommendation.

While inflation and student enrollment growth offset a portion of the public education funding increases, as Figure 6 shows, real (CPI-adjusted) ongoing per-pupil state funding for education has increased by a strong 36% between FY 2010 and FY 2021. Over this same time period, estimated local real per-pupil funding will have increased by about 11%, and federal real per-pupil funding will have decreased by 28%. If local and federal funding had paced with state increases over this time period, an additional $512 million in local funding ($758 per student) and $332 million in federal funding ($491 per student) would be available today. (For per-pupil estimates, total funding for a year is divided by the annual enrollment count conducted each October.)

As Figure 6 illustrates, between FY 2000 and FY 2015, total real (CPI-adjusted) ongoing state-directed revenue per pupil remains within the relatively narrow range of $5,500 to $6,200 (with a recession low of $5,300). However, since 2016 very sizable investments toward the target of $1 billion of new ongoing revenue for public education have increased

FIGURE 5



real (CPI-adjusted) ongoing per-pupil state funding from \$5,600 in FY 2015 to a recommended \$7,200 in FY 2021. Even with a declining federal effort and more moderate local effort, total real per-pupil funding will be at its highest point in FY 2021.

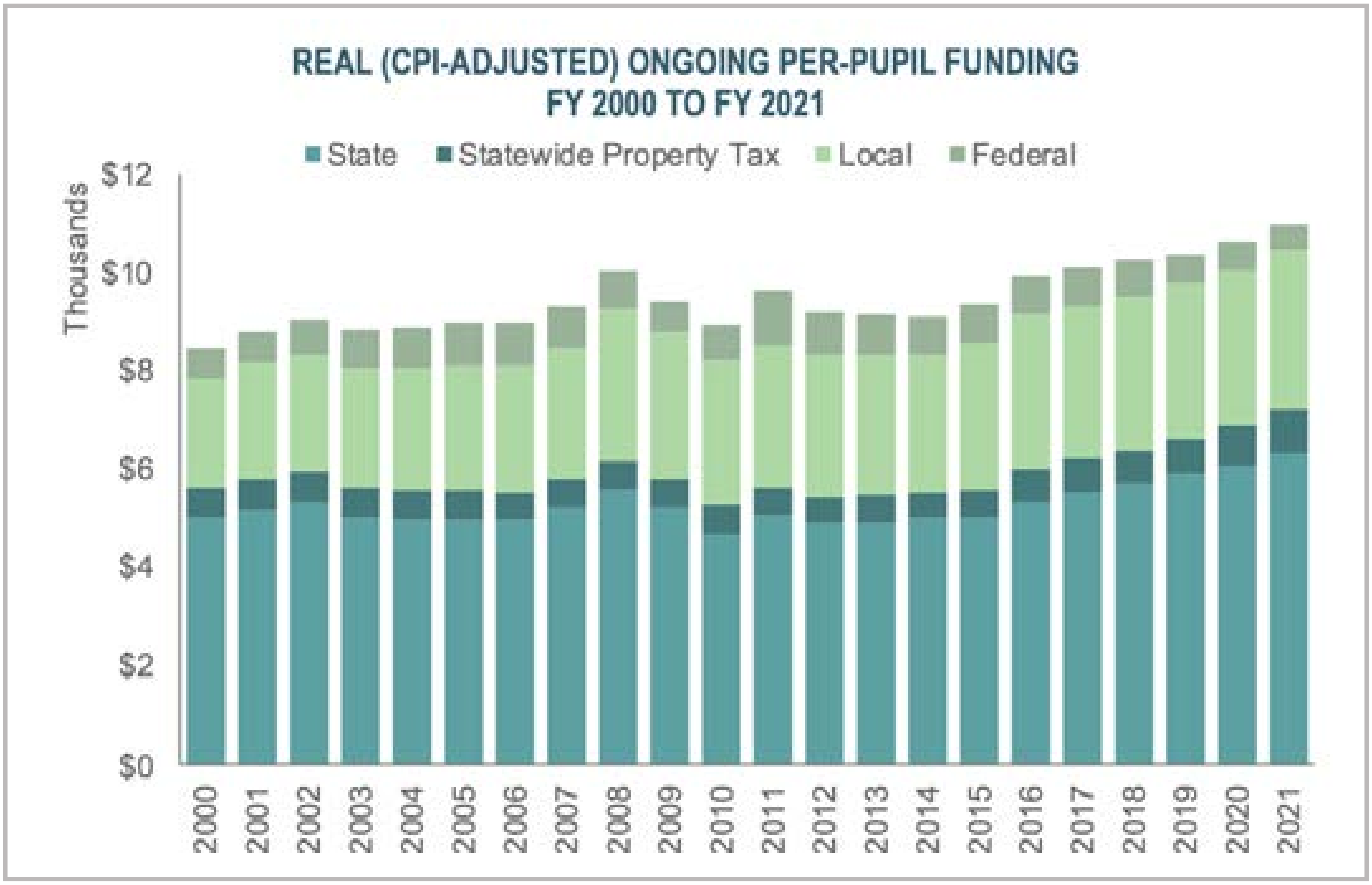
Per-pupil funding receives a significant amount of attention each year when the U.S. Census Bureau and U.S. Department of Education's National Center for Education Statistics (NCES) each release reports on school finances. These national reports are often used for state funding comparisons, which may be problematic for at least a few reasons.

First, a comparison or ranking of funding draws attention away from student outcomes. In Utah's case, a focus on spending alone overshadows Utah's excellent performance on a number of national assessments and minimizes the importance of effective investment (see the discussion of successes in the Public Education Priorities budget and policy brief). The Governor believes that a focus on student outcomes should not be lost in efforts to increase the investment in education. We should increase funding to improve student outcomes, not spend more just to spend more.

Second, the national reports are dated. The current NCES report is for FY 2016 and the Census report is for FY 2017. These reports do not offer taxpayers a perspective on current education funding. Taxpayers should understand how much is being spent in the present.

Third, the summaries of schools' spending rather than their revenue generate the most attention, but they also understate the amount of money taxpayers invest in education. Spending on buildings and other capital costs can be minimized--the Census ranking and commonly-cited NCES data exclude such spending. State-level administrative funding is also excluded. The Governor believes that all funding must be considered because the decision to spend money in one area like an expensive building, for example, is a decision to forego spending on

FIGURE 6



other needs such as teacher salaries—and these tradeoffs should be clear to the public.

Figure 7 shows total real (CPI-adjusted) per-pupil funding broken out between ongoing and one-time funding. As the chart shows, unlike most other years, sizable one-time funding was provided between FY 2008 and FY 2010, including one-time state funds during the economic boom and federal American Recovery and Reinvestment Act (ARRA) funds during the Great Recession.

FIGURE 7

TABLE 3

Minimum School Program & School Building Program

A	C	D	E	F	G
	Fiscal Year 2019 Actual Expenditures	Fiscal Year 2020 Revised Appropriations		Fiscal Year 2021 Recommended Appropriations	
Section 1: Total Minimum School Program Revenue					
Revenue Sources	**Amount**		**Amount**		**Amount**
A. General State Revenue					
1. Education Fund	$3,205,197,000		$3,388,720,200		$3,532,384,400
2. Education Fund, One-time	(6,544,900)		(29,955,700)		0
B. Restricted State Revenue					
1. Uniform School Fund	27,500,000		32,500,000		32,500,000
2. Uniform School Fund, One-time	10,000,000		0		0
3. USF Restricted -Interest & Dividends Account	74,000,000		82,663,100		88,829,100
4. EF Restricted - Various Accounts	181,356,900		216,128,900		263,942,800
Subtotal State Revenue:	***$3,491,509,000***		***$3,690,056,500***		***$3,917,656,300***
C. Local Property Tax Revenue					
1. Minimum Basic Tax Rate	$408,073,800		$423,036,700		$440,367,400
2. Equity Pupil Tax Rate	$36,117,300		$48,997,900		$70,135,200
3. WPU Value Rate	$18,650,000		$37,450,000		$60,629,100
4. Voted Local Levy	324,424,900		350,202,100		380,353,200
5. Board Local Levy	109,864,100		208,914,000		241,253,800
6. Board Local Levy - Early Literacy Program	15,000,000		15,000,000		15,000,000
Subtotal Local Revenue:	***$912,130,100***		***$1,083,600,700***		***$1,207,738,700***
B. Balance Transfers[1]	(7,100,100)		(925,000)		0
C. Beginning Nonlapsing Balances	43,397,400		56,831,800		47,405,700
D. Closing Nonlapsing Balances[2]	(56,831,800)		(47,405,700)		(47,405,700)
Total Revenue:	**$4,383,104,600**		**$4,782,158,300**		**$5,125,395,000**
Section 2: Revenue & Expenditure Details by Program					
Part A: Basic School Program (Weighted Pupil Unit Programs)					
WPU Value :	***$3,395***		***$3,532***		***$3,691***
Revenue Sources	**Amount**		**Amount**		**Amount**
A. General State Revenue					
1. Education Fund	$2,459,066,600		$2,561,578,400		$2,701,284,400
2. Education Fund, One-time	(8,600)		0		
B. Restricted State Revenue					
1. Uniform School Fund	27,500,000		32,500,000		32,500,000
2. Uniform School Fund, One-time	10,000,000		0		0
Subtotal State Revenues:	***$2,496,558,000***		***$2,594,078,400***		***$2,733,784,400***
C. Local Property Tax Revenue					
1. Minimum Basic Tax Rate					
a. Basic Levy	333,073,800		348,036,700		365,367,400
b. Basic Levy Increment Rate	75,000,000		75,000,000		75,000,000
2. Equity Pupil Tax Rate	36,117,300		48,997,900		70,135,200
3. WPU Value Rate	18,650,000		37,450,000		60,629,100
Subtotal Local Property Tax Revenues:	***$462,841,100***		***$509,484,600***		***$571,131,700***
D. Balance Transfers[1]	(10,930,600)		(9,426,100)		0
E. Beginning Nonlapsing Balances	25,231,100		29,570,900		20,144,800
F. Closing Nonlapsing Balances[2]	(29,570,900)		(20,144,800)		(20,144,800)
Total Revenue:	**$2,944,128,700**		**$3,103,563,000**		**$3,304,916,100**
Expenditures by Program	**Amount**	**WPUs**	**Amount**	**WPUs**	**Amount**
A. Regular Basic School Program					
1. Kindergarten[3]	$70,140,300	27,277	$96,342,400	34,416	$127,029,800
2. Grades 1-12	2,033,879,300	599,952	$2,119,030,500	606,016	2,236,805,100
3. Foreign Exchange Students	1,103,400	328	$1,158,500	328	1,210,600
4. Necessarily Existent Small Schools[4]	33,198,200	9,730	$34,366,300	9,865	36,413,400
5. Professional Staff	187,050,700	55,919	$197,505,900	56,572	208,807,300
6. Administrative Costs	4,854,900	1,490	5,262,700	1,515	5,591,900
Subtotal:	**$2,330,226,800**	**694,696**	**$2,453,666,300**	**708,712**	**$2,615,858,100**
B. Restricted Basic School Program					
1. Special Education - Regular - Add-on WPUs	$277,438,100	84,217	297,463,000	86,450	$319,087,000
2. Special Education - Regular - Self-Contained	47,178,400	13,787	48,695,700	13,229	48,828,200
3. Special Education - Pre-School	37,409,200	11,179	39,484,200	11,311	41,748,900
4. Special Education - Extended Year Program	1,506,900	452	1,596,500	457	1,686,800
5. Special Education - Impact Aid	6,809,900	2,036	7,191,200	2,060	7,603,500
6. Special Education - Intensive Services	2,641,300	786	2,776,200	795	2,934,300
7. Special Education - Extended Year for Special Educators	3,944,600	909	3,210,600	909	3,355,100
8. Career & Technical Education - District Add-on	$97,328,400	28,761	$101,583,900	29,100	$107,408,100
9. Class Size Reduction	$139,645,100	41,873	$147,895,400	42,375	$156,406,100
Subtotal:	**$613,901,900**	**184,000**	**$649,896,700**	**186,686**	**$689,058,000**
Total Expenditures:	**$2,944,128,700**	**878,696**	**$3,103,563,000**	**895,398**	**$3,304,916,100**

Minimum School Program & School Building Program

A	C	D	E	F	G
	Fiscal Year 2019 Actual Expenditures	Fiscal Year 2020 Revised Appropriations		Fiscal Year 2021 Recommended Appropriations	
THE LINE					
Part B: Related to Basic School Program					
Revenue Sources	**Amount**		**Amount**		**Amount**
A. General State Revenue					
1. Education Fund	$617,389,900		$698,401,300		$736,049,600
2. Education Fund, One-time	3,463,700		(9,055,700)		0
B. Restricted State Revenue					
1. USF Restricted - Interest & Dividends Account	74,000,000		82,663,100		88,829,100
2. EF Restricted - Teacher and Student Success Account	65,150,000		83,950,000		107,129,100
3. EF Restricted - Charter School Levy Account	23,839,600		26,931,000		30,428,500
Subtotal:	**$783,843,200**		**$882,889,700**		**$962,436,300**
B. Balance Transfers[1]	(400,000)		8,501,100		0
C. Beginning Nonlapsing Balances	18,166,300		27,260,900		27,260,900
D. Closing Nonlapsing Balances[1]	(27,260,900)		(27,260,900)		(27,260,900)
Total Revenue:	**$774,348,600**		**$891,390,800**		**$962,436,300**
Expenditures by Program	**Amount**	**Changes**	**Amount**	**Changes**	**Amount**
A. Related to Basic Programs					
1. Pupil Transportation - To & From School	91,336,200		98,461,900	5,649,000	104,110,900
2. Pupil Transportation - Guarantee Transportation Levy	500,000		0		0
3. Pupil Transportation - Rural Transportation Grants	0		1,000,000	11,800	1,011,800
4. Pupil Transportation - Rural School Reimbursement	500,000		500,000		500,000
5. Flexible Allocation - WPU Distribution[5]	72,938,000		7,788,000		7,788,000
6. Charter School Local Replacement	175,367,400		195,042,300	24,715,300	219,757,600
7. Charter School Administrative Costs	7,839,400		8,112,200	(97,700)	8,014,500
Subtotal:	**$348,481,000**		**$310,904,400**		**$341,182,800**
B. Focus Populations					
1. Enhancement for At-Risk Students	38,183,700		44,836,000	4,646,100	49,482,100
2. Youth-in-Custody	25,524,400		25,222,500	1,447,000	26,669,500
3. Adult Education	13,375,700		14,175,400	813,200	14,988,600
4. Enhancement for Accelerated Students	5,216,900		5,483,300	314,600	5,797,900
5. Centennial Scholarship Program	158,100		269,300	15,500	284,800
6. Concurrent Enrollment	11,184,400		11,750,900	674,200	12,425,100
7. Title I Schools in Improvement - Paraeducators	300,000		300,000	3,600	303,600
8. Early Literacy Program	14,549,200		14,550,000	172,300	14,722,300
9. Early Intervention[3]	7,500,000		7,500,000	(7,500,000)	0
10. Early Graduation from Competency-based Education[6]	0		0		55,700
Subtotal:	**$115,992,400**		**$124,087,400**		**$124,729,600**
C. Educator Supports					
1. Educator Salary Adjustments[1]	177,944,900	4,680,900	182,626,400	4,680,900	182,626,400
2. Teacher Salary Supplement[1]	15,847,400	3,820,200	22,748,800	3,300,000	22,228,600
3. National Board Certified Teacher Programs	0		246,300		246,300
4. Teacher Supplies & Materials	5,500,600		5,500,000		5,500,000
5. Effective Teachers in High-poverty Schools	250,000		250,000		250,000
6. Grants for Educators in High-need Schools	0		500,000		500,000
7. Elementary School Counselor Program[5]	1,875,000		2,100,000		2,100,000
Subtotal:	**$201,417,900**		**$213,971,500**		**$213,451,300**
D. Statewide Initiatives					
1. School LAND Trust Program	73,656,700		82,663,100	6,166,000	88,829,100
2. Teacher and Student Success Program	0		98,950,000	23,179,100	122,129,100
3. Student Health and Counseling Support Program[7]	0		16,000,000		26,000,000
4. School Library Books & Electronic Resources	850,000		850,000		850,000
5. Matching Fund for School Nurses	1,002,000		1,002,000		1,002,000
6. Dual Immersion	4,256,000		5,030,000		5,030,000
7. Year-round Math & Science (USTAR Centers)	4,131,300		6,200,000		6,200,000
8. Beverley Taylor Sorenson Arts Learning Program[8]	11,236,900		11,880,000	2,300,000	13,180,000
9. Digital Teaching & Learning Program	13,305,700		19,852,400		19,852,400
9. Public Education Job Enhancement	18,700		0		0
Subtotal:	**$108,457,300**		**$242,427,500**		**$283,072,600**
Total Expenditures:	**$774,348,600**		**$891,390,800**		**$962,436,300**

Minimum School Program & School Building Program

A	C	D	E	F	G
	Fiscal Year 2019 Actual Expenditures	Fiscal Year 2020 Revised Appropriations		Fiscal Year 2021 Recommended Appropriations	
Part C: Voted & Board Local Levy Programs					
Revenue Sources	**Amount**	**Changes**	**Amount**	**Changes**	**Amount**
A. General State Revenue					
1. Education Fund	128,740,500		$128,740,500		$95,050,400
2. Education Fund, One-time	(10,000,000)		($20,900,000)		
B. Restricted State Revenue					
1. EFR - Minimum Basic Growth Account	56,250,000		$56,250,000		$56,250,000
2. EFR - Local Levy Growth Account	36,117,300		$48,997,900		$70,135,200
Subtotal State Revenues:	***$211,107,800***		***$213,088,400***		***$221,435,600***
C. Local Property Tax Revenue					
1. Voted Local Levy	324,424,900		350,202,100		380,353,200
2. Board Local Levy	109,864,100		208,914,000		241,253,800
3. Board Local Levy - Reading Improvement Program	15,000,000		15,000,000		15,000,000
Subtotal Local Property Tax Revenues:	***$449,289,000***		***$574,116,100***		***$636,607,000***
D. Balance Transfers[1]	***$4,230,500***		***$0***		***$0***
E. Beginning Nonlapsing Balances	0		0		0
F. Closing Nonlapsing Balances	0		0		0
Total Revenue:	**$664,627,300**		**$787,204,500**		**$858,042,600**
Expenditures by Program		**Changes**	**Amount**	**Changes**	**Amount**
A. Voted and Board Local Levy Programs					
1. Voted Local Levy Program	493,345,900		$520,950,100		$541,698,200
2. Board Local Levy Program	156,281,400		251,254,400		$301,344,400
3. Board Local Levy - Early Literacy Program	15,000,000		15,000,000		15,000,000
Total Expenditures:	**$664,627,300**		**$787,204,500**		**$858,042,600**
Total Minimum School Program Expenditures:	**$4,383,104,600**		**$4,782,158,300**		**$5,125,395,000**

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

Revenue Sources	**Amount**		**Amount**	**Changes**	**Amount**
A. State Revenue					
1. Education Fund	$14,499,700		$14,499,700		$14,499,700
2. Education Fund, One-time	$0		$0		$76,000,000
3. EFR - Minimum Basic Growth Account	$18,750,000		$18,750,000		$18,750,000
Total Revenue:	**$33,249,700**		**$33,249,700**		**$109,249,700**
Expenditures by Program			**Amount**		**Amount**
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
Total Expenditures:	**$33,249,700**		**$33,249,700**		**$33,249,700**

Governor's Office of Management & Budget ***Date Modified: 1/3/2020***

Notes:

1. FY20: $9,426,100 from various Basic School Programs to Educator Salary Adjustment and Teacher Salary Supplement Program, and $925,000 to Utah Schools for the Deaf and the Blind; FY19: $4,230,600 from Kindergarten to Voted and Board Guarantees; $6,700,000 from Professional Staff to State Board IT (2018 HB 3 items 56 & 57 intent language); $400,000 from Transportation Grants for Unsafe Routes to Board IT (2019 SB 4 item 3)
2. Amounts may not reflect the impact of prior-year encumbrances.
3. The Governor recommends moving the $7,500,000 appropriation for Early Intervention/Optional Enhanced Kindergarten (OEK) and the $88,800 recommended for growth into the Kindergarten program and appropriating an additional $15,500,000 to expand OEK.
4. Includes an additional $500,000 beyond enrollment growth.
5. In FY20, $65,150,000 was moved from the Flexible Allocation Program (where it had been temporarily appropriated) into the Teacher and Student Success Program.
6. The Legislature reduced this ongoing appropriation on a one-time basis in both FY19 and FY20.
7. The Legislature reduced the FY20 base appropriation of $26,000,000 ongoing with a one-time reduction of $10,000,000 that is restored in the FY21 budget.
8. The FY20 funding included a one-time appropriation of $1,000,000.

CORRECTIONS, PUBLIC SAFETY, & RECIDIVISM

A continued focus on reducing recidivism and improving public safety

Highlights

$17.3 million for jail reimbursement

$7.5 million for indigent defense grants to local governments and to establish a statewide appellate office for third through sixth class counties (counties with populations of less than 125,000)

$6.5 million to hire additional adult probation and parole agents and case workers to implement the Social Services Blueprint Solution that will allow sharing of case management plans with other social service agencies to improve outcomes for offenders who are under supervision

$11 million in one-time General Fund to construct a 100-bed behavioral health transition facility in the community, including $6 million ongoing for operation and maintenance once the facility opens. This facility will allow Corrections to better address offender's mental health needs.

$2.6 million to fund the certified pay plan for Corrections and allow Corrections to stay competitive with local law enforcement pay plans

$35.3 million for jail contracting that includes $2 million to expand programming in county jails

$8.6 million to fund workforce needs in the Utah Highway Patrol, pay for highway patrol vehicles, and improve public safety

$850,000 for the DNA sexual kit processing for the Crime Lab

$4.9 million in reinvestment of savings for statewide expansion of Juvenile Justice Services' non-residential early intervention programs through the Youth Services Model

Background

A strong criminal justice system ensures the protection and trust of Utah citizens, allows a victim to feel justice has been served, provides indigent criminal defense consistent with the state and federal Constitutions, and helps released offenders successfully become contributing members of society.

Indigent Defense

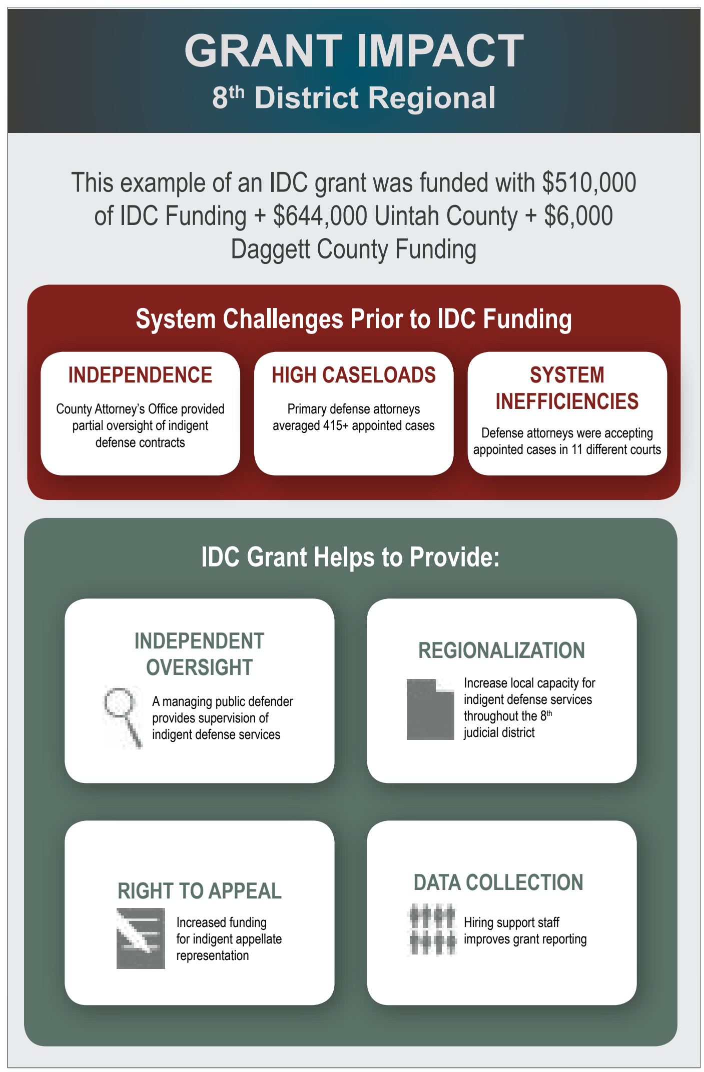
In 2016, the Legislature created the Indigent Defense Commission (IDC) housed within the Commission on Criminal and Juvenile Justice. The IDC works to protect constitutionally guaranteed liberties through ongoing support of effective indigent defense services. Indigent defense is available to individuals with income at or below 150% of the U.S. poverty level or insufficient income to pay for legal services without depriving the individual or family of food, shelter, and clothing or other necessities.

The IDC has awarded nearly $4.2 million in FY 2020 grants to Utah's local governments to supplement their local indigent defense spending. The FY 2020 grants extend existing grants and bring 70% of counties into the IDC's grant program. Only seven cities are participating, because the challenges in city indigent defense differ from those that counties experience. The IDC is working on a more proactive city solution to improve indigent defense.

The IDC's grants do many things to improve local indigent defense systems. Examples include the following:

- Third to Sixth Class County Appellate Pilot Project: $300,000 from state funding and a total of $85,000 from the participating counties. As of December 2019, 17 of Utah's 24 counties of the third to sixth class (includes counties with populations of less than 125,000) are participating in the IDC's appellate program to centralize and improve the quality and independence of appellate indigent defense representation. Appellate attorneys under contract with the Utah County public defender are paid hourly to take appeals to the Utah Court of Appeals and the Utah Supreme Court.
- Sanpete County: $166,300 in state funding with an additional $115,100 from Sanpete County. Sanpete County has dramatically improved the quality and independence of its indigent defense services with IDC assistance. Two local attorneys previously handled the county's juvenile, adult criminal, and parental defense work. With IDC grant funding, six attorneys are now balancing that caseload, bringing specialized experience to juvenile and drug court, reducing the caseloads of attorneys, and improving appointments for conflict cases.

The Governor recommends $6 million ongoing General Fund in continued local government grant funding for indigent defense. In addition, the Governor recommends $1.5 million to establish an indigent appellate defense office for counties of the third to sixth class. A centralized appellate office in Utah for smaller counties would increase the quality of appellate representation and help provide consistency across Utah's local criminal justice systems.



Milestone Management

Over 70% of offenders in the Department of Corrections' jurisdiction are supervised in the community through probation or parole. As of September 2019, Adult Probation and Parole (AP&P) supervises approximately 17,400 offenders. This represents an increase of 1,863 offenders (12%) since 2014. During this same time, AP&P has focused its resources on high- and intensive-risk individuals, who are most likely to benefit from supervision.

An estimated 3,000 or more people will be released from prison in 2019. To better help inmates leaving the prison successfully transition back into the community, the Department of Corrections established a release/reentry team. Reentry efforts have increased services for inmates. These individuals now more consistently and reliably receive access to medical records, vocational rehabilitation services, Department of Workforce Services/other employment-related resources, health insurance options, community and treatment resources, identification options, and access to housing. These efforts are moving the needle toward the state's goal of increasing public safety and making lasting, positive changes in behavior.

To further strengthen success for offenders entering back into the community, the Governor's Office of Management and Budget (GOMB) is implementing the Social Services Blueprint Solution over the next year to assist clients in making progress. The departments of Corrections, Workforce Services, Human Services, and GOMB have worked hard over the last several years developing and testing the system. This solution outlines strategies and tactics to help social services agencies improve quality outcomes for clients/offenders as efficiently and effectively as possible.

While developing the blueprint solution, the group saw an opportunity to synchronize efforts across social services agencies that may share clients. This can be accomplished with an easy-to-use database, interface, and simple business processes for application. A memorandum between the agencies allowed their client rosters from September 2019 to be matched by name, dates of birth, and social security numbers. Most notably, exact matching revealed the following concurrent enrollment:

- 17.3% of DCFS clients with active Child and Family Plans were under Corrections jurisdiction
- 9.4% of Vocational Rehabilitation clients were under Corrections jurisdiction
- 9.3% of Family Employment Program clients were Vocational Rehabilitation clients.

GOMB is currently working with stakeholders, including the Department of Technology Services, to identify requirements for building the database and interface. This technology supports milestone management, a prong of the blueprint solution. The blueprint solution will ultimately help case managers and state employees better track a person's progress through a program, synchronize treatment/services across programs, meet target dates for completion, and ensure the proper amount of services are delivered.

The Department of Corrections has already started to apply blueprint solution principles to its work. The Department of Corrections will seek to reduce the 36-month average offender parole period by half to 18 months and also reduce the average 18-month probation period by half to nine months. This reduction in time spent on supervision will occur only when offenders have earned it by successfully completing their treatment/case action plans and reducing their risk to offend. Stakeholders from Corrections, Child Welfare, Vocational Rehabilitation, Family Employment, and Juvenile Justice Services will participate. As Utah's social services programs adopt milestone management, they lay the foundation to synchronize casework around clients who have concurrent or past engagement with caseworkers from these various agencies. For instance, someone in the community who has a parole officer may also be engaged with caseworkers from the Department of Workforce Services and the Division of Child and Family Services. Integrated milestone management will enable all caseworkers serving the same client to have situational awareness about all the relevant work in process for that client.

With this understanding, caseworkers can sequence their expectations for the client so as not to overwhelm the client with too much at once. The Governor recommends $6.5 million for the Department of Corrections to provide increased case management and operational improvements for Adult Probation and Parole to collaborate with these other agencies to improve outcomes and reduce the time offenders spend in the criminal justice system by focusing on successful early release from supervision.

Corrections

The Governor recommends $11 million to construct a 100-bed behavioral health transition facility, including $6 million ongoing for operation and maintenance when the facility opens. Currently, 50% of offenders suffer from some form of mental illness ranging from mild to severe. Historically, 70% of released individuals with a mental health disorder return to prison within three years. Housing mentally ill offenders in a community-based facility will better address their needs and allow for better outcomes. Currently, only 20 beds are available in the community correctional centers, with an additional 145 beds in the Draper prison for the most serious mentally ill.

The Governor recommends $2.6 million in funding for the certified officer pay plan for Corrections. This will allow Corrections pay plans to stay competitive with local law enforcement. This should reduce turnover and increase retention of Corrections employees. As turnover declines, resources previously dedicated to dealing with the effects of turnover can be redirected to salaries, making the pay plan self-funding over time.

Justice Reinvestment

Between January 2015 and August 2017, the average daily number of inmates decreased from 7,061 to 6,301. The number of inmates has risen from the low of 6,301 in August 2017 to 6,787 inmates in October 2019. While the prison population has grown the last several years, it remains below the 7,061 inmates housed in prison prior to the implementation of criminal justice reform in 2015. Prior to reform 62% of offenders sent directly to prison from court were sentenced for nonviolent crimes. Despite research demonstrating the diminishing public safety returns of longer prison sentences, people were spending 18% longer in prison than the previous decade while Utah crime rates were decreasing.

In 2017, the State of Utah incarcerated 292 people per 100,000 of the total adult population. This is down from 351 people per 100,000 in 2012. Utah's incarceration rate of the adult population is significantly lower than both the average incarceration rate of Western states (461 per 100,000 adults) and the overall national rate (568 per 100,000 adults).

While Utah's prison population remains below projections absent criminal justice reform, recent increases in the prison population raise concerns about capacity to house additional inmates if this trend continues. Additionally, continued growth in the number of offenders being supervised by Adult Probation & Parole has posed a challenge for agents to be able to supervise offenders as directed by HB 348 of the 2015 General Session.

The prison population is affected by the volume of prison admissions and prison releases. Policies under HB 348 (2015) that aim to standardize supervision practices have not been as successful as anticipated. As a result, the system has experienced higher-than-expected failure rates for those serving time on parole. The increase in the number of revocations, which is in large part caused by technical violations, is putting upward pressure on the prison population.

Because of the increasing trend in Utah's prison population, the Commission on Criminal and Juvenile Justice has created a working group with stakeholders from Corrections, prosecutors, defense attorneys, courts, etc. to examine the

reasons for the growing prison population. The following research items are being explored:

- Determine the top five reasons behind parole revocations and examine how the Board of Pardons & Parole can effectively control returns to prison
- Review the reasons behind parole rescissions and assess how many of them are linked to insufficient community resource services
- Review and analyze to what extent fidelity of criminal justice reform implementation is associated with the higher-than-expected prison population growth

Jail Reimbursement

The state reimburses counties at a specified rate for the costs of offenders sentenced to jail as a condition of felony probation. The Governor recommends replacing $14.6 million in one-time funding with $15.1 million in ongoing General Fund appropriations. The Governor also recommends an additional $2.3 million in one-time General Fund, which brings the total funding for jail reimbursement in FY 2021 to $17.3 million.

Jail Contracting

The state contracts with counties at a specified rate to cover costs associated with housing state inmates in county jails. The Governor recommends replacing $33.3 million one-time funding with ongoing General Fund. This will allow the state to house approximately 1,560 inmates in county jails in FY 2021. The Governor also recommends an additional $2 million to expand treatment in county jails. At the present time, only 42% of inmates being housed in county jails have access to treatment and programming for sex offenders, substance use disorders, cogitative behavior, and vocational education. Expanding the availability of treatment and programming in county jails will improve the chances for these individuals to succeed as they are released from incarceration.

Juvenile Justice Reform

The Commission on Criminal and Juvenile Justice (CCJJ) oversees the comprehensive juvenile justice reform amendments enacted HB 239 during the 2017 General Session. This effort has been supported by various stakeholders including GOMB, Juvenile Justice Services (JJS), the Courts, and the Utah State Board of Education.

At this early stage, JJS has realized substantial progress in a number of areas that support HB 239 intentions. This can be attributed to the system's demonstrated commitment to the intent of the legislation as well as JJS's partnership with GOMB to incorporate the SUCCESS Framework. JJS has shown a 24% reduced likelihood that youths served by JJS custody programs will reoffend. In addition, youths ordered to secure care are now offered up to 12.5 hours of dosage a week for positive, sustainable change, and nearly 60% fewer assaults have been reported by JJS staff in the past 15 months. These successes have helped to free up resources in the juvenile justice system to be reinvested.

During the 2019 General Session, HB 404, *Juvenile Justice Reform Amendments* created a restricted account where annual savings in Juvenile Justice Services' programs would be transferred to be used for non-residential early intervention programs. As anticipated, JJS experienced a substantial savings in FY 2019. As a result, $4.9 million was deposited into restricted account at the close of FY 2019.

JJS has developed a plan to reinvest the $4.9 million saved in FY 2019 into non-residential early intervention programs through a new model of service delivery – the Youth Services Model. It is anticipated this model will serve thousands of youths who traditionally found themselves in out-of-home placements for engaging in low-level delinquency or other problem behaviors in the past. Local data analysis demonstrated that youth and communities both experienced poor outcomes through this approach, which is why HB 239 (2017) and HB 404 (2019) support non-residential early intervention.

The objective of the Youth Services Model is to provide families, schools, and other community stakeholders with an avenue to connect youth who engage in low-level problem behaviors with services that match their unique risks and needs. JJS staff will screen youth referred to Youth Services for a number of issues (e.g., mental health and delinquency risk) and then help the youth and their families access services that will support their needs. JJS completed a pilot project for this model in FY 2019 and made substantial progress in rolling it out statewide in the first quarter of FY 2020.

The Governor recommends allocating the $4.9 million saved by the state's juvenile justice system in FY 2019 toward the expansion of the Youth Services Model for both FY 2020 and FY 2021. This allocation will increase access to evidence-based, non-residential early intervention services for thousands of youths and families, as intended by HB 239 and HB 404.

Public Safety

To improve public safety, the Governor's budget recommends $8.6 million from the General Fund for 46 highway patrol officers and new vehicles.

The Governor also recommends $5.2 million one-time from the General Fund to purchase a new helicopter to replace a 25-year-old helicopter. The new helicopter will be equipped with proper rescue equipment (i.e., a hoist for resources in remote or dangerous locations), police support equipment, modernized aircraft safety improvements, and safety standards. Finally, the Governor recommends $850,000 to fully fund HB 200, Sexual Assault Kit Processing Amendments, passed during the 2017 General Session. This bill mandates the testing of all sexual assault kits.

Finding Success in Internal Capacity in Public Safety

Keeping Utah safe is a vision the Utah Department of Public Safety (DPS) commits to in practice. Through dedicated public service and a promise to ensure proper investment of resources, the agency has energetically challenged employees to seek innovation and refinement in the work they produce. The Department has six SUCCESS reporting systems.

By fostering a culture to inspire improvement, DPS continues to examine processes, rethink methods, and seek internal capacity within the work environment. One example of this improvement has occurred in the Bureau of Criminal Identification (BCI). At the beginning of 2019, a person applying for an expungement would need to wait approximately six to eight months before being notified if they were eligible. The Expungements Section set a goal to reduce the backlog to three months by July 31.

By utilizing the SUCCESS Framework and identifying areas where the workflow could be improved, process changes created a more efficient but still accurate expungement application. The records and grants sections coordinated on research needed for expungement applications. During this project, the expungements section experienced significant personnel turnover. The supervisor adjusted assignments and responsibilities and trained the new personnel while continuing to reduce the backlog. On July 31, the wait time for a person to find out if he/she was eligible for an expungement was 90 days. The wait time is anticipated to continue decreasing until it reaches the final goal of no more than 30 days.

INFRASTRUCTURE & DEBT MANAGEMENT

A focus on minimizing debt, space utilization, meeting state building needs, and planning for future growth

Highlights

- AAA bond rating from all three rating agencies (S&P, Moody's, Fitch)
- No new general obligation bond authorization recommended
- $46 million ongoing to extend the life of state facilities through a facility development and renovation fund, including the newly purchased state office building
- Continued focus on space utilization of both state and higher education buildings
- Design and architectural planning of the Utah State Capitol campus, including completing the campus master plan with additional public parking and a state history museum
- $11 million ($6 million ongoing and $5 million one-time) for a correctional inmate mental health transition facility
- $37.4 million one-time for Bridgerland Technical College Health Science and Technology Building
- $19.5 million one-time for a replacement Sixth District Court courthouse in Manti
- Governor calls on transportation and water planners to increasingly rely on user fees rather than taxes as the appropriate revenue source to fund and finance projects

Background

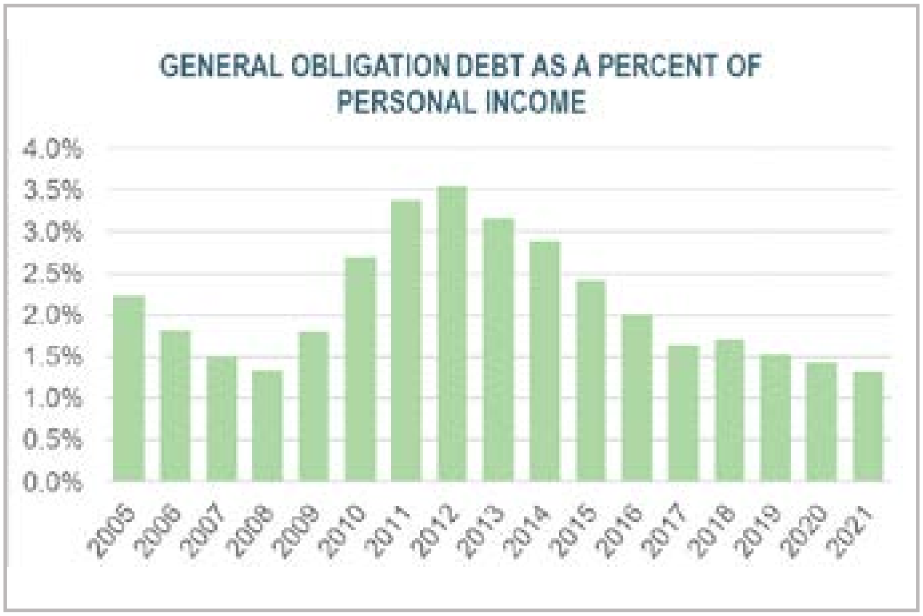
Reliable infrastructure underpins a well-functioning economy and adds significant societal value. New infrastructure requires an appropriate mix of cash funding and debt financing. Debt issuance requires repayment of principal plus interest using future cash that is therefore not available to fund future projects. By appropriately funding existing infrastructure maintenance, costs are significantly reduced over a facility's life.

Governor Calls For Increased Focus on Optimizing Use of Existing Infrastructure

Because infrastructure is very costly, Utah must leverage its infrastructure to maximum benefit. As policymakers contemplate future infrastructure allocations, the Governor recommends reexamining the state's overall approach to reemphasize more efficient use of existing infrastructure.

This reexamination should include (a) an increased road and water user fee emphasis to better align the costs with the use of that infrastructure; (b) an increased focus on

FIGURE 1



maximizing utilization, including space utilization at state and higher education buildings, road demand management to better tap unutilized capacity during most hours of the day, and more efficient water use; and (c) better highlighting the sometimes-hidden tradeoffs between taxpayer support of infrastructure and other competing purposes, such as the tradeoff between school buildings that are not always used efficiently and teacher salaries.

Assessing Future Infrastructure

It isn't news that Utah's population is growing rapidly and the state's infrastructure is experiencing growing pains. During rush hour, congestion often clogs Utah's roadways, extends commutes, and threatens quality of life. Rapidly rising rent and home prices, coupled with government limitations on market-driven supply, reduce housing affordability and choice. Limited water resources and booming communities cause concern with adequate water supply.

While recognizing the need for continued investment in Utah's infrastructure during this strong phase of the economic cycle, the Governor recommends doing so with continued strong cash funding rather than bonding.

The budget recommendation includes over $1.6 billion in ongoing state cash funding for capital projects, in addition to debt service payments for capital. This cash funding portion of the capital budget exceeds the General Fund operational budget of very large agencies such as Corrections ($357 million) or even the Medicaid budget after expansion ($556 million). This $1.6 billion total of cash payments for the capital budget includes $1.2 billion toward new infrastructure and $437 million for maintaining and renovating existing infrastructure. In addition, the Governor's recommendation includes $390 million in ongoing revenue to service debt payments on previously authorized infrastructure projects.

At this phase of the economic cycle, the Governor recommends preserving the state's general obligation bonding capacity both to retain a budget buffer for the future and to allow some temporary breathing room for major publicly funded projects that are stretching construction markets thin and driving up costs throughout the state economy.

A review of future infrastructure proposals reveals staggering costs in the tens of billions of dollars that far exceed revenues. Consider, for example, major projects proposed in coming decades such as those near the Point of the Mountain ($3.8 billion), water development ($15 billion), and other transit and road projects (to include an unfunded $18.1 billion for transit and $14.3 billion for roads beyond projects projected to be funded with anticipated revenues of $16.8 billion for transit and $57.5 billion for roads).

In light of these many costly proposals, the Governor recommends that stakeholders (a) take into consideration and prioritize the combined fiscal impacts that many large projects have on the state's taxpayers; (b) increasingly look to user fees rather than taxpayer funds as the appropriate revenue source to fund and finance projects; (c) increasingly rely on private sector and federal financing when it is available, with the state acting as a lender or financial market facilitator only when absolutely necessary, so private lenders can serve their function as lenders and the state can minimize tying up limited taxpayer funds for long periods of time; (d) encourage strong local funding participation when the state participates in a local project; and (e) work closely with the State Treasurer in determining the appropriate time, amount, and means to pursue debt financing to maintain a prudent fiscal approach and ensure the state does not jeopardize its AAA bond rating.

Debt Management

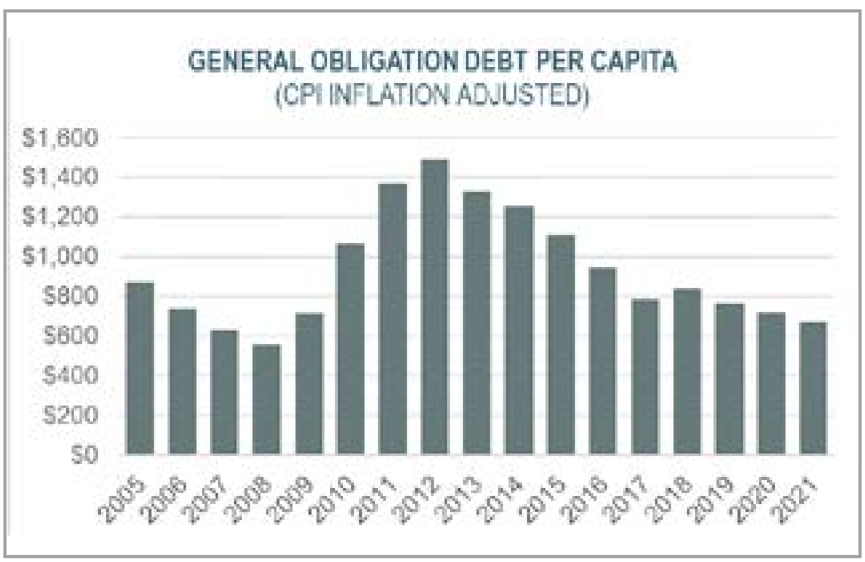
Utah's long standing 'triple-triple' status - AAA rating from all three bond-rating agencies – is a result of the state's historic conservative and responsible debt management. Utah is 1 of 12 states with this highest rating.

To ensure that Utah maintains its AAA bond rating through effective debt and budget management practices, the Governor recommends the following guidance regarding future general obligation bond issuances:

- Cash finance projects and minimize bonding as much as possible during the strong phase of an economic cycle to preserve borrowing capacity during a downturn.
- Use bonds only for capital infrastructure and not for operational expenses.
- Continue with short amortization periods, such as the current statutory default of no more than 15 years for major infrastructure expenses like roads, and continuing the practice of not exceeding seven years for most buildings and 10 years for major buildings like the prison.
- Focus on meaningful debt affordability measures rather than the maximum debt possible under the constitutional debt limit. These affordability measures include debt as a percentage of personal income (recommended range of 1.0%-1.5% during periods of economic strength) and real (CPI-adjusted) debt per capita (recommended range of $400-600 per capita during periods of economic strength).
- Assess debt affordability relative to other AAA states, not to the average state with a lower bond rating.
- Strive to remain in the range of 20-40 percent of the constitutional debt limit at this strong stage of the business cycle.

As of December 2019, the State of Utah's total outstanding general obligation debt is approximately $2 billion, with another $273 million in revenue bonds outstanding. In addition, nearly $1 billion in general obligation bonding capacity is authorized but unissued, comprised of about $355 million in unissued building (prison) authorization

FIGURE 2



and $637 million in unissued highway authorization. It is anticipated that the state will issue about $450 million of highway debt in early 2020.

As Figure 1 shows, Utah's total general obligation debt as a percentage of personal income was 1.5% in FY 2019 and is estimated to decrease to 1.4% in FY 2020. Using the most recent comparison with other states, Utah's 2018 net-tax-supported debt as a percentage of personal income was 1.9% (higher than the AAA state median of 1.5%). This ratio has since moderated, but increased dramatically during the Great Recession, with a peak of 4.4% in 2012.

As Figure 2 shows, Utah's real (CPI-adjusted) general obligation debt per capita reached $766 in FY 2019 and is projected to decrease to $721 in FY 2020, lower than the FY 2012 peak of $1,489 but well above the pre-recession low of $553 in FY 2008. Utah's nominal net-tax-supported debt per capita in 2018 was $792 (higher than the AAA state median of $705).

The Utah Constitution limits the state's general obligation debt to 1.5% of the value of the state's taxable property value. In FY 2020, including the anticipated 2020 bond issuance, the state's $2.4 billion in debt is approximately 39% of the constitutional debt limit. During periods of expansion and economic strength, the Governor recommends that the state strive to remain within 20-40 percent of the constitutional debt limit.

Capital Development

Many employees currently housed in the state office building on Capitol Hill will relocate to the recently purchased state office building in Taylorsville. The relocation solves various facility issues as the Taylorsville building will house the Department of Agriculture that needs to relocate from its current location; allow for the demolition of an aged state office building; provide a location for the state data center; and allow for additional public parking on Capitol Hill as early as spring 2020. In addition, the state is also master planning all state facility space to better identify cost savings in retiring leases, consolidate agency space, and identify opportunities for remote work.

To fulfill the intent of the Capitol Hill master plan, the existing state office building will be replaced with a new building that will include the Department of Heritage and Arts, additional space for the executive and legislative branches, and additional public meeting space for citizens to enjoy on Utah's Capitol campus. The Governor recommends that FY 2019 funding appropriated for the planning efforts of Capitol Hill continue to be used for that project.

In addition, the Governor recommends $46 million ongoing to create a facility renovation and development fund. The fund will minimize long-term state costs by extending the life of existing buildings, including renovations in the new State Office Building in Taylorsville, to support more efficient workspace and additional renovations to aging state facilities such as the Cannon Health Building, Department of Workforce Services buildings, and others.

The Governor recommends $6 million ongoing and $5 million in one-time funds for a new mental health facility within the Department of Corrections. This behavioral health transition facility will provide much-needed services for inmates with mental health challenges exiting the correctional system and will allow for a better transition back into the community.

The Governor also recommends $37.4 million one-time and $624,000 ongoing for Bridgerland Technical College Health Science and Technology building and $19.5 million one-time and $90,400 ongoing for the Sixth District Courts Manti Courthouse replacement building.

The Governor commends the leadership of Southern Utah University for its innovative solution for creating a Child and Family Development Center building with existing resources by re-purposing the former presidential mansion. The Governor recommends over $100,000 in operations and maintenance funding for the building.

Aside from general obligation bond and cash-funded projects, the state also issues lease-revenue bonds for capital development projects, such as state liquor stores. These liquor stores are sometimes approved without all bond and operating costs funded up front by the Legislature. To maintain structural budget balance moving forward, the Governor recommends that when a liquor store lease revenue bond is approved, the Legislature also appropriate the necessary bond, operations and maintenance, and personnel funding costs at the same time.

Capital Improvement

To provide proper state facility upkeep and minimize deferred maintenance costs, Utah statute requires 1.1% of the state's building replacement value be dedicated to capital improvements. In fiscal year 2020, 1.2% of the replacement value was appropriated on a one-time basis. The Governor recommends ongoing funding at the 1.1% statutory value, which will continue to extend the life of the buildings and achieve significant savings over time.

Space Utilization

The Department of Administrative Services' Division of Facilities and Construction Management (DFCM) continues to integrate space utilization concepts into state facility space planning. DFCM is in the process of updating space standards by reducing the size of personal space in a moderate approach, providing a framework for efficient 'non-assigned' space, and supporting alternative workplace strategies including telework. These methods will be used in the Taylorsville building renovation.

The state's new telework initiative, A New Workplace: Modernizing Where, How, and When Utah Works, supports space utilization standards. With nearly 275 participants working remotely, agencies and facility planners are able to reduce the space footprint of the state's workforce to better increase utilization of state buildings while increasing employee productivity.

Using utilization metrics, higher education entities and the state Building Board are beginning to integrate space utilization standards into how they measure and prioritize new space requests. While these efforts are moving in a positive direction for new buildings, a true incorporation of utilization strategies must include existing space.

With significant state and local resources being spent on K-12 capital expenses each year, the Governor calls for an audit of capital expenditures that examines project costs, procurement processes, and the use of facility condition assessments in prioritizing capital improvements. The Governor also recommends that DFCM work with the Utah State Board of Education and stakeholder groups to examine the potential value of meaningful statewide capital project standards for schools.

Table 4: General Obligation and Revenue Bonds

General Obligation Bonds Payable (Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2019
2009 D Highway Issue	9/29/2009	2019, 2024	4.15 %, 4.55 %	$491,760	$491,760
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	4.00 % – 5.00 %	$172,055	$44,475
2011 A Highway/Capital Facility Issue	7/6/2011	2012 – 2021	2.00 % – 5.00 %	$609,920	$131,970
2013 Highway Issue	7/30/2013	2014 – 2028	3.00 % – 5.00 %	$226,175	$58,375
2015 Refunding Issue	4/29/2015	2019 – 2026	3.50 % – 5.00 %	$220,980	$220,980
2017 Highway/Prison Issue	7/10/2017	2018 – 2032	3.00 % – 5.00 %	$142,070	$135,555
2017 Refunding Issue	12/15/2017	2018 - 2028	2.21%	$118,700	$117,600
2018 Highway/Prison Issue	2/28/2018	2018 - 2032	3.13 % – 5.00 %	$343,155	$322,865
2019 Highway Issue	1/15/2019	2019 - 2033	5.00%	$127,715	$127,715
Total General Obligation Bonds Outstanding					*$2,273,275*
Unamortized Bond Premium					$101,116
Total General Obligation Bonds Payable					**$2,374,391**

State Building Ownership Authority Lease Revenue Bonds Payable (Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2019
Government Activities					
Series 2009 E	9/9/2009	2018 – 2030	4.62 % – 5.77 %	$89,470	$57,690
Series 2010	11/30/2010	2011 – 2024	2.00 % – 5.00 %	$24,555	$9,919
Series 2011	10/25/2011	2012 – 2031	2.13 % – 4.00 %	$5,250	$2,375
Series 2012 A	11/20/2012	2017 – 2027	1.50 % – 5.00 %	$11,755	$9,080
Series 2012 B	11/20/2012	2013 – 2022	1.50 % – 2.25 %	$9,100	$1,552
Series 2015	4/29/2015	2016 – 2030	3.00 % – 5.00 %	$785	$65
Series 2016	4/5/2016	2016 – 2038	2.25 % – 5.00 %	$93,625	$90,475
Series 2017	12/15/2017	2020 – 2024	5.00%	$25,910	$25,910
Series 2018	2/21/2018	2020 – 2039	3.00 % – 5.00 %	$2,920	$2,920
Business-Type Activities					
Series 2009 C	9/9/2009	2024, 2029	5.29 %, 5.77 %	$16,715	$16,715
Series 2010	11/30/2010	2011 – 2024	2.00 % – 5.00 %	$12,180	$5,646
Series 2012 A	11/20/2012	2017 – 2027	1.50 % – 5.00 %	$3,855	$3,090
Series 2012 B	11/20/2012	2013 – 2022	1.50 % – 2.25 %	$2,600	$333
Series 2015	4/29/2015	2016 – 2030	3.00 % – 5.00 %	$29,230	$26,995
Series 2016	4/5/2016	2016 – 2038	2.25 % – 5.00 %	$4,525	$4,225
Series 2018	2/21/2018	2020 – 2039	3.00 % – 5.00 %	$15,545	$15,545
Total Lease Revenue Bonds Outstanding					*$272,535*
Unamortized Bond Premium					$9,203
Total Lease Revenue Bonds Payable					**$281,738**

Source: FY 2019 State of Utah Comprehensive Annual Financial Report

Legal Debt Margin (Millions)

	2015	2016	2017	2018	2019
Taxable Value	$221,650	$235,273	$251,598	$271,649	$298,114
Fair Market Value	$303,725	$323,367	$347,716	$377,260	$415,650
Debt Limit Amount (1.5%)	$4,556	$4,851	$5,216	$5,659	$6,235
Net General Obligation Bonded Debt	$2,950	$2,585	$2,235	$2,498	$2,374
Legal Debt Margin	$1,606	$2,266	$2,981	$3,161	$3,861
Net General Obligation Bonded Debt Percent of Limit	64.75%	53.29%	42.85%	44.14%	$0

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.

Statutory Debt Limit (Millions)

	2015	2016	2017	2018	2019
Appropriations Limitation Amount	$3,315	$3,469	$3,567	$3,738	$3,911,000
Statutory Debt Limit (45%)	$1,492	$1,561	$1,605	$1,682	$1,760
Net General Obligation Bonded Debt	$2,950	$2,585	$2,235	$2,498	$2,374
Exempt Highway Construction Bonds	$2,622	$2,402	$2,180	$2,282	$2,175
Net General Obligation Bonded Debt Subject to Limit	$328	$183	$55	$217	$199
Additional General Obligation Debt Incurring Capacity	$1,164	$1,378	$1,550	$1,466	$1,561

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.

Source: FY 2019 State of Utah Comprehensive Annual Financial Report

Budget & Policy Brief

REVENUE EARMARKS

The Governor proposes reducing General Fund earmarks for infrastructure and continuing to replace general tax funds with user fees for roads and water

Highlights

The Governor proposes reforming the state's earmark policy by replacing earmarks with user fees

With recent tax law changes, 19.6% of total sales tax revenue is earmarked in FY 2021, down from 26.6% prior to the tax law changes

Sales Tax Earmarks

The Governor believes the state's long-term fiscal wellbeing requires a healthy annual budget prioritization process. This process is weakened to the degree that general state tax revenue is statutorily earmarked for specific purposes. As Figure 1 shows, this problem has grown dramatically over the past 15 years. Programs funded with earmarked revenues do not fully compete against other state needs, potentially resulting in a less efficient allocation of state dollars. Such earmarks[1] tend to be viewed as captured revenue—revenue belonging to those benefiting from the earmark—rather than as general taxpayer dollars focused on the highest priority use. Reducing or repealing earmarks gives Utah lawmakers more budget flexibility.

Rather than earmarking general revenues for infrastructure, a better approach is to align costs through the use of user fees. Recently-passed tax changes in SB 2001 of the 2019 Second Special Session do a great deal to move in this direction. SB 2001 institutes additional user fees in the form of increased taxes on motor fuel and diesel of an estimated $170 million in FY 2021. Simultaneously, the bill reduces projected FY 2021 transportation earmarks by over $150 million compared to pre-reform estimates. This is money that will now stay in the General Fund. Prior to tax reform legislation, 21% of new sales tax revenue growth for FY 2021 and 26% of total sales tax was earmarked—primarily for transportation, water, and Medicaid.

With the changes in SB 2001, it is now projected that there will be no net increase in sales tax earmarks in FY 2021. In fact, while total sales tax revenue is projected to increase by nearly $400 million in FY 2021, sales tax earmarks are expected to decline by over $80 million. Additionally, projections indicate that only 19.6% of total sales tax will be earmarked, a 6.6 percentage point decrease from the pre-reform estimate of 26.2%.

While the changes in SB 2001 represent significant movement in the right direction, there is still a great deal of capacity to better align transportation costs with use, particularly since fuel taxes may not pace with long-term demand as cars become more fuel efficient and more drivers turn to hybrid and electric vehicles. Requiring road users rather than taxpayers to increasingly pay a larger share of

[1]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.

transportation costs through user fees such as road usage charges, transportation service taxes and fees, and congestion pricing would lead to both a more economically efficient transportation system and a further reduction in sales tax earmarks. As explained in the Transportation and Housing budget and policy brief and consistent with new requirements of SB 2001, the Governor is directing UDOT to develop a plan to increasingly transition road funding to a user fee model.

Similarly, state funds for water projects should be shifted from sales tax earmarks to a water user fee. As further explained in the Tax Modernization budget and policy brief, the Governor recommends replacing sales tax earmarks for water with a statewide water user fee on municipal and industrial (M&I) water usage. For residential water use, the Governor recommends that a basic level of water use be exempted from the fee to help ensure that essential water use remains affordable. This user-fee-based funding mechanism will provide state revenues for state-financed water projects, while also encouraging more efficient use of limited water and requiring heavy water users to pay more toward water project costs.

In addition to replacing existing water earmarks, any increased state funding for proposed major water projects should come from water user fees. Historically, the state has played a limited role in building local water infrastructure. However, the Lake Powell Pipeline and Bear River Development projects could cost billions of dollars. As policymakers decide the extent of the state's financial role in these projects, any state cost should be borne through a statewide water fee rather than general funds or sales tax earmarks. User fees not only ensure that water is used more efficiently, but they also help ensure that water users only demand the water infrastructure they are willing to pay for. Earmarks, on the other hand, hide the true cost from the public. Because water fees come from water users (as opposed to a general tax), these water fee revenues should be set aside specifically for water projects and not diverted to other uses.

Lastly, the Governor proposes repealing the earmark of insurance premium tax currently going to the Fire Academy Support Account and the Firefighters' Retirement Trust & Agency Fund and replacing the earmarked funding with General Fund monies.

The Governor opposes the expansion of existing earmarks or the enactment of new earmarks.

FIGURE 1

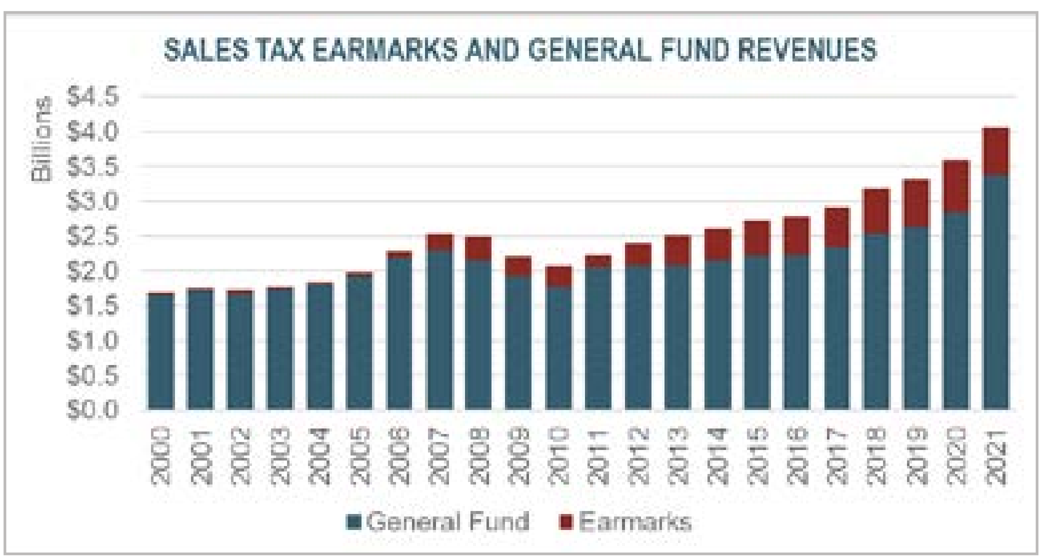


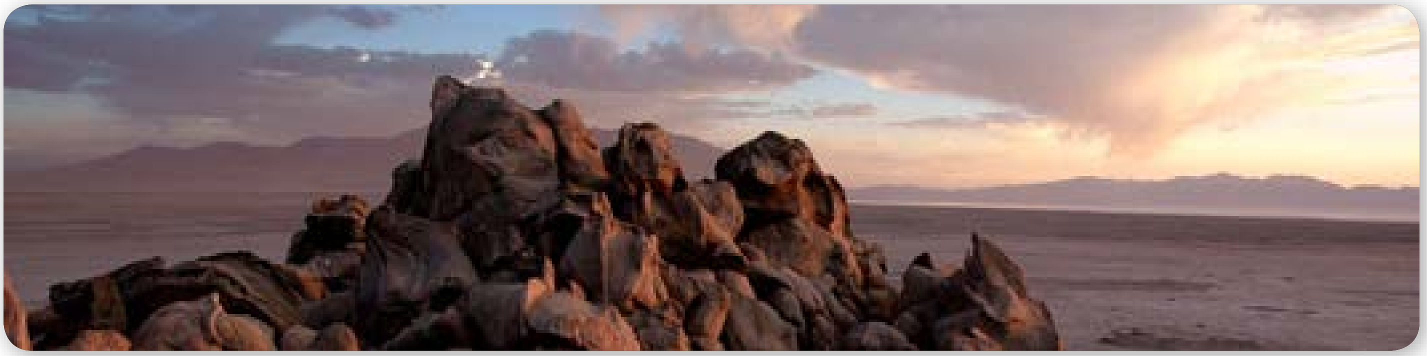
TABLE 5

General Fund Earmarks and Set-Asides FY 2021

Earmarks are revenues set aside for a certain purpose. 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 $738 million in FY 2021. All numbers are in thousands of dollars.

Earmark Item	Statute	FY 2019 Actual	FY 2020 February Consensus Estimate	FY 2020 November Consensus Estimate	FY 2020 Post SB 2001 Estimate	% Chg. FY 19 - FY 20	FY 2021 November Consensus Estimate	FY 2021 Post SB 2001 Estimate	% Chg. FY 20 - FY 21
Sales and Use Tax									
Transportation:									
Transportation Investment Fund of 2005 (1/16%)	59-12-103(6)	24,382	17,215	17,039	17,084	-29.9%	8,891	9,030	-47.1%
Transportation Investment Fund of 2005 (8.3% of sales tax)	59-12-103(8)	232,017	245,744	243,205	247,211	6.5%	253,804	278,940	12.8%
Transportation Investment Fund of 2005 (30% of growth)	59-12-103(8)	243,198	257,587	254,926	239,095	-1.7%	266,036	201,979	-15.5%
Transportation Investment Fund of 2005 (.05%)	59-12-103(11)	19,236	15,286	15,115	15,160	-21.2%	10,507	10,692	-29.5%
Transportation Investment Fund of 2005 (3.68% of sales tax)	59-12-103(8)	102,870	102,631	101,256	76,726	-25.4%	96,843	0	-100.0%
Transit and Transportation Investment Fund (35% over $.294 fuel tax)	59-12-103(9)		6,325	6,575	5,479		15,687	0	-100.0%
Subtotal - Sales and Use Tax Transportation		**621,702**	**644,787**	**638,115**	**600,755**	**-3.4%**	**651,767**	**500,641**	**-16.7%**
Water:									
Water development (94% of $ over $18.5M gen. by 1/16%)	59-12-103(5)(d)	19,113	21,154	20,780	20,876	9.2%	22,359	22,950	9.9%
Water Infrastructure Account	59-12-103(6)	16,254	25,822	25,558	25,626	57.7%	35,563	36,120	40.9%
Water development (41% of $17.5M)	59-12-103(4)(e)	7,175	7,175	7,175	7,175	0.0%	7,175	7,175	0.0%
Drinking water (20.5% of $17.5M)	59-12-103(4)(g)	3,588	3,588	3,588	3,588	0.0%	3,588	3,588	0.0%
Water quality (20.5% of $17.5M)	59-12-103(4)(f)	3,588	3,588	3,588	3,588	0.0%	3,588	3,588	0.0%
Endangered species (14% of $17.5M)	59-12-103(4)(b)(i)	2,450	2,450	2,450	2,450	0.0%	2,450	2,450	0.0%
Water rights (6% of $ over $18.5M gen. by 1/16%)	59-12-103(5)(e)	3,373	3,733	3,667	3,684	9.2%	3,946	4,050	9.9%
Agricultural resource development (3% of $17.5M)	59-12-103(4)(c)	525	525	525	525	0.0%	525	525	0.0%
Watershed rehabilitation ($ over $18M gen by 1/16%, up to $500K)	59-12-103(5)(b)	500	500	500	500	0.0%	500	500	0.0%
Water rights (1% of $17.5M)	59-12-103(4)(d)	175	175	175	175	0.0%	175	175	0.0%
Cloud seeding ($ over $18M gen by 1/16%, up to $150K)	59-12-103(5)(c)	150	150	150	150	0.0%	150	150	0.0%
Subtotal - Sales and Use Tax Water		**56,890**	**68,859**	**68,156**	**68,337**	**20.1%**	**80,018**	**81,270**	**18.9%**
Other:									
Qualifed Emergency Food Agency Fund	59-12-103(10)	534	534	534	534	0.0%	534	534	0.0%
Medicaid Expansion Fund	59-12-103(13)	11,481	89,049	88,128	88,400	670%	91,975	93,645	5.9%
Subtotal - Sales and Use Tax Other		**12,015**	**89,583**	**88,662**	**88,933**	**640.2%**	**92,509**	**94,179**	**5.9%**
Subtotal - All Sales and Use Tax Earmarks		**690,608**	**803,228**	**794,932**	**758,025**	**9.8%**	**824,294**	**676,090**	**-10.8%**
Severance Tax:									
Permanent State Trust Fund	51-9-305	8,173	9,998	8,823	8,823	7.9%	8,906	8,906	0.9%
Subtotal - Severance Tax		**8,173**	**9,998**	**8,823**	**8,823**	**7.9%**	**8,906**	**8,906**	**0.9%**
Cigarette Tax:									
Dept. of Health - tobacco prevention and control media campaign	59-14-204(5)(c)(i)	250	250	250	250	0.0%	250	250	0.0%
Dept. of Health - tobacco prevention, reduction, cessation, control	59-14-204(5)(c)(ii)	2,900	2,900	2,900	2,900	0.0%	2,900	2,900	0.0%
University of Utah - Huntsman Cancer research	59-14-204(5)(c)(iii)	2,000	2,000	2,000	2,000	0.0%	2,000	2,000	0.0%
University of Utah - medical eduation	59-14-204(5)(c)(iv)	2,800	2,800	2,800	2,800	0.0%	2,800	2,800	0.0%
Subtotal - Cigarette Tax Earmarks		**7,950**	**7,950**	**7,950**	**7,950**	**0.0%**	**7,950**	**7,950**	**0.0%**
Beer Tax:									
Alcohol Law Enforcement	59-15-109	5,856	5,577	5,577	5,577	-4.8%	5,651	5,651	1.3%
Subtotal - Beer Tax		**5,856**	**5,577**	**5,577**	**5,577**	**-4.8%**	**5,651**	**5,651**	**1.3%**
Liquor Tax:									
School Lunch Program	32B-2-304(4)	47,900	51,224	51,209	51,209	6.9%	55,500	0	-100%
Subtotal - Liquor Tax		**47,900**	**51,224**	**51,209**	**51,209**	**6.9%**	**55,500**	**0**	**-100%**
Insurance Premium Tax:									
Fire Academy Support Account	53-7-204(2)	4,987	5,326	5,246	5,246	5.2%	5,461	5,461	4.1%
Relative Value Study Restricted Account	59-9-105	160	171	168	168	5.2%	175	175	4.1%
Workplace Safety Account	34A-2-701	1,371	1,464	1,442	1,442	5.2%	1,501	1,501	4.1%
Employers' Reinsurance Fund	34A-2-702	14,908	15,922	15,683	15,683	5.2%	16,326	16,326	4.1%
Uninsured Employers' Fund	34A-2-704	1,220	1,303	1,283	1,283	5.2%	1,336	1,336	4.1%
Firefighters' Retirement Trust & Agency Fund	49-11-901(5)	9,974	10,652	10,493	10,493	5.2%	10,923	10,923	4.1%
Subtotal - Insurance Premium Tax		**32,620**	**34,838**	**34,316**	**34,316**	**5.2%**	**35,723**	**35,723**	**4.1%**
General Fund Set-Asides									
Economic Development - Tax Increment Financing	63N-2-109	3,255	3,255	3,255	3,255	0.0%	3,255	3,255	0.0%
Economic Development - Tourism Marketing Performance Account	63N-7-301	24,000	0	0	0	-100.0%	0	0	0.0%
Subtotal - General Fund Set-Asides		**27,255**	**3,255**	**3,255**	**3,255**	**-88.1%**	**3,255**	**3,255**	**0.0%**
Total - General Fund Earmarks		**820,363**	**916,071**	**906,063**	**869,156**	**5.9%**	**941,279**	**737,576**	**-15.1%**

MAJOR REVENUE SOURCES



Utah's growing economy creates revenue growth

State Taxes and Fees

The State of Utah imposes various taxes and fees to fund government programs. The individual income tax and state sales and use tax are by far the state's 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. Tax revenues are deposited into various state accounts and budget bills enacted by the Legislature authorize use of these revenues for designated purposes.

The Legislature recently enacted changes to tax law through SB 2001 of the 2019 Second Special Session, after initial revenue estimates were released. The estimates in this brief are based on projections that incorporate the tax law changes. As explained in the Tax Modernization budget and policy brief, the Governor commends the Legislature for working to modernize the state's sales tax structure and, moving forward, encourages continued modernization efforts specifically with transportation user fees and taxes and with the sales and use tax.

Sales and Use Tax. The sales and use tax is the largest revenue source for state government operations, generating an estimated $3.45 billion in FY 2021 revenues. A large portion of sales and use tax revenues ($2.78 billion) is deposited into the General Fund. Of the $676 million in earmarked sales taxes not deposited into the General Fund, $501 million is for transportation while $94 million is for Medicaid as enacted by Proposition 3 of the 2018 General Election, and more than $81 million is for water and other purposes. In addition to sales tax earmarks, additional revenues are set aside for economic development and other purposes from the General Fund.

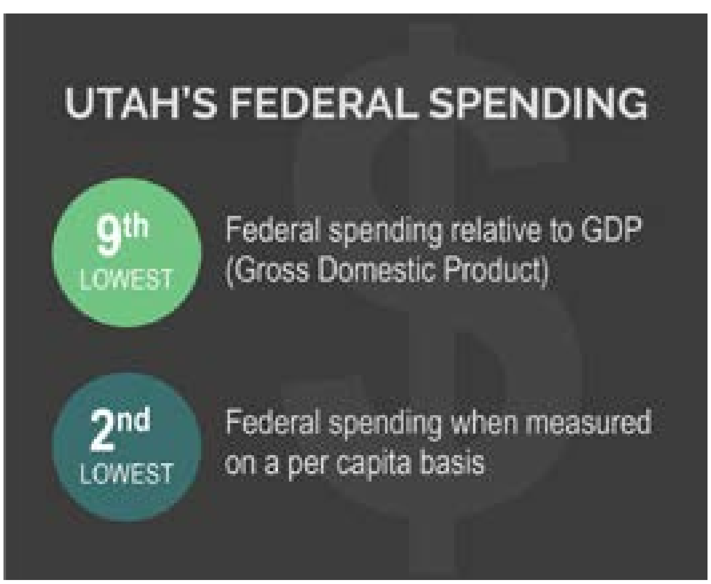
Individual/Corporate Income Tax. The Utah Constitution requires that income taxes support public (K-12) and higher education. Based on this constitutional directive, revenues from both individual income taxes ($4.29 billion) and corporate franchise and income taxes ($408 million) are not deposited into the General Fund. Rather, these revenues are segregated into the Education Fund and used to support only the state's public and higher education systems.

Fuel Taxes. 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 "fuel taxes," along with registration and other fees ($855 million) are deposited into a separate Transportation Fund to be used for transportation purposes.

General Fund Revenue Sources. State sales and use taxes are the primary revenue source for the General Fund. Other taxes deposited into the General Fund include severance taxes on oil, gas, and mineral extraction ($27 million); beer, cigarette, and tobacco taxes ($100 million); insurance premium taxes ($150); and cable and satellite excise taxes ($28 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 ($183 million), investment income ($39 million) and other sources including legal settlements, and transfers of certain fee revenues and credits (net $82 million). In FY 2021, an estimated $8.9 million of severance tax revenue historically available to the General Fund will be deposited to the state Permanent Fund.

Earmarked Sales Tax. As the Revenue Earmarks budget and policy brief highlights in greater detail, over the past 15 years until FY 2020 the Legislature has significantly increased earmarks of sales and use tax revenues to other funds, thereby restricting General Fund revenues. In addition to creating funding challenges, revenue earmarking makes it difficult to create a meaningful historical comparison of General Fund allocations or combined General Fund and Education Fund allocations across previous years. For FY 2021, total earmarks and set-asides are estimated at about $738 million, including $676 million in sales tax earmarks that would have been deposited into the General Fund if the earmark were not in place. The Governor commends the Legislature for taking action to replace sales tax earmarks with user fees.

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 nearly $900 million. Revenue collected from fees is intended to tie to the cost of providing specific government services or regulation directly to the user of the service, as opposed to taxpayers in general. 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 (e.g. state regulatory fees imposed on banks by the Department of Financial Institutions or insurance company fees imposed by the Department of Insurance).

Because fees ensure that government services are paid by those who benefit from them, the Governor recommends an increased reliance on user fees rather than taxes, particularly for transportation and water, and that those fees be dedicated for only those purposes.

Lapsing and Non-lapsing Balances

Amounts 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).

Federal Funds

Federal Taxes. Based on IRS data for the 2018 federal fiscal year, Utah taxpayers paid over $23.4 billion in taxes to the federal government, including over $21.5 billion in individual income, FICA, and employment taxes, $993 million in business income taxes, and over $685 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. In fact, most federal funds returned to Utah are outside of the state budget.

Some argue that because of the federal government's dismal 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 federal tax policies change, 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 2019 study published by Federal Funds Information for States (FFIS), in FY 2018, Utah had the second lowest total federal spending when measured on a per capita basis.

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

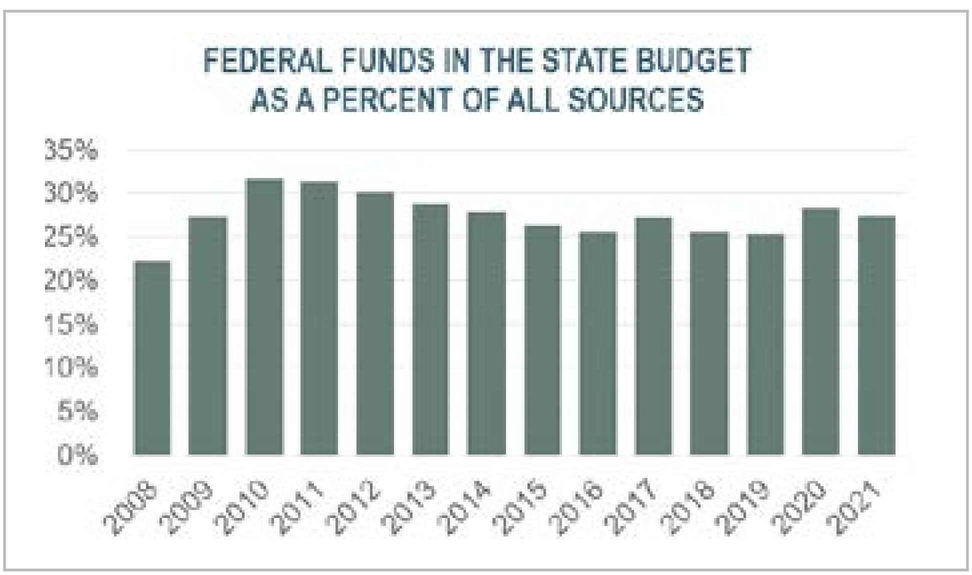
As of 2019, Utah was 1 of only 14 states that received less than 30% of its total budget state revenue from federal funds. Although there is a lag in data for comparisons with other states, Utah's percentage of federal funds appropriated through the state budget is projected at 27.4% in FY 2021.

Federal Funding in the State Budget

The portion of federal taxpayer dollars returned to Utah through the state budget funds 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 1 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 long-standing programs such as Medicaid and new federal assistance

FIGURE 1



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 overall. However, Medicaid expansion reverses the downward trend, as $809 million in federal funds are incorporated into the state budget.

Figure 2 shows some of the largest federally funded program areas. These programs account for about 83% 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 salaries of citizen soldiers in Utah's National Guard. Moreover, Utah's public education system is projected to receive over $367 million in federal assistance in FY 2021, 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.

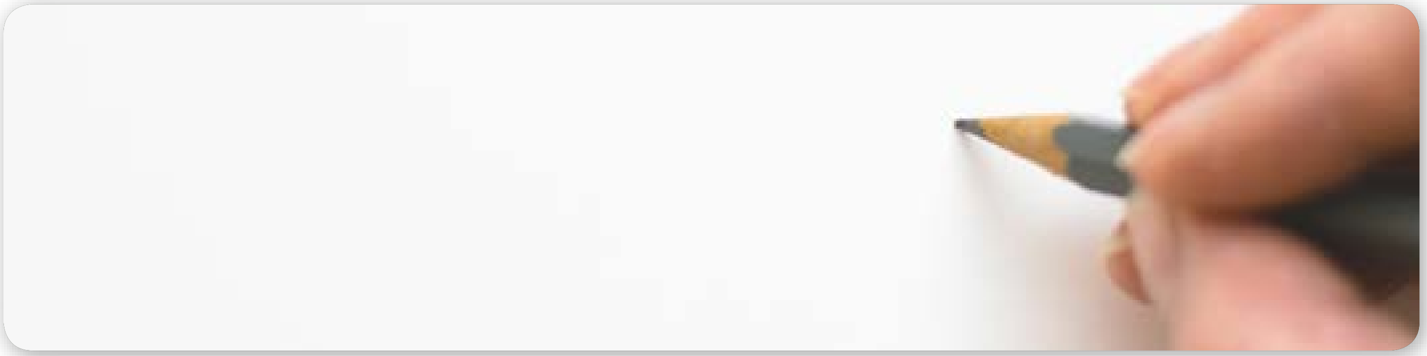
Although Utah should exercise caution to not become overly reliant on federal funding and ensure that we follow an appropriate policy course, the state should also seek to get the best value possible from the taxes Utah citizens pay to the federal government.

FIGURE 2

SELECTED FEDERAL FUNDING AREAS FLOWING THROUGH THE STATE BUDGET ($ IN MILLIONS)

Program Area	FY 2020 Budget
Medicaid	$3,180
Transportation	$527
Education (including special education, school lunch, and Title 1 for disadvantaged students)	$367
Supplemental Nutrition Assistance (SNAP)	$268
Temporary Assistance for Needy Families (TANF)	$85
National Guard	$59
Office of Rehabilitation (USOR)	$50
Women, Infants, and Children (WIC)	$40

REPLACING COMPLEXITY WITH SIMPLICITY



Replacing budget complexity with simplicity will allow policymakers, state employees, and Utahns to better ensure that every tax dollar invested creates more value

Highlights

Work toward building a simpler budget that aligns with service delivery systems, aggregates buffers, and allows better monitoring of the value for each tax dollar invested.

- 574 bills and resolutions passed during the 2019 General Session, a 47% increase compared to the 2000 General Session
- 16% increase in separate budget programs over the past 10 years
- $688 million (nearly 9% of all FY 2020 Education Fund and General Fund appropriations) passed through another fund or account before its end-use allocation
- Over 800 performance measures in 2019 General Session appropriations bills

Background

In recent years, both the Governor's Office of Management and Budget and Legislative Fiscal Analysts Office have rolled out new resources to help Utahns better understand how state government spends money and the results of those expenditures. Beyond just posting traditional budget books and summaries on websites, these efforts include infographics, dashboards, interactive tables and graphs, and other tools to help Utahns better understand the budget. These tools don't make the budget less complex, but they do attempt to help residents and stakeholders navigate the complexity.

The number of bills, resolutions, funds, line items, programs, and performance measures continue to grow over time. The Governor urges the Legislature to work collaboratively with the executive branch to replace complexity with simplicity in budgeting processes so policymakers, state employees, and Utahns can better ensure that every tax dollar invested creates more value. This includes aligning the budget with service delivery systems (specific goods or services provided by agencies), providing agencies with financial flexibility to focus on timely and quality service delivery, and developing a consolidated set of meaningful performance measures.

Growth in Complexity

Increased budget complexity creates a false sense of oversight, while actually reducing the transparency of how funding is utilized. Creating new reports, budget line items, and performance measures requires time and money—resources that would often be better used for core services. Because every dollar matters, we should be relentless in reviewing how our time and money are spent.

While no single measure can precisely capture the increase in complexity, some data provides a point of reference. The Legislature passed 574 bills and resolutions during the 2019 General Session, which represents a 47% increase over the 391 bills and resolutions passed in the 2000 General Session.

Not only is the overall number of bills increasing, but the complexity of appropriation bills is also continuing to grow. Each appropriation identifies a funding source and funding use, typically referred to as a line item. Additionally, separate allocations for specific programs may be identified within a line item. In FY 2020, 1,472 active programs are identified in the state's accounting chart of accounts. This is 205 (or 16%) more active programs than in FY 2011.

This trend of increasing complexity is particularly concerning in the area of public education. In FY 2010, the public education budget split funding into 44 different programs outside of the Weighted Pupil Unit (WPU)-based Basic School Program. This increased to 62 different non-WPU programs in FY 2020, including 31 under the Related-to-Basic line item and another 26 under line items for the State Board of Education's Initiatives, Science Outreach, and Fine Art Outreach.

Another recent trend is the creation of new funds or accounts to fence off funding for specific programs. In FY 2020, $688 million (or nearly 9%) of all Education Fund and General Fund appropriations passed through another fund or account before being allocated for their actual use. For example, $84 million is appropriated from the Education Fund to a restricted Teacher and Student Success Account. Those funds are appropriated out of the restricted account to a Teacher and Student Success Program that is part of the Related-to-Basic School Programs line item where they are distributed to local education agencies.

Aligning Budgets with Systems and Aggregate Buffers

When budget line items or programs misalign with systems for on-the-ground service delivery, it becomes much more difficult to track the ultimate outcomes of spending, and sometimes shifts the focus from achieving outcomes solely to compliance (which is necessary but often insufficient to achieve outcomes).

For example, following an audit of services provided by the Department of Human Services' Division of Juvenile Justice Services, the Legislature created a separate budget line item for Juvenile Justice Services expenditures for community providers. Earmarking a certain amount of the budget exclusively for community providers removes the division's flexibility to adjust spending to best achieve its mission. The division exists to change young lives, support families, and keep communities safe, not just spend a certain percent of its budget for specific expenditure categories. Looking broader than Juvenile Justice Services, the current line item structure at the Department of Human Services prevents the department from pooling resources for preventive services for individuals or families served by multiple divisions within the department.

Excessive budget line items and programs also separates budget buffers. Agencies are permitted to move funding between programs within the same line item, but excluding a few statutory exceptions, may not move funding between line items. As a result, agencies may over budget for an individual line item because no other mechanism can reallocate funds to address emerging priorities or unexpected costs.

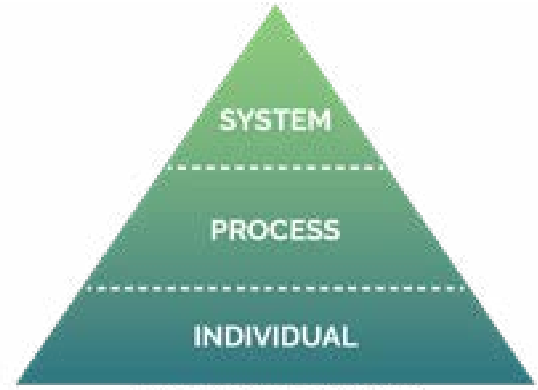
Because agencies want to ensure each program they operate is reliable, they must ensure all programs have sufficient funds throughout the year to meet demand. To this end, it is not uncommon for agencies to want their own budget buffers. When the number of individual line items and programs increase, the number and amount of individual buffers and hedges embedded in the budget also expands. It is unlikely every program will use its hedge at the same time. In contrast, consolidating line items and changing statute to allow for some level of reallocation between line items with proper oversight would allow agencies to combine funding buffers and reduce the overall buffer needed. Consolidating and reducing buffers can leave more funding available for core services.

Developing Meaningful Performance Measures

Beginning on July 1, 2020, the Governor's Office of Management and Budget (GOMB) will be required to collect and report the status of all program objectives, effectiveness measures, and program size indicators included in appropriation bills (HB 241, 2019 General Session). There were over 800 performance measures in 2019 General Session appropriations bills, with many of these measures focusing on processes or interesting program facts rather than focusing on the delivery of quality goods and services. In developing the Governor's budget recommendations, GOMB had agencies review and make recommendations for all current measures. Based on the review, agencies recommended revising or eliminating 186 measures, representing 23% of all appropriations bill measures. The list of measures and agency recommendations is included as an appendix to this document.

In the recent Performance Audit of Public Education Reporting Requirements, the Office of the Legislative Auditor General was unable to identify exactly how many different reports local education agencies (LEAs) are expected to submit each year. Based on reporting calendars from various entities, the auditors estimated the number of reports to exceed 300. The auditors said, "The difficulty lies in the large number of individual reporting requirements found in federal law, state statute, administrative rule, and department policy, let alone additional requests for data from various entities." One of the audit recommendations was for the Utah State Board of Education to regularly review reporting requirements to ensure they are necessary and appropriate for the LEA based on risk.

This audit finding illustrates the needless overhead and complexity that occurs when people in positions of authority



TYPES OF MEASURES

try to gain insight by breaking systems down into smaller and smaller measurable parts, often yielding more complexity and cost without improving performance. The result is not being able to see the forest through the trees.

GOMB is committed to working with state agencies, appropriations subcommittees, and legislative staff to develop a set of consolidated, meaningful system measures that can be approved during 2020 General Session. Meaningful measures should align with the goal of a system (good or service provided), incentivize desired behavior, aid in understanding how the system is performing over time, and signal when intervention or change is necessary.

The most meaningful measures typically compare a system's quality (Q) and throughput (T) to the cost of running the system (operating expenses or OE). Tracking improvements in QT/OE ratios is a simple, meaningful way to monitor the relationship between investments made and the results achieved with those investments.

GOMB already has a system (SMIS) in place to identify and track QT/OE measures. Leveraging SMIS would provide one source for all performance measures instead of using multiple processes currently in place. Focusing on meaningful quality and throughput system measures will likely reduce the overall number of measures, which will ultimately provide better insight into the value being provided to taxpayers and feepayers.

In summary, increasing complexity will make government more difficult to understand and lead to squandered opportunities. By contrast, replacing complexity with simplicity will help citizens better understand the services they are purchasing with taxpayer dollars and ensure that every tax dollar invested creates more value.

Table 6 - Recommended General, Education, and Uniform School Funds

(In Thousands of Dollars)

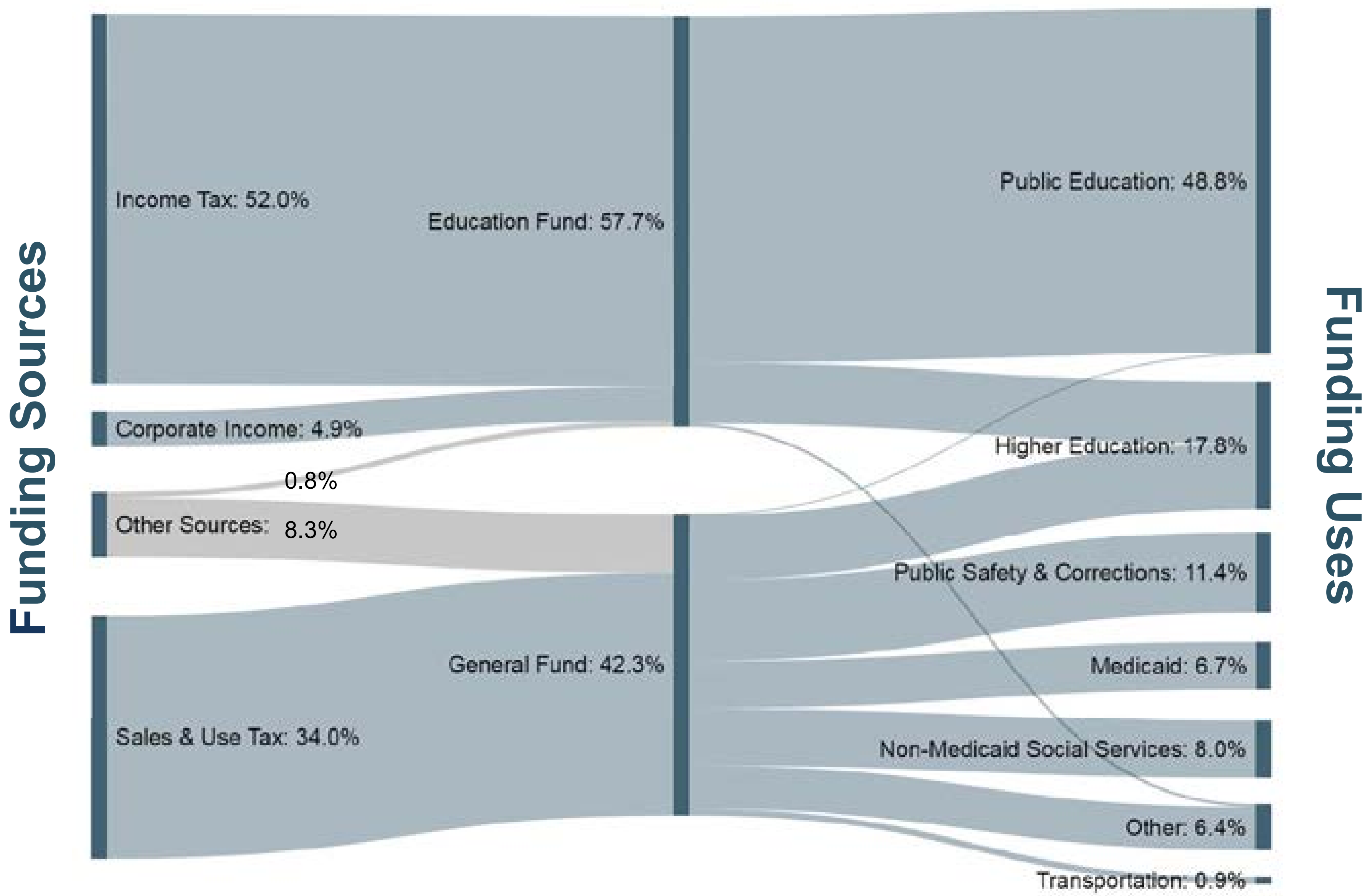
Governor's Recommendations

Sources	FY 2019 Actual	FY 2020 Authorized	FY 2020 Special Session	FY 2020 Adjustments	FY 2020 Total	FY 2021 Base	FY 2021 Special Session	FY 2021 Adjustments	FY 2021 Total
General Fund	2,614,166	2,504,530	0	0	2,504,530	2,504,530	391,027	476,497	3,372,054
General Fund, One-time	57,193	405,547	500	-33,010	373,037	0	0	143,924	143,924
Education Fund	4,475,026	4,835,906	0	0	4,835,906	4,835,906	-332,677	214,637	4,717,866
Education Fund, One-time	394,159	180,921	0	0	180,921	0	0	47,258	47,258
Uniform School Fund	27,500	32,500	0	0	32,500	32,500	0	0	32,500
Uniform School Fund, One-time	10,000	0	0	0	0	0	0	0	0
Grand Total	**7,578,044**	**7,959,404**	**500**	**-33,010**	**7,926,894**	**7,372,936**	**58,350**	**882,315**	**8,313,601**

Programs	FY 2019 Actual	FY 2020 Authorized	FY 2020 Special Session	FY 2020 Adjustments	FY 2020 Total	FY 2021 Base	FY 2021 Special Session	FY 2021 Adjustments	FY 2021 Total
Operating									
Administrative Services	19,490	28,342	0	2,500	30,842	28,112	0	2,783	30,896
Agriculture and Food	13,994	17,406	0	0	17,406	13,813	0	1,226	15,039
Attorney General	45,027	37,405	0	1,275	38,680	27,238	0	1,416	28,654
Auditor	3,531	4,507	0	0	4,507	3,692	0	665	4,357
Board of Pardons and Parole	5,871	6,071	0	361	6,432	6,052	0	1,041	7,093
Capitol Preservation Board	114,698	5,745	0	0	5,745	4,641	0	138	4,779
Career Service Review Office	284	289	0	0	289	288	0	8	295
Commerce	70	71	0	0	71	71	0	2	73
Corrections	323,660	327,869	0	1,609	329,478	290,618	0	67,306	357,923
Courts	139,311	145,370	0	0	145,370	144,512	0	6,287	150,799
Economic Development	42,040	47,939	0	0	47,939	27,786	0	16,035	43,821
Energy Development	3,874	1,686	0	0	1,686	1,679	0	40	1,719
Environmental Quality	20,501	27,077	0	0	27,077	16,322	0	9,151	25,473
Governor and Lieutenant Governor	38,231	43,491	0	1,161	44,652	18,518	0	63,160	81,678
Health	509,693	549,113	0	-24,563	524,550	564,770	0	22,803	587,574
Heritage and Arts	22,124	26,807	0	0	26,807	21,355	0	9,670	31,025
Higher Education	1,012,714	1,097,712	0	0	1,097,712	1,095,469	0	52,779	1,148,247
Human Resource Management	55	42	0	0	42	42	0	0	42
Human Services	395,303	415,290	3,900	3,200	422,390	416,532	0	44,632	461,164
Insurance	14	14	0	0	14	14	0	0	14
Juvenile Justice Services	92,704	93,748	0	0	93,748	93,350	0	2,224	95,574
Labor Commission	6,614	6,870	0	0	6,870	6,846	0	239	7,086
Legislature	35,676	34,834	0	0	34,834	32,015	0	939	32,954
National Guard	6,830	12,945	0	0	12,945	7,271	0	338	7,609
Natural Resources	68,949	51,340	0	10,000	61,340	43,341	0	8,916	52,257
Public Education	3,375,904	3,576,668	0	0	3,576,668	3,579,515	58,350	158,623	3,796,489
Public Lands Policy Coordination	4,923	3,106	0	-360	2,746	2,913	0	7	2,920
Public Safety	86,395	102,439	0	0	102,439	91,133	0	18,478	109,611
Tax Commission	51,246	54,176	0	0	54,176	53,948	0	1,682	55,630
Technical Colleges	94,135	104,071	0	0	104,071	104,164	0	13,577	117,741
Technology Services	1,592	2,723	0	0	2,723	2,070	0	196	2,266
Transportation	4,475	6,429	0	0	6,429	2,921	0	70,821	73,742
Treasurer	1,029	1,081	0	0	1,081	1,079	0	31	1,109
Utah Education and Telehealth Network	33,803	33,207	0	0	33,207	28,160	0	5,713	33,872
Utah Science, Technology, and Research	14,298	-2,634	0	0	-2,634	1,858	0	6	1,864
Veterans and Military Affairs	4,366	4,187	0	0	4,187	3,481	0	849	4,330
Workforce Services	89,983	97,917	500	-2,069	96,348	94,783	0	22,691	117,474
Subtotal Operating Budget	***6,683,406***	***6,965,354***	***4,400***	***-6,886***	***6,962,869***	***6,830,371***	***58,350***	***604,470***	***7,493,191***
Capital									
Capital Budget	132,332	142,639	0	4,200	146,839	75,339	0	160,107	235,446
Natural Resources	1,089	689	0	0	689	689	0	0	689
Public Education	14,500	14,500	0	0	14,500	14,500	0	0	14,500
Subtotal Capital Budget	***147,921***	***157,828***	***0***	***4,200***	***162,028***	***90,528***	***0***	***160,107***	***250,635***
Debt Service	35,847	38,261	0	47	38,308	71,535	0	-35,673	35,861

Programs	FY 2019 Actual	FY 2020 Authorized	FY 2020 Special Session	FY 2020 Adjustments	FY 2020 Total	FY 2021 Base	FY 2021 Special Session	FY 2021 Adjustments	FY 2021 Total
Transfers									
Administrative Services	26,000	14,000	0	0	14,000	12,000	0	0	12,000
Agriculture and Food	4,996	4,096	0	0	4,096	4,096	0	1,000	5,096
Alcoholic Beverage Control	5,000	0	0	0	0	0	0	0	0
Attorney General	149	2,125	0	0	2,125	2,125	0	65	2,190
Capital Budget	281,958	327,395	0	0	327,395	47,000	0	106,500	153,500
Economic Development	25,750	27,750	0	1,070	28,820	1,750	0	18,000	19,750
Environmental Quality	1,724	1,724	0	0	1,724	1,724	0	0	1,724
Governor and Lieutenant Governor	2,737	5,154	0	0	5,154	565	0	7,500	8,065
Health	62,036	62,033	-3,900	-31,441	26,692	56,922	0	-17,738	39,184
Heritage and Arts	20	20	0	0	20	20	0	0	20
Higher Education	11,500	16,500	0	0	16,500	16,500	0	0	16,500
Human Services	0	315	0	0	315	315	0	0	315
National Guard	10	1,010	0	0	1,010	10	0	1,200	1,210
Natural Resources	664	589	0	0	589	589	0	4	594
Public Education	188,259	277,404	0	0	277,404	208,348	0	44,316	252,664
Public Safety	4,416	4,716	0	0	4,716	516	0	4,200	4,716
Tax Commission	219	219	0	0	219	219	0	0	219
Transfers	77,089	24,813	0	0	24,813	0	0	0	0
Workforce Services	18,344	28,098	0	0	28,098	27,804	0	-11,637	16,167
Subtotal Transfers	***710,870***	***797,961***	***-3,900***	***-30,371***	***763,690***	***380,503***	***0***	***153,411***	***533,914***
Total	**7,578,044**	**7,959,404**	**500**	**-33,010**	**7,926,894**	**7,372,936**	**58,350**	**882,315**	**8,313,601**

Sources and Uses of Unrestricted General Fund and Education Fund
FY 2021 Recommendations $8.3 Billion



Based on *Table 6 - Recommended General, Education, and Uniform School Funds*. Figures may vary from other sources due to rounding and categorization.

Table 7 - Recommended State-collected Funds

(Operating and Capital Budgets, in Thousands of Dollars)

		Governor's Recommendations					
Sources	**FY 2019 Actual**	**FY 2020 Authorized**	**FY2020 Adjustments**	**FY 2020 Total**	**FY 2021 Base**	**FY 2021 Adjustments**	**FY 2021 Total**
General Fund	2,459,002	2,395,875	0	2,395,875	2,395,875	717,137	3,113,012
General Fund, One-time	-161,397	169,540	1,761	171,301	0	161,716	161,716
Education Fund	4,228,859	4,564,058	0	4,564,058	4,564,058	-162,357	4,401,702
Education Fund, One-time	303,210	-530	0	-530	0	70,758	70,758
Uniform School Fund	27,500	32,500	0	32,500	32,500	0	32,500
Uniform School Fund, One-time	10,000	0	0	0	0	0	0
Transportation Fund	603,848	611,160	0	611,160	611,160	4,855	616,015
Transportation Fund, One-time	-25,541	21,611	693	22,305	0	1,047	1,047
General Fund Restricted	431,896	421,280	40,261	461,541	345,989	74,374	420,364
Education Special Revenue	288,172	336,424	0	336,424	336,423	52,246	388,669
Transportation Special Revenue	63,165	62,015	5,391	67,406	59,450	40,543	99,992
Dedicated Credits	641,171	648,139	108,605	756,745	638,858	76,436	715,295
Restricted Revenue	35,416	19,643	800	20,443	19,461	801	20,261
Special Revenue	154,720	256,536	-25,690	230,846	217,092	-12,864	204,228
Private Purpose Trust Funds	4,565	4,639	0	4,639	4,624	738	5,362
Other Trust and Agency Funds	1,566	5,529	-4,000	1,529	1,603	6	1,609
Capital Project Funds	172,490	162,991	0	162,991	3,593	44	3,638
Transportation Investment Fund	879,468	893,561	581	894,142	893,561	47,749	941,310
Internal Service Funds	200	0	0	0	0	0	0
Enterprise Funds	147,265	186,419	3,352	189,771	181,528	14,851	196,380
Transfers	570,375	553,014	28,902	581,916	570,557	47,981	618,538
Other Financing Sources	8,776	7,870	0	7,870	7,870	0	7,870
Pass-through	1,951	3,850	13	3,863	3,848	21	3,870
Beginning Balance	1,455,330	1,592,218	0	1,592,218	1,358,293	0	1,358,293
Closing Balance	-1,592,218	-1,358,293	0	-1,358,293	-1,102,917	0	-1,102,917
Lapsing Balance	-327,943	-10,005	0	-10,005	-4,439	0	-4,439
Total	**10,381,846**	**11,580,044**	**160,669**	**11,740,713**	**11,138,987**	**1,136,084**	**12,275,071**

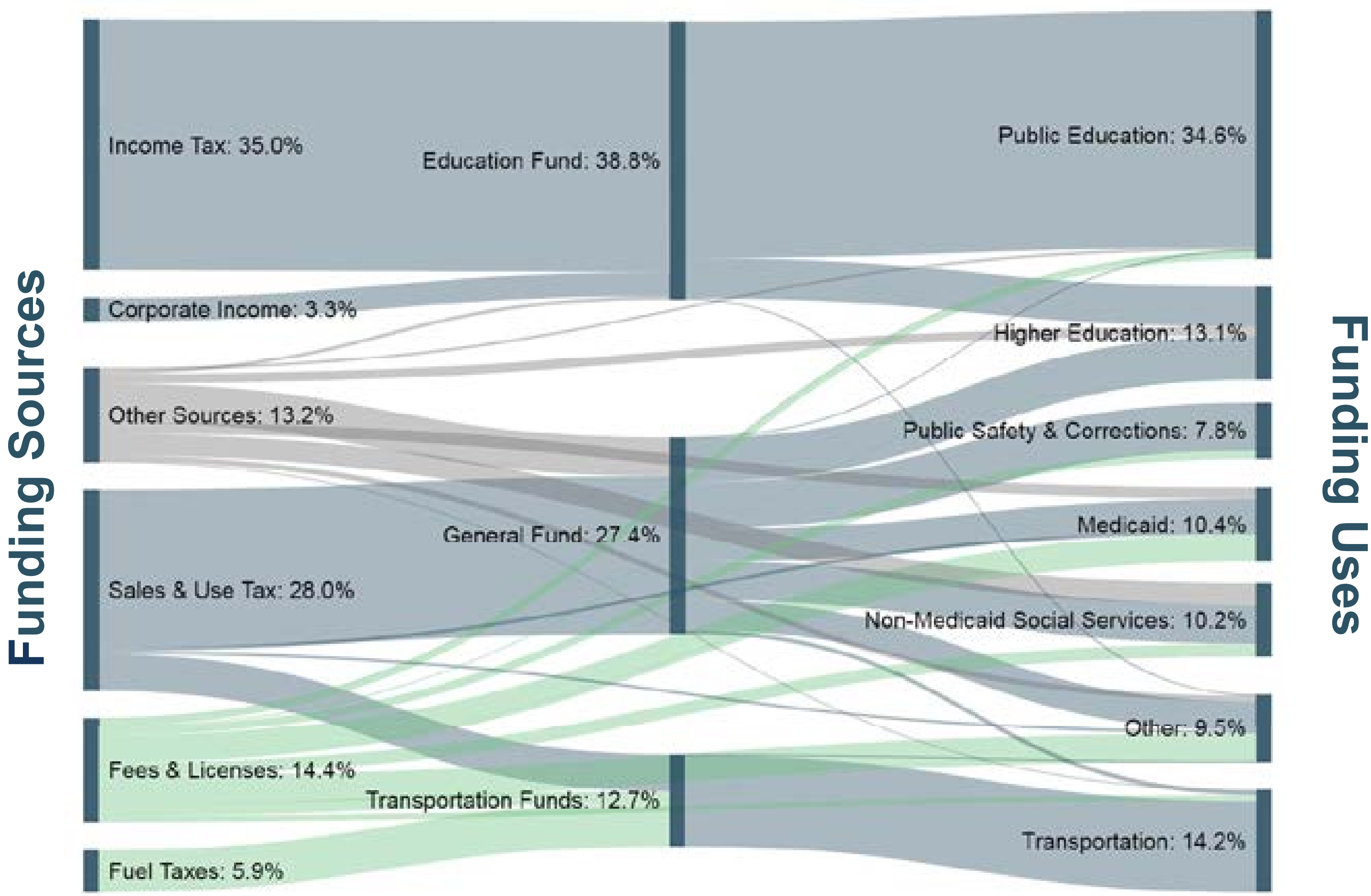
This table includes operating and capital budgets, including expendable special revenue funds and accounts, from all state-collected sources of funding. Sources of funding include not only the General Fund and the Education Fund, but also earmarked tax revenue, funding from restricted funds and accounts,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

Table 7 - Recommended State-collected Funds Continued

(Operating and Capital Budgets, in Thousands of Dollars)

		Governor's Recommendations					
Programs	FY 2019 Actual	FY 2020 Authorized	FY2020 Adjustments	FY 2020 Total	FY 2021 Base	FY 2021 Adjustments	FY 2021 Total
Operating Budget							
Administrative Services	35,135	45,651	2,422	48,073	49,081	3,104	52,186
Agriculture and Food	31,431	35,703	2,240	37,943	39,903	8,561	48,464
Alcoholic Beverage Control	53,865	60,515	-1,276	59,239	60,467	4,320	64,786
Attorney General	58,191	52,415	3,133	55,548	40,793	2,242	43,035
Auditor	6,637	7,652	0	7,652	6,678	754	7,432
Board of Pardons and Parole	5,576	6,573	361	6,934	6,054	1,041	7,095
Capitol Preservation Board	61,256	59,928	29	59,957	5,298	556	5,855
Career Service Review Office	299	305	0	305	288	8	295
Commerce	31,576	43,523	0	43,523	40,034	779	40,813
Corrections	327,473	344,823	1,893	346,717	297,386	67,356	364,741
Courts	158,724	175,133	0	175,133	170,598	6,297	176,895
Economic Development	68,949	97,440	-950	96,490	44,240	33,113	77,353
Energy Development	2,552	4,036	0	4,036	2,128	50	2,178
Environmental Quality	42,969	50,021	437	50,459	61,527	12,294	73,820
Financial Institutions	6,711	8,102	0	8,102	7,988	694	8,682
Governor and Lieutenant Governor	54,698	76,434	1,150	77,584	35,131	71,061	106,192
Health	1,174,749	1,375,231	64,849	1,440,080	1,299,247	97,584	1,396,831
Heritage and Arts	23,424	34,390	500	34,890	26,123	9,734	35,857
Higher Education	986,882	1,126,640	-59	1,126,581	1,268,558	52,719	1,321,277
Human Resource Management	188	273	-184	89	278	0	278
Human Services	687,003	732,019	-3	732,016	738,524	54,007	792,531
Insurance	11,794	14,588	252	14,840	15,159	122	15,281
Juvenile Justice Services	84,100	100,827	4,949	105,776	93,424	7,178	100,602
Labor Commission	11,610	12,807	0	12,807	12,767	355	13,122
Legislature	33,787	34,081	0	34,081	33,905	948	34,853
National Guard	8,479	8,896	3,500	12,396	10,988	3,070	14,058
Natural Resources	202,150	190,470	10,735	201,205	198,763	19,164	217,927
Public Education	3,682,649	3,979,725	-9	3,979,715	3,979,189	230,444	4,209,633
Public Lands Policy Coordination	4,980	6,108	-360	5,748	4,500	14	4,514
Public Safety	174,430	216,326	1,377	217,703	179,248	23,166	202,414
Public Service Commission	18,669	17,509	24,760	42,269	17,499	24,837	42,335
School and Inst. Trust Fund Office	904	1,244	0	1,244	1,243	208	1,451
School and Inst. Trust Lands Admin.	10,996	11,577	0	11,577	11,541	328	11,869
Tax Commission	92,769	100,684	676	101,360	100,053	3,351	103,403
Technical Colleges	95,044	105,710	0	105,710	105,814	13,577	119,391
Technology Services	4,586	4,941	0	4,941	3,613	226	3,838
Transportation	322,277	323,962	16,730	340,692	312,651	130,682	443,333
Treasurer	3,834	4,576	0	4,576	4,372	708	5,081
Utah Communications Authority	31,767	28,179	0	28,179	31,414	0	31,414
Utah Education and Telehealth Network	48,777	60,486	27	60,512	46,236	5,752	51,988
Utah Science, Technology, and Research	10,718	9,157	0	9,157	2,306	7	2,312
Veterans and Military Affairs	2,849	5,286	0	5,286	4,031	857	4,889
Workforce Services	211,273	207,654	8,557	216,211	192,056	64,611	256,667
Subtotal Operating Budget	***8,886,726***	***9,781,599***	***145,736***	***9,927,335***	***9,561,096***	***955,875***	***10,516,971***
Capital Budget							
Capital Budget	301,230	302,034	4,200	306,234	75,339	160,107	235,446
Natural Resources	5,357	21,398	2,500	23,898	4,127	15,500	19,627
Public Education	33,250	33,250	0	33,250	33,250	0	33,250
School and Inst. Trust Lands Admin.	6,199	9,852	0	9,852	5,852	0	5,852
Transportation	719,188	966,525	5,010	971,535	947,676	5,107	952,782
Workforce Services	53,505	93,060	0	93,060	93,060	0	93,060
Subtotal Capital Budget	***1,118,729***	***1,426,119***	***11,710***	***1,437,829***	***1,159,304***	***180,714***	***1,340,017***
Debt Service	376,392	372,327	3,223	375,550	418,588	-505	418,083
Total	**10,381,846**	**11,580,044**	**160,669**	**11,740,713**	**11,138,987**	**1,136,084**	**12,275,071**

Sources and Uses of State-collected Funds
FY 2021 Recommendations $12.3 Billion



Based on *Table 7 - Recommended State-collected Funds.* Figures may vary from other sources due to rounding and categorization.

Table 8 - Recommended Operating and Capital Budget

(All Sources of Finance, in Thousands of Dollars)

		Governor's Recommendations					
Sources	FY 2019 Actual	FY 2020 Authorized	FY 2020 Adjustments	FY 2020 Total	FY 2021 Base	FY 2021 Adjustments	FY 2021 Total
General Fund	2,459,002	2,395,875	0	2,395,875	2,395,875	717,137	3,113,012
General Fund, One-time	-161,397	169,540	1,761	171,301	0	161,716	161,716
Education Fund	4,228,859	4,564,058	0	4,564,058	4,564,058	-162,357	4,401,702
Education Fund, One-time	303,210	-530	0	-530	0	70,758	70,758
Uniform School Fund	27,500	32,500	0	32,500	32,500	0	32,500
Uniform School Fund, One-time	10,000	0	0	0	0	0	0
Transportation Fund	603,848	611,160	0	611,160	611,160	4,855	616,015
Transportation Fund, One-time	-25,541	21,611	693	22,305	0	1,047	1,047
General Fund Restricted	431,896	421,280	40,261	461,541	345,989	74,374	420,364
Education Special Revenue	288,172	336,424	0	336,424	336,423	52,246	388,669
Local Education Revenue	912,130	1,083,601	0	1,083,601	1,083,601	124,138	1,207,739
Transportation Special Revenue	63,165	62,015	5,391	67,406	59,450	40,543	99,992
Federal Funds	3,912,907	5,003,133	204,461	5,207,594	5,238,021	336,800	5,574,821
Dedicated Credits	1,514,988	1,537,884	108,605	1,646,489	1,528,453	87,162	1,615,615
Federal Mineral Lease	65,484	75,380	-13,531	61,850	75,369	-14,978	60,391
Restricted Revenue	35,416	19,643	800	20,443	19,461	801	20,261
Special Revenue	154,720	256,536	-25,690	230,846	217,092	-12,864	204,228
Private Purpose Trust Funds	4,565	4,639	0	4,639	4,624	738	5,362
Other Trust and Agency Funds	1,566	5,529	-4,000	1,529	1,603	6	1,609
Capital Project Funds	172,490	162,991	0	162,991	3,593	44	3,638
Transportation Investment Fund	879,468	893,561	581	894,142	893,561	47,749	941,310
Internal Service Funds	200	0	0	0	0	0	0
Enterprise Funds	147,265	186,419	3,352	189,771	181,528	14,851	196,380
Transfers	570,375	553,014	28,902	581,916	570,557	47,981	618,538
Other Financing Sources	8,776	7,870	0	7,870	7,870	0	7,870
Pass-through	1,951	3,850	13	3,863	3,848	21	3,870
Beginning Balance	1,455,330	1,592,218	0	1,592,218	1,358,293	0	1,358,293
Closing Balance	-1,592,218	-1,358,293	0	-1,358,293	-1,102,917	0	-1,102,917
Lapsing Balance	-327,943	-10,005	0	-10,005	-4,439	0	-4,439
Total	**16,146,184**	**18,631,904**	**351,600**	**18,983,503**	**18,425,572**	**1,592,769**	**20,018,341**

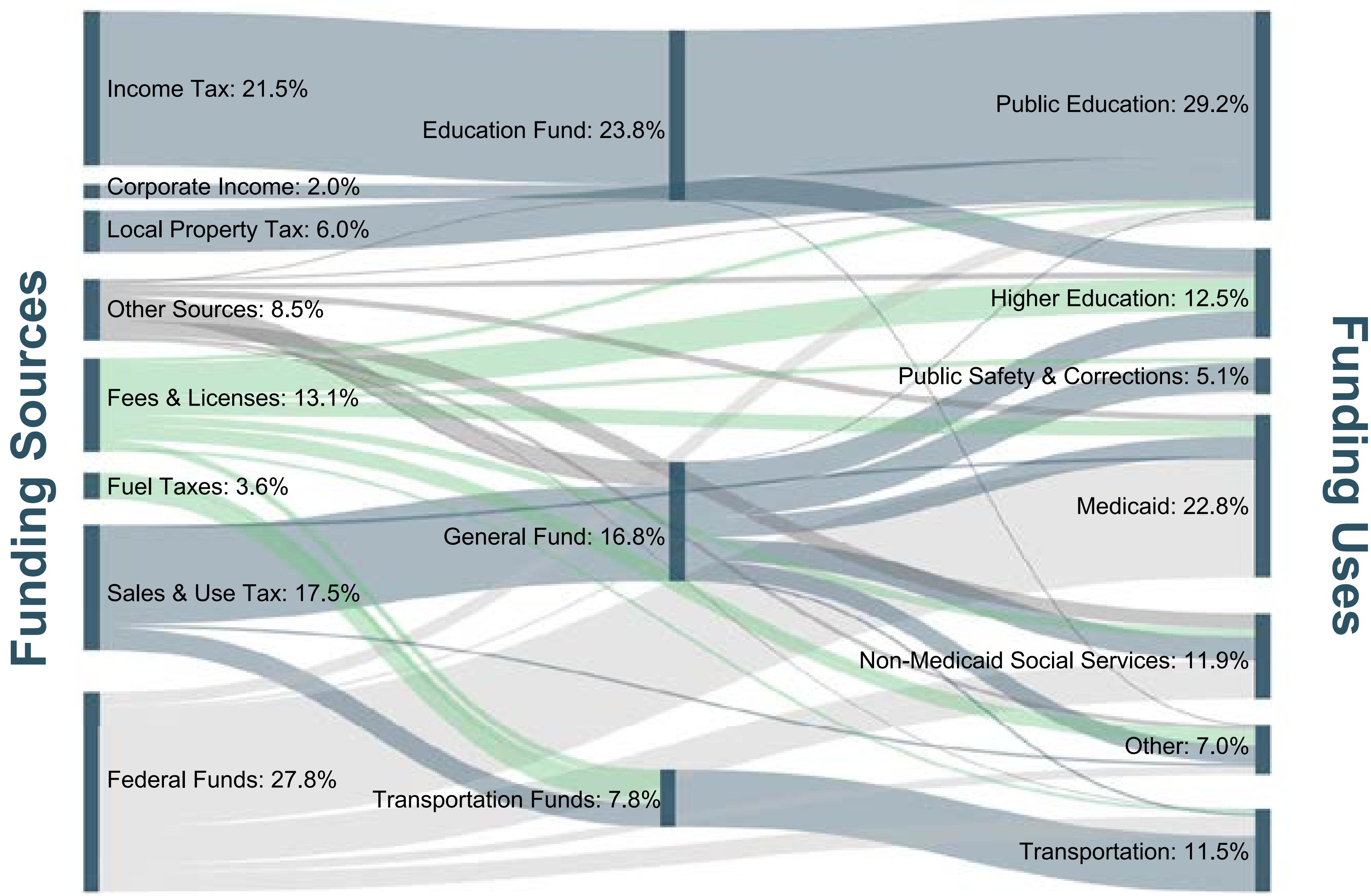
This table includes operating and capital budgets, including expendable special revenue funds and accounts, from all sources of funding. These sources of funding include state-collected funds from taxes and fees, plus federal funds, mineral lease revenues, higher education tuition, and a portion of local school property taxes. This table does not include transfers to restricted, enterprise, internal service, fiduciary, or capital project funds or accounts.

Table 8 - Recommended Operating and Capital Budget Continued

(All Sources of Finance, in Thousands of Dollars)

Programs	FY 2019 Actual	Governor's Recommendations FY 2020 Authorized	FY 2020 Adjustments	FY 2020 Total	FY 2021 Base	FY 2021 Adjustments	FY 2021 Total
Operating Budget							
Administrative Services	35,169	45,694	2,422	48,116	49,124	3,105	52,229
Agriculture and Food	36,474	44,075	2,240	46,315	48,227	8,744	56,971
Alcoholic Beverage Control	53,865	60,515	-1,276	59,239	60,467	4,320	64,786
Attorney General	60,738	55,882	3,601	59,483	44,250	2,833	47,084
Auditor	6,637	7,652	0	7,652	6,678	754	7,432
Board of Pardons and Parole	5,576	6,573	361	6,934	6,054	1,041	7,095
Capitol Preservation Board	61,256	59,928	29	59,957	5,298	556	5,855
Career Service Review Office	299	305	0	305	288	8	295
Commerce	31,932	43,947	0	43,947	40,457	788	41,245
Corrections	328,078	346,283	1,945	348,228	298,846	67,413	366,258
Courts	159,328	175,916	-46	175,870	171,380	6,260	177,639
Economic Development	69,427	97,925	-750	97,175	44,725	33,326	78,051
Energy Development	3,566	4,868	0	4,868	2,958	-127	2,831
Environmental Quality	66,464	78,984	10,250	89,235	84,687	27,747	112,434
Financial Institutions	6,711	8,102	0	8,102	7,988	694	8,682
Governor and Lieutenant Governor	81,451	121,089	4,191	125,280	77,952	72,331	150,282
Health	3,372,176	4,433,256	194,977	4,628,233	4,623,151	329,409	4,952,559
Heritage and Arts	31,244	42,960	955	43,915	34,683	10,153	44,836
Higher Education	1,859,092	2,013,726	-415	2,013,311	2,151,591	63,046	2,214,637
Human Resource Management	188	273	-184	89	278	0	278
Human Services	835,363	880,823	23,698	904,521	887,094	66,244	953,337
Insurance	11,885	14,916	252	15,168	15,483	128	15,611
Juvenile Justice Services	85,957	104,328	5,049	109,377	96,905	7,337	104,243
Labor Commission	14,533	15,772	0	15,772	15,718	442	16,160
Legislature	33,787	34,081	0	34,081	33,905	948	34,853
National Guard	78,259	67,198	3,500	70,698	69,221	4,033	73,254
Natural Resources	251,297	254,410	10,516	264,926	257,941	26,021	283,962
Public Education	4,958,193	5,432,024	-295	5,431,729	5,431,486	354,683	5,786,169
Public Lands Policy Coordination	4,980	6,108	-360	5,748	4,500	14	4,514
Public Safety	195,464	248,025	1,377	249,401	210,945	31,896	242,841
Public Service Commission	18,669	17,509	24,760	42,269	17,499	24,837	42,335
School and Inst. Trust Fund Office	904	1,244	0	1,244	1,243	208	1,451
School and Inst. Trust Lands Admin.	10,996	11,577	0	11,577	11,541	328	11,869
Tax Commission	93,290	101,297	676	101,973	100,662	3,378	104,041
Technical Colleges	103,303	114,017	0	114,017	114,121	13,586	127,708
Technology Services	5,240	5,442	0	5,442	4,313	226	4,539
Transportation	359,788	371,070	16,797	387,866	359,646	131,248	490,894
Treasurer	3,834	4,576	0	4,576	4,372	708	5,081
Utah Communications Authority	31,767	28,179	0	28,179	31,414	0	31,414
Utah Education and Telehealth Network	52,867	64,547	-76	64,471	50,298	5,723	56,021
Utah Science, Technology, and Research	10,718	9,157	0	9,157	2,306	7	2,312
Veterans and Military Affairs	39,189	46,420	0	46,420	45,163	947	46,110
Workforce Services	781,220	887,289	1,135	888,423	871,166	36,446	907,612
Subtotal Operating Budget	***14,251,171***	***16,367,961***	***305,328***	***16,673,288***	***16,396,020***	***1,341,788***	***17,737,808***
Capital Budget							
Administrative Services	0	32,756	-4,495	28,261	32,756	-4,959	27,798
Capital Budget	301,230	302,034	4,200	306,234	75,339	160,107	235,446
Natural Resources	7,651	26,718	2,500	29,218	8,596	16,350	24,946
Public Education	33,250	33,250	0	33,250	33,250	0	33,250
School and Inst. Trust Lands Admin.	6,199	9,852	0	9,852	5,852	0	5,852
Transportation	1,097,652	1,375,539	41,731	1,417,270	1,356,690	70,402	1,427,092
Workforce Services	56,773	96,901	-753	96,149	96,901	-826	96,076
Subtotal Capital Budget	***1,502,755***	***1,877,051***	***43,183***	***1,920,234***	***1,609,386***	***241,075***	***1,850,460***
Debt Service	392,259	386,892	3,089	389,981	420,166	9,907	430,073
Total	**16,146,184**	**18,631,904**	**351,600**	**18,983,503**	**18,425,572**	**1,592,769**	**20,018,341**

Sources and Uses of All Funds
FY 2021 Recommendations $20.0 Billion



Based on *Table 8 - Recommended Operating and Capital Budget*. Figures may vary from other sources due to rounding and categorization.

Table 9 - 2019 2nd Special Session Appropriations from the General Fund and Education Fund

FY 2020 Adjustments

2019 2nd Special Session Adjustments	One-time	Ongoing
Health		
Medicaid Expansion Savings	-3,900,000	
Human Services		
Behavioral Health Services	3,501,200	
Washington County Court Support Services	398,800	
Workforce Services		
SB 2001 - Tax Restructuring Revisions	500,000	
Total FY 2020 General Fund and Education Fund, 2019 2nd Special Session	**$500,000**	

FY 2021 Adjustments

2019 2nd Special Session Adjustments	One-time	Ongoing
Higher Education		
SB 2001 - Tax Restructuring Revisions Education Fund		**-391,026,700**
SB 2001 - Tax Restructuring Revisions General Fund		**391,026,700**
Public Education		
SB 2001 - Tax Restructuring Revisions		**58,350,000**
Total FY 2021 General Fund and Education Fund, 2019 2nd Special Session		**$58,350,000**

Table 10 - Recommended General Fund and Education Fund Adjustments

FY 2020 Adjustments

Recommended Adjustments	One-time	Ongoing
Administrative Services		
FINET Statewide Accounting System Upgrade	2,500,000	
Attorney General		
Legal Settlements	775,000	
Outside Counsel for Sage Grouse, Gold King Mine, and Planned Parenthood Litigation	500,000	
Board of Pardons and Parole		
Electronic Records System and Agency Staffing	361,200	
Capital Budget		
Pay Back Homeless Account for Road Home Property	4,200,000	
Corrections		
Community Case Management	750,000	
Debt Service		
Technical Adjustments for Prison and Highway General Obligation (GO) Bond Debt Service	47,000	
Economic Development		
Industrial Assistance Account Delayed FY 2018 Year-End Close Transfer	1,069,900	
Governor and Lieutenant Governor		
Elections Outreach	150,000	
Factual Innocence Payments	971,800	
Transfer Nonlapsing Balance from the Division of Finance to CCJJ	39,600	
Health		
Medicaid Consensus Items	-24,963,400	
Medicaid Expansion Savings	-30,582,100	
Utah Public Health Laboratory - Environmental Chemistry Equipment	400,000	
Human Services		
Services for People with Disabilities Anticipated Shortfall	3,200,000	
Natural Resources		
Wildfire Suppression and Rehabilitation	10,000,000	
Public Lands Policy Coordination		
PLPCO Resource Management Plan Database	-360,000	
Workforce Services		
General Assistance Balances	-1,626,500	
Utah Data Alliance Balances	-442,400	
Total FY 2020 Recommended Adjustments for the General Fund and Education Fund	**-$33,009,900**	

FY 2021 Adjustments

Recommended Adjustments	One-time	Ongoing
Administrative Services		
Archives Customer Portal System Enhancements	160,000	
FINET Statewide Accounting System Upgrade	4,000,000	1,500,000
Research Analyst	13,000	122,000
State Employee Compensation - Paid Parental Leave Benefit		2,000,000
Agriculture and Food		
Food Hub Start-up Funding	275,000	
Utah State Fair Operating Support	550,000	
Weed Suppression and Eradication	1,000,000	
Wildlife Services Depredation Program Vehicles	90,000	

Recommended Adjustments	One-time	Ongoing
Attorney General		
Additional Children's Justice Center in Utah County		150,000
Public Lands / Federal Lands Policy and Management Act Reform	140,000	
Auditor		
Transparent Utah Website Upgrade	250,000	250,000
Board of Pardons and Parole		
Additional Staff to Handle Increased Workload		262,600
Defense Attorney Contract		10,000
Electronic Records System and Agency Staffing	600,000	
Extreme Risk Protective Order Bill		3,000
Capital Budget		
Bridgerland Technical College Health Science and Technology Building	38,059,600	
Capital Development Funding Technical Adjustment		40,000,000
Capital Improvement at 1.1% Replacement Value		56,148,800
Cash Payment to Minimize Prison Bonding		110,000,000
Higher Education Capital Facilities per Intent Language – SB 102 (2019 Session)	-43,500,000	
Infrastructure Renovation and Development Fund		46,000,000
Rio Grande Year-Round Market, Planning and Design	300,000	
Sixth District Court - Manti Courthouse	19,597,900	
Capitol Preservation Board		
State Capitol Field Trips		100,000
Corrections		
Behavioral Health Transition Facility	5,000,000	6,000,000
Certified Correctional Staff Pay Plan		2,639,500
Community Case Management	200,000	5,600,000
Extreme Risk Protective Order Bill		136,000
Jail Contracting		33,325,000
Jail Contracting Rate Increase to Expand Programming		2,000,000
Offender Housing		3,000,000
Courts		
Child Welfare Mediation		55,000
Extreme Risk Protective Order Bill		136,000
Information Technology Infrastructure & Development	450,000	450,000
Self Help Center Additional Staff		104,300
Sixth District Court - Manti Courthouse	-90,400	90,400
Debt Service		
Technical Adjustments for Prison and Highway General Obligation (GO) Bond Debt Service	10,610,500	-46,283,800
Economic Development		
Intergenerational Poverty Apprenticeship Program		5,000,000
Directors of Entrepreneurship & Innovation		300,000
Inland Port Authority		500,000
Point of the Mountain Authority	2,500,000	1,230,000
Rural Economic Development		3,000,000
Tourism and Outdoor Recreation Infrastructure		3,000,000
Tourism Marketing		18,000,000
Trails Planner and Coordinator in the Office of Outdoor Recreation		150,000
Environmental Quality		
Agricultural Water Pollution Reduction Plan		3,000,000
Drinking Water SUCCESS Plan Implementation		2,500,000
USU Electric Vehicle Research Grant Match	3,000,000	

Recommended Adjustments	One-time	Ongoing
Governor and Lieutenant Governor		
Create Appellate Indigent Defense Office		1,500,000
Data Synchronization for Milestone Management		300,000
Econometric Review of Tax Exemptions and Credits		200,000
Elections Outreach	150,000	
Indigent Defense Commission		6,000,000
Jail Reimbursement		14,575,000
Jail Reimbursement Rate Increase	2,276,000	500,000
Justice Reinvestment Initiative Supervision Grants		500,000
Land Use Planning Assistance	2,000,000	
LeRay McAllister Critical Lands Conservation Fund	2,000,000	
Outdoor Recreation Infrastructure and Access Endowment	40,000,000	
Salt Lake County Jail Bed Housing	2,420,000	-2,420,000
Telework Initiative		193,000
Health		
Baby Watch Early Intervention Caseload Growth		1,545,200
Benefits & Administration for 700 Individuals on a New Limited Supports Home & Community Based Services Waiver	-764,600	1,613,800
Healthcare Workforce Financial Assistance Program		500,000
Increase Screening for Sexually Transmitted Infections		220,000
Local Health Departments - Public Health Testing, Surveillance, and Vital Records		500,000
Medicaid Behavioral Health Reimbursement Rate Increases and Service Adjustments		450,000
Medicaid Care Management in Rural Utah	1,416,200	
Medicaid Consensus Items	-7,363,000	18,801,000
Medicaid Expansion Savings		-17,000,000
Medicaid Reimbursement Rate Increases for Autism Services		1,746,100
Quality Improvement Incentives for Intermediate Care Facilities	-725,000	2,419,000
Staff and Software at the Office of the Medical Examiner	183,000	610,000
Utah Public Health Laboratory - Environmental Chemistry Equipment	400,000	
Heritage and Arts		
Arts Sustainability Grant Program		5,000,000
Westwater Community Water and Power Projects	500,000	
Higher Education		
College Access Advisors	3,000,000	
Institutional Enrollment Growth		2,937,000
O&M for SUU's Child and Family Development Center		101,400
Operations and Maintenance (O&M) Savings for Higher Education Buildings Not Yet Completed	-3,439,900	
Performance Funding With More Meaningful Targets for Institutional Priorities		15,793,900
Post-secondary Education - 2.5% COLA		26,059,200
Post-secondary Education - 4.53% Health Insurance Increase		6,166,500
Technical Education		1,500,000
Human Services		
Benefits & Administration for 700 Individuals on a New Limited Supports Home & Community Based Services Waiver	-1,401,400	2,813,400
Child Protection Attorneys Technical Correction		6,200,000
Division of Services for People with Disabilities (DSPD) Waiting List - 152 People		1,000,000
Five Mobile Crisis Outreach Teams in Rural Utah		2,500,000

Recommended Adjustments	One-time	Ongoing
Medicaid Behavioral Health Reimbursement Rate Increases and Service Adjustments		550,000
Medicaid Consensus Items		4,015,200
Operation Rio Grande - Sober Living Program		1,200,000
Operation Rio Grande - Substance Abuse and Mental Health Services		100,000
Programs to Advance Employment Opportunities for People with Disabilities		2,000,000
Two No-Refusal/23-Hour Physical and Behavioral Health Crisis Treatment Centers	4,769,000	5,610,000
Utah State Hospital Forensic Unit (30 Additional Beds)	-1,076,900	4,885,500
Youth in State Custody Aging Into Division for People with Disabilities (DSPD) Services and Additional Needs for DSPD Service Recipients	-2,347,000	5,950,000
Juvenile Justice Services		
Medicaid Consensus Items		43,000
Legislature		
Criminal Code Task Force Changes		49,400
National Guard		
Tuition Assistance		200,000
West Traverse Sentinel Landscape	1,200,000	
Natural Resources		
Aquatic Invasive Species (Quagga Mussels) Watercraft Inspection Stations	1,395,000	
Catastrophic Wildfire Reduction Strategy	1,000,000	
Fire Rehabilitation Fund		1,700,000
Shared Stewardship Initiative	1,500,000	
Utah Geologic Survey Operations and Equipment	400,000	450,000
Watershed Restoration Initiative		1,300,000
Public Education		
Beverley Taylor Sorenson Arts Learning Program		2,300,000
Enrollment Growth for Four Additional Below-the-line Programs		276,500
K-12 Computer Science Initiative	1,500,000	8,700,000
Necessarily Existent Small Schools (NESS)		500,000
Net Enrollment Growth (Estimated 7,902 New Students)		12,895,100
Operational Excellence Staff for Schools		4,300,000
Teacher Salary Supplement Program		3,300,000
Utah Schools for the Deaf and the Blind Staffing		1,200,000
Utah Schools for the Deaf and the Blind Steps and Lanes (Statutory Increase)		1,145,000
WPU Add-on for Optional Enhanced Kindergarten (OEK)		18,647,200
WPU Value Increase		150,459,400
Public Safety		
Aero Bureau-New Helicopter	5,200,000	
Crime Lab - DNA Sample Testing		849,800
Firearm Examiners for Crime Lab		216,000
Highway Patrol Equipment (Body Cameras, Laptops, Video Storage)		216,000
Highway Patrol Major Crash Investigation Team	120,000	220,000
Ongoing Funding for State Troopers Funded One-time	1,587,000	6,000,000
Utah Firefighter Academy		4,200,000
Tax Commission		
Transient Room Tax Collection Agent	26,000	82,000
Technical Colleges		
Bridgerland Technical College Health Science and Technology Building Operations and Maintenance (O&M)	-624,000	624,000
Custom Fit		245,000

Recommended Adjustments	One-time	Ongoing
Employer-Driven Program Expansion & Student Support		9,000,000
Equipment Funds	1,000,000	
Operations and Maintenance (O&M) Savings for Higher Education Buildings Not Yet Completed	-43,600	
Post-secondary Education - 2.5% COLA		1,669,700
Post-secondary Education - 4.53% Health Insurance Increase		550,400
Restore Ongoing Equipment Funds		1,000,000
Technology Services		
Monument Rehabilitation and Restoration Committee		150,000
Transportation		
Aircraft Fleet Replacement	6,800,000	
Electric Vehicle Infrastructure, Including DC Fast Chargers	63,000,000	
Technical Planning Assistance		1,000,000
Utah Education and Telehealth Network		
Equipment Funds	3,000,000	
Post-secondary Education - 2.5% COLA		271,300
Post-secondary Education - 4.53% Health Insurance Increase		66,900
Restore Ongoing Equipment Funds		822,300
UETN Growth & Operations	1,000,000	552,000
Veterans and Military Affairs		
Continue Veteran First Time Home Buyer Program	500,000	
National Ability Center Programming		200,000
USS Utah Submarine Commissioning Committee	100,000	
Workforce Services		
Affordable Housing	15,000,000	5,000,000
Benefits & Administration for 700 Individuals on a New Limited Supports Home & Community Based Services Waiver	27,200	31,200
Grants to Community Service Providers	1,000,000	
Reallocate Workforce Development Account Funding		-14,636,900
School Readiness (High Quality Preschool Programs)		3,000,000
Compensation		
State Employee - 2.5% COLA		19,697,400
State Employee - Retirement Rate Change		115,000
State Employee - Targeted Increase		6,712,400
State Employee - 4.53% Health Insurance Increase		6,427,300
State Employee - 401(k) Match	368,500	
Internal Service Fund (ISF) Rate Impact		
Administrative Services Internal Service Funds		1,534,600
Attorney General Internal Service Fund		237,500
Technology Services Internal Service Fund	923,400	
Total FY 2021 Adjustments for the General Fund and Education Fund	**$191,181,500**	**$691,133,500**

Table 11 - Recommended Adjustments Impacting General Fund Revenue

FY 2020 Adjustments to Other Funds That Impact General Fund Revenue

Recommended Adjustments	One-time	Ongoing
Alcoholic Beverage Control		
Herriman and Farmington Store Bond Payment	115,000	
Staffing Savings from Not Yet Opened Farmington Store	-697,000	
Staffing Savings from Not Yet Opened Saratoga Springs Store	-694,000	
Natural Resources		
Oil, Gas, & Mining Database Enhancements	100,000	
Total FY 2020 General Fund Revenue Impacts	**-$1,176,000**	

FY 2021 Adjustments to Other Funds That Impact General Fund Revenue

Recommended Adjustments	One-time	Ongoing
Alcoholic Beverage Control		
DTS Staffing		258,400
Herriman and Farmington Store Bond Payment		330,000
Types 2 and 3 Package Agency COLA		78,900
Upgrade DABC Operating System	1,533,200	
Natural Resources		
Oil, Gas, & Mining Database Enhancements		100,000
Compensation		
State Employee - 2.5% COLA		1,130,400
State Employee - Targeted Increase		1,296,500
State Employee - 4.53% Health Insurance Increase		368,400
State Employee - 401(k) Match	242,300	
Internal Service Fund (ISF) Rate Impact		
Administrative Services Internal Service Funds		-87,500
Attorney General Internal Service Fund		-37,500
Technology Services Internal Service Fund	96,100	
Total FY 2021 General Fund Revenue Impacts	**$1,871,600**	**$3,437,600**

Table 12 - Recommended Adjustments to Restricted Funds and Other Sources

FY 2020 Adjustments

Adjustment	Funding Source	One-time	Ongoing
Administrative Services			
Mineral Lease Adjustment	Federal Mineral Lease	-4,495,200	
Mineral Lease Adjustment	Land Exchange Distribution Account (GFR)	-276,300	
Agriculture and Food			
Domesticated Game Slaughter Funding	Dedicated Credits	64,000	
Emergency Insect Control Fund	Dedicated Credits	500,000	
Industrial Hemp and CBD Inspection and Testing	Dedicated Credits	700,000	
Regulatory Management System	Dedicated Credits	500,000	
Resource Conservation Staff Funding	Agri Resource Development	475,000	
Soil Conservation License Plate Revenue	Dedicated Credits	1,000	
Attorney General			
Economic Crimes Unit	Dedicated Credits	500,000	
Health			
Home Visiting Restricted Account Technical Adjustment	Home Visiting Restricted Account (GFR)	-2,200	
Medicaid Consensus Items	Federal Funds	-4,872,200	
Medicaid Consensus Items	Medicaid Expansion Fund	-30,618,200	
Medicaid Consensus Items	Medicaid Restricted (GFR)	24,720,000	
Higher Education			
Mineral Lease Adjustment	Federal Mineral Lease	-355,900	
Mineral Lease Adjustment	Land Exchange Distribution Account (GFR)	-59,400	
Insurance			
Technology Development Account Balances	Technology Development (GFR)	-250,000	
Juvenile Justice Services			
Early Intervention Programs to Implement Juvenile Justice Reform	Juvenile Justice Reinvestment Account	4,913,200	
National Guard			
Add Lodging to the Morale Welfare Recreation Fund	Special Revenue	2,500,000	
West Traverse Sentinel Landscape	General Fund Restricted	1,000,000	
Natural Resources			
Mineral Lease Adjustment	Federal Mineral Lease	292,000	
Mineral Lease Adjustment	Land Exchange Distribution Account (GFR)	-10,600	
Mineral Lease Adjustment to Forecast	Federal Mineral Lease	-511,300	
State Parks Equipment	State Park Fees (GFR)	500,000	
State Parks Off Highway Vehicle Program	Off-highway Vehicle (GFR)	2,500,000	
Water Resources Cloud Seeding	Water Resources C and D	50,000	
Water Resources Interstate Streams Attorney	Water Resources C and D	95,700	
Public Education			
Mineral Lease Adjustment	Federal Mineral Lease	-285,500	
Mineral Lease Adjustment	Land Exchange Distribution Account (GFR)	-9,100	
Public Safety			
Uninsured Motorist Funding Increase	Uninsured Motorist I.D.	376,900	
Tax Commission			
Electronic Payment Fees	Electronic Payment Fee Restricted Account (GFR)	500,000	
Transportation			
Share the Road	Share the Road Bicycle Support (GFR)	10,000	
Workforce Services			
Mineral Lease Adjustment	Federal Mineral Lease	-8,174,600	
Mineral Lease Adjustment	Land Exchange Distribution Account (GFR)	-10,400	
Mineral Lease Bonus Adjustment	Mineral Bonus (GFR)	5,735,100	
Total FY 2020		**-$3,998,000**	

FY 2021 Adjustments

Adjustment	Funding Source	One-time	Ongoing
Administrative Services			
Mineral Lease Adjustment	Federal Mineral Lease		-4,958,900
Mineral Lease Adjustment	Land Exchange Distribution Account (GFR)		-303,000
Agriculture and Food			
Agriculture Water Optimization	Agri Resource Development	3,000,000	
Domesticated Game Slaughter Funding	Dedicated Credits		250,000
Emergency Insect Control Fund	Dedicated Credits	500,000	
Grazing Improvement Vehicle Replacement	Rangeland Improvement (GFR)	34,000	
Industrial Hemp and CBD Inspection and Testing	Dedicated Credits		824,700
Large Scale Truck	Dedicated Credits	275,000	
Regulatory Management System	Dedicated Credits		500,000
Resource Conservation Staff Funding	Agri Resource Development	475000	

Adjustment	Funding Source	One-time	Ongoing
Soil Conservation License Plate Revenue	Dedicated Credits		1,000
Vehicles for Cannabis Program	Dedicated Credits	64,000	20,000
Vehicles for Plant Industry Inspectors	Dedicated Credits	68,000	18,000
Weed Suppression and Eradication	Invasive Species Mitigation (GFR)	1,000,000	
Attorney General			
Economic Crimes Unit	Dedicated Credits		500,000
Economic Development			
Tourism Marketing	Tourism Marketing Perform. (GFR)		18,000,000
Financial Institutions			
Office Lease Expense Increase	Financial Institutions (GFR)		74,000
Governor and Lieutenant Governor			
Create Appellate Indigent Defense Office	Indigent Defense Resources (GFR)		1,500,000
Indigent Defense Commission	Indigent Defense Resources (GFR)		6,000,000
Management and Market Salary Increases for Reparations Staff	Crime Victim Reparations Fund		61,100
Reparations Officer and Accounting Technician	Crime Victim Reparations Fund		143,300
Health			
Benefits & Administration for 700 Individuals on a New Limited Supports Home & Community Based Services Waiver	Federal Funds	-3,821,400	8,921,300
Benefits & Administration for 700 Individuals on a New Limited Supports Home & Community Based Services Waiver	Transfers	2,456,500	-5,659,200
Home Visiting Restricted Account Technical Adjustment	Home Visiting Restricted Account (GFR)		-2,000
Medicaid Behavioral Health Reimbursement Rate Increases and Service Adjustments	Federal Funds		9,900,000
Medicaid Behavioral Health Reimbursement Rate Increases and Service Adjustments	Medicaid Expansion Fund	-50,000	900,000
Medicaid Behavioral Health Reimbursement Rate Increases and Service Adjustments	Transfers		550,000
Medicaid Care Management in Rural Utah	Federal Funds	2,750,700	
Medicaid Consensus Items	Federal Funds	-6,605,100	78,885,100
Medicaid Consensus Items	Medicaid Expansion Fund	592,100	-18,847,600
Medicaid Reimbursement Rate Increases for Autism Services	Federal Funds		4,147,500
Quality Improvement Incentives for Intermediate Care Facilities	Federal Funds	-1,518,900	5,067,800
Higher Education			
Mineral Lease Adjustment	Federal Mineral Lease		-388,700
Mineral Lease Adjustment	Land Exchange Distribution Account (GFR)		-60,000
Post-secondary Education - 2.5% COLA	Dedicated Credits		8,147,300
Post-secondary Education - 4.53% Health Insurance Increase	Dedicated Credits		1,925,200
Human Services			
Benefits & Administration for 700 Individuals on a New Limited Supports Home & Community Based Services Waiver	Transfers	-2,763,700	5,628,000
Child Protection Attorneys Technical Correction	Federal Funds		1,642,000
Division of Services for People with Disabilities (DSPD) Waiting List - 152 People	Transfers		2,181,700
Medicaid Behavioral Health Reimbursement Rate Increases and Service Adjustments	Transfers		-550,000
Medicaid Consensus Items	Federal Funds		-200,000
Medicaid Consensus Items	Transfers		-3,815,200
Programs to Advance Employment Opportunities for People with Disabilities	Transfers		4,363,400
Youth in State Custody Aging Into Division for People with Disabilities (DSPD) Services and Additional Needs for DSPD Service Recipients	Transfers	-5,120,400	12,981,000
Insurance			
Technology Development Account Balances	Technology Development (GFR)	-627,800	
Juvenile Justice Services			
Early Intervention Programs to Implement Juvenile Justice Reform	Juvenile Justice Reinvestment Account		4,913,200
Medicaid Consensus Items	Federal Funds		-11,100
Medicaid Consensus Items	Transfers		-31,900
National Guard			
Add Lodging to the Morale Welfare Recreation Fund	Special Revenue		1,500,000
West Traverse Sentinel Landscape	General Fund Restricted	1,200,000	
Natural Resources			
Fish Hatchery Maintenance	General Fund Restricted	1,000,000	
Fish Hatchery Maintenance	Wildlife Resources (GFR)	2,000,000	
Forestry, Fire, and State Lands Division Safety Improvement	Sovereign Lands Mgt (GFR)	35,000	135,000
Goblin Valley State Park Expansion	State Park Fees (GFR)	1,500,000	100,000
Gunlock State Park Campground	State Park Fees (GFR)	2,500,000	

Adjustment	Funding Source	One-time	Ongoing
Mineral Lease Adjustment	Federal Mineral Lease		207,900
Mineral Lease Adjustment	Land Exchange Distribution Account (GFR)		-12,100
Mineral Lease Adjustment to Forecast	Federal Mineral Lease	-502,300	
Mineral Lease Bonus Adjustment	Mineral Bonus (GFR)	743,300	723,400
Red Cliffs Desert Reserve Inholdings Acquisition	Species Protection (GFR)	1,000,000	
Snow Canyon State Park Parking Expansion	State Park Fees (GFR)	500,000	
Sovereign Lands Motorized Use Plan	Sovereign Lands Mgt (GFR)	150,000	
State Parks Equipment	State Park Fees (GFR)		500,000
State Parks Off Highway Vehicle Program	Off-highway Vehicle (GFR)		3,500,000
Utah Lake Carp Removal	Species Protection (GFR)	400,000	
Utah Prairie Dog Delisting	Species Protection (GFR)	150,000	350,000
Wasatch Mountain State Park Campground	State Park Fees (GFR)	5,000,000	
Water Loss Accounting	Water Resources C and D	1,200,000	300,000
Water Metering	Water Resources C and D	1,000,000	
Water Resources Cloud Seeding	Water Resources C and D		50,000
Water Resources Interstate Streams Attorney	Water Resources C and D		191,400
Water Resources Interstate Streams Engineer	Water Resources C and D		60,000
Water Resources Staffing	Water Resources C and D		230,000
Wildfire Prevention Employee	Sovereign Lands Mgt (GFR)		135,000
Wildlife Habitat Appropriation Increase	Wildlife Habitat (GFR)		400,000
Public Education			
Equity Pupil Unit Increase	Local Education Revenue		21,137,300
Equity Pupil Unit Increase	Local Levy Growth Account		21,137,300
Increased Allocation from Permanent State Trust Fund	Trust Distribution Account		6,166,000
Mineral Lease Adjustment	Federal Mineral Lease		-325,400
Mineral Lease Adjustment	Land Exchange Distribution Account (GFR)		-9,600
Net Enrollment Growth (Estimated 7,902 New Students)	Charter School Levy Account (EFR)		3,497,500
Net Enrollment Growth (Estimated 7,902 New Students)	Local Education Revenue		79,821,600
SB 2001 - Tax Restructuring Revisions	Dedicated Credits		-39,275,700
SB 2001 - Tax Restructuring Revisions	Underage Drinking Prevention Program Restricted Account (EFR)		-1,751,000
Teacher and Student Success Program (WPU Value Amount)	Local Education Revenue		23,179,100
Teacher and Student Success Program (WPU Value Amount)	Teacher and Student Success Account		23,179,100
Public Safety			
Peace Officer Standards and Training	Uninsured Motorist I.D.		500,000
Uninsured Motorist Funding Increase	Uninsured Motorist I.D.		376,900
Utah Firefighter Academy Cost of Living Adjustment	Fire Academy Support (GFR)		200,000
School and Inst. Trust Fund Office			
Budget Adjustment	School and Inst Trust Fund Mgt Acct		174,100
Tax Commission			
Electronic Payment Fees	Electronic Payment Fee Restricted Account (GFR)		500,000
Liquor Distribution - Statutorily-Required Adjustment	Alc Bev Enf and Treatment (GFR)		74,100
Transportation			
B&C Administration Allocation	Transportation Fund		60,000
Increased Lane Miles (Reallocation Between Line Items)	Transportation Fund		317,700
Share the Road	Share the Road Bicycle Support (GFR)		10,000
Transit Funding, Including Frontrunner Double Tracking	Transit Transportation Investment Fund	34,000,000	
Treasurer			
Unclaimed Property Division Updates	Unclaimed Property Trust	132,600	456,000
Utah Education and Telehealth Network			
Post-secondary Education - 2.5% COLA	Dedicated Credits		18,000
Post-secondary Education - 2.5% COLA	Federal Funds		59,900
Post-secondary Education - 4.53% Health Insurance Increase	Dedicated Credits		4,200
Post-secondary Education - 4.53% Health Insurance Increase	Federal Funds		14,100
Workforce Services			
Adult Education and Technical Skill Partnerships	Special Administrative Expense (GFR)	450,000	
Apprenticeships	Special Administrative Expense (GFR)	500,000	
Benefits & Administration for 700 Individuals on a New Limited Supports Home & Community Based Services Waiver	Transfers	307,200	31,200
Employment for Blind and Visually Impaired	Special Administrative Expense (GFR)	75,000	
Mineral Lease Adjustment	Federal Mineral Lease		-9,070,700
Mineral Lease Adjustment	Land Exchange Distribution Account (GFR)		-11,400
Mineral Lease Bonus Adjustment	Mineral Bonus (GFR)		5,760,500

Adjustment	Funding Source	One-time	Ongoing
School Readiness (High Quality Preschool Programs)	School Readiness (GFR)		3,000,000
Special Administrative Expense Account Collection Costs	Special Administrative Expense (GFR)	1,165,000	
Unemployment System Upgrade	Unemployment Compensation Fund	3,200,000	
Urban to Rural Jobs Partnership	Special Administrative Expense (GFR)	500,000	
Veterans Credentials	Special Administrative Expense (GFR)	560,000	
Workforce NOW	Special Administrative Expense (GFR)	500,000	
Compensation			
State Employee - 2.5% COLA	Various Sources		20,339,500
State Employee - Public Safety and Firefighter Retirement Rate Changes	Various Sources		104,900
State Employee - Targeted Increase	Various Sources		6,768,200
State Employee - 4.53% Health Insurance Increase	Various Sources		6,600,600
State Employee - 401(k) Match	Various Sources	5,359,100	
Internal Service Fund (ISF) Rate Impact			
Administrative Services Internal Service Funds	Various Sources		573,400
Attorney General Internal Service Fund	Various Sources		140,000
Technology Services Internal Service Fund	Various Sources	1,361,900	
Total FY 2021		**$56,694,800**	**$325,346,000**

Table 13 - Technical Adjustments to Variable Funding Sources

FY 2020 Adjustments

Recommended Adjustments	One-time	Ongoing
Administrative Services		
Dedicated Credits	198,000	
Attorney General		
Dedicated Credits	1,357,700	
Federal Funds	468,000	
Capitol Preservation Board		
Dedicated Credits	29,100	
Corrections		
Dedicated Credits	50,000	
Federal Funds	51,500	
Transfers	234,100	
Courts		
Federal Funds	-46,400	
Debt Service		
County of First Class Highway Projects Fund	-900	
Dedicated Credits	2,638,100	
Federal Funds	-134,500	
Transfers	-41,600	
Transportation Investment Fund	580,700	
Economic Development		
Dedicated Credits	50,000	
Federal Funds	199,900	
Outdoor Recreation Infrastructure Account	-1,000,000	
Environmental Quality		
Dedicated Credits	437,400	
Federal Funds	9,812,900	
Governor and Lieutenant Governor		
Dedicated Credits	-11,300	
Federal Funds	3,041,300	
Health		
Ambulance Service Provider Assess Exp Rev Fund	1,202,700	
Dedicated Credits	-1,142,400	
Expendable Receipts	15,885,100	
Expendable Receipts - Rebates	43,211,500	
Federal Funds	134,999,700	
Medicaid Expansion Fund	713,900	
Nursing Care Facilities Provider Assessment Fund	1,506,700	
Pass-through	13,000	
Transfers	33,922,500	
Heritage and Arts		
Dedicated Credits	500,000	
Federal Funds	455,000	
Human Resource Management		
Dedicated Credits	-184,200	
Human Services		
Dedicated Credits	-71,300	
Expendable Receipts	587,800	
Federal Funds	23,700,800	
Transfers	-7,619,400	

Recommended Adjustments	One-time	Ongoing
Insurance		
Captive Insurance (GFR)	501,900	
Juvenile Justice Services		
Dedicated Credits	129,500	
Federal Funds	100,000	
Transfers	-93,500	
Public Safety		
Expendable Receipts	1,000,000	
Public Service Commission		
Dedicated Credits	24,760,000	
School and Inst. Trust Lands Admin.		
Land Grant Management Fund	4,000,000	
Trust and Agency Funds	-4,000,000	
Tax Commission		
Dedicated Credits	176,200	
Transportation		
Dedicated Credits	11,021,600	
Expendable Receipts	5,000,000	
Federal Funds	37,481,100	
Transit Transportation Investment Fund	5,000,000	
Transportation Safety Program Restricted Account	15,000	
Utah Education and Telehealth Network		
Dedicated Credits	26,800	
Federal Funds	-102,800	
Workforce Services		
Dedicated Credits	68,000	
Expendable Receipts	250,000	
Homeless Account (GFR)	400,000	
Interest Income	1,172,500	
Navajo Revitalization Fund	3,500	
Olene Walker - Low Income Housing	2,100	
Permanent Community Impact	4,700	
School Readiness (GFR)	18,400	
Transfers	2,500,000	
Uintah Basin Revitalization Fund	1,800	
Youth Character Organization (GFR)	-10,000	
Youth Development Organization (GFR)	-10,000	
Total FY 2020 Recommended Adjustments	**$355,012,200**	

FY 2021 Adjustments

Recommended Adjustments	One-time	Ongoing
Administrative Services		
Dedicated Credits		283,000
Attorney General		
Dedicated Credits		6,100
Federal Funds		468,000
Capitol Preservation Board		
Dedicated Credits		29,100
Expendable Receipts	109,600	
Corrections		
Dedicated Credits		50,000
Federal Funds		51,500

Recommended Adjustments	One-time	Ongoing
Courts		
Federal Funds		-46,400
Debt Service		
County of First Class Highway Projects Fund		-4,335,300
Dedicated Credits		2,365,400
Federal Funds	10,610,500	-198,900
Transfers	-10,610,500	
Transportation Investment Fund		47,749,100
Economic Development		
Dedicated Credits		51,300
Federal Funds		199,900
Outdoor Recreation Infrastructure Account		-1,000,000
Energy Development		
Federal Funds	117,200	-314,000
Environmental Quality		
Dedicated Credits		2,080,000
Federal Funds	14,496,800	43,100
Governor and Lieutenant Governor		
Dedicated Credits		85,500
Federal Funds	512,900	674,000
Health		
Ambulance Service Provider Assess Exp Rev Fund		1,202,700
Dedicated Credits		-1,037,400
Expendable Receipts		17,035,900
Expendable Receipts - Rebates		43,211,500
Federal Funds		132,013,400
Medicaid Expansion Fund		728,500
Nursing Care Facilities Provider Assessment Fund		1,506,700
Pass-through		13,000
Transfers		31,086,600
Heritage and Arts		
Federal Funds	200,000	175,000
Human Services		
Dedicated Credits		479,200
Domestic Violence (GFR)		500
Expendable Receipts		195,000
Federal Funds		8,708,600
Transfers		-7,331,300
Insurance		
Captive Insurance (GFR)		461,600
Juvenile Justice Services		
Dedicated Credits		132,100
Federal Funds		119,100
Transfers		-89,900
National Guard		
Federal Funds	314,100	
Natural Resources		
Federal Funds	189,200	7,052,200
Public Safety		
Expendable Receipts	350,000	1,000,000
Federal Funds	500,000	8,163,900
Public Service Commission		
Dedicated Credits		24,760,900

Recommended Adjustments	One-time	Ongoing
Tax Commission		
Dedicated Credits		460,500
Transportation		
Dedicated Credits		11,021,600
Expendable Receipts		5,000,000
Federal Funds	64,773,400	1,044,700
Transit Transportation Investment Fund		9,000,000
Transportation Safety Program Restricted Account		15,000
Utah Education and Telehealth Network		
Dedicated Credits		17,200
Federal Funds		-102,800
Veterans and Military Affairs		
Federal Funds	3,700	
Workforce Services		
Dedicated Credits		68,200
Expendable Receipts		250,000
Federal Funds		-23,520,400
Homeless Account (GFR)	400,000	
Interest Income		1,163,300
Navajo Revitalization Fund		3,500
Olene Walker - Low Income Housing		2,100
Permanent Community Impact		4,700
School Readiness (GFR)		3,018,400
Transfers		19,689,100
Uintah Basin Revitalization Fund		1,800
Youth Character Organization (GFR)		-10,000
Youth Development Organization (GFR)		-10,000
Total FY 2021 Adjustments	**$81,966,900**	**$344,946,100**

Table 14 - Funding Reallocations

FY 2020 Adjustments

Adjustment	Funding Source	One-time	Ongoing
Agriculture and Food			
Reallocate Kratom			
SJAA DAG Regulatory Services	Dedicated Credits	172,000	
SAAA DAG Agriculture & Food Administration	Dedicated Credits	-172,000	
Corrections			
Hepatitis C Medication			
MDAA DOC Medical Services	General Fund	300,000	
MFAA DOC Jail Contracting	General Fund	-300,000	
Inmate Medical			
MDAA DOC Medical Services	General Fund	1,500,000	
MFAA DOC Jail Contracting	General Fund	-1,500,000	
Medicaid Expansion Reduction Restoration			
MDAA DOC Medical Services	General Fund	859,000	
Environmental Quality			
Expendable Receipts			
NACA DEQ Environmental Response & Remediation	Dedicated Credits	-15,000	
NACA DEQ Environmental Response & Remediation	Expendable Receipts	15,000	
NALA DEQ Waste Management and Radiation Control	Dedicated Credits	-162,600	
NALA DEQ Waste Management and Radiation Control	Expendable Receipts	162,600	
Health			
Medicaid Expansion Reduction Restoration			
2252 Medicaid Expansion Fund	General Fund	-859,000	
Move Cannabinoid Product Board Funding from DCP to EDO			
LAAA DOH Executive Director	General Fund	76,300	
LEAA DOH Disease Control & Prevention	General Fund	-76,300	
Move Funds for Anesthesia Complication			
LAAA DOH Executive Director	General Fund	43,800	
LFAA DOH Family Health & Preparedness	General Fund	-43,800	
Reallocate Dedicated Credits Revenue for Expendable Receipts Revenue			
LGAA DOH Medicaid and Health Financing	Dedicated Credits	345,800	
LGAA DOH Medicaid and Health Financing	Expendable Receipts	-345,800	
LIAA DOH Medicaid Services	Dedicated Credits	-11,676,100	
LIAA DOH Medicaid Services	Expendable Receipts	17,141,100	
LIAA DOH Medicaid Services	Expendable Receipts - Rebates	-5,465,000	
Reallocate funds within LIAA Medicaid Services Line Item			
LIAA DOH Medicaid Services, From Various	General Fund	-40,887,100	
LIAA DOH Medicaid Services, To Various	General Fund	40,887,100	
Reallocate Hospital Provider Assess. Restricted Fund			
LIAA DOH Medicaid Services, From Various	Federal Funds	-16,460,200	
LIAA DOH Medicaid Services, To Various	Federal Funds	16,460,200	
LIAA DOH Medicaid Services, From Various	Hospital Provider Assessment	-7,545,500	
LIAA DOH Medicaid Services, To Various	Hospital Provider Assessment	7,545,500	
Higher Education			
Attorney General Internal Service Fund Reallocation			
QAAA RGT Board of Regents Administration	General Fund	-28,500	
QCAA USU Education & General	General Fund	5,900	
QDAA WSU Education & General	General Fund	-74,300	
QEAA SUU Education & General	General Fund	5,900	
QFAA SNOW Education & General	General Fund	81,700	
QGAA DSU Education & General	General Fund	86,300	
QJAA UVU Education & General	General Fund	-107,900	
QKAA SLCC Education & General	General Fund	30,900	
Human Services			
Juvenile Competency Relocation			
KAAA DHS Executive Director	General Fund	-531,100	
KAAA DHS Executive Director	Transfers	531,100	
KBAA DHS Substance Abuse & Mental Health	General Fund	531,100	
KBAA DHS Substance Abuse & Mental Health	Transfers	-531,100	
Public Education			
Net Enrollment Growth (Estimated 7,902 New Students)			
PPAA PED Basic School Program	Beginning Nonlapsing Balance	-4,680,900	
PQAA PED Related to Basic Programs	Beginning Nonlapsing Balance	4,680,900	
Teacher Salary Supplement Program			
PPAA PED Basic School Program	Beginning Nonlapsing Balance	-3,820,200	
PQAA PED Related to Basic Programs	Beginning Nonlapsing Balance	3,820,200	

Adjustment	Funding Source	One-time	Ongoing
Utah Schools for the Deaf and the Blind Millcreek Modular			
PPAA PED Basic School Program	Beginning Nonlapsing Balance	-425,000	
PVAA DBS Deaf & Blind Schools	Beginning Nonlapsing Balance	425,000	
Utah State Instructional Materials Center (USIMAC) Braille Transcription			
PPAA PED Basic School Program	Beginning Nonlapsing Balance	-500,000	
PVAA DBS Deaf & Blind Schools	Beginning Nonlapsing Balance	500,000	
Tax Commission			
Reallocation of Accounting Duties			
GAAA Tax Commission Administration, From Various	General Fund	-43,900	
GAAA Tax Commission Administration, To Various	General Fund	43,900	
GAAA Tax Commission Administration, From Various	Sales and Use Tax Admin Fees (GFR)	-16,700	
GAAA Tax Commission Administration, To Various	Sales and Use Tax Admin Fees (GFR)	16,700	
Reallocation of IFTA Oversight Processes			
GAAA Tax Commission Administration	Dedicated Credits	-184,400	
GAAA Tax Commission Administration	Dedicated Credits	184,400	
GAAA Tax Commission Administration	Education Fund	-29,800	
GAAA Tax Commission Administration	Education Fund	29,800	
GAAA Tax Commission Administration	General Fund	-43,200	
GAAA Tax Commission Administration	General Fund	43,200	
GAAA Tax Commission Administration	Sales and Use Tax Admin Fees (GFR)	-21,900	
GAAA Tax Commission Administration	Sales and Use Tax Admin Fees (GFR)	21,900	
Transportation			
FTE Line Item Shift			
XDAA DOT Operations/Maintenance	Transportation Fund	-18,400	
XFAA DOT Region Management	Transportation Fund	18,400	
Technical Reallocation - Federal /State Shift			
XBAA DOT Support Services	Federal Funds	-693,400	
XBAA DOT Support Services	Transportation Fund	693,400	
Workforce Services			
Technical Reallocation Between Line Items—Reallocation of Expendable Receipts Appropriations			
NBAA DWS State Office of Rehabilitation	Expendable Receipts	1,500	
NJAA DWS Administration	Expendable Receipts	71,200	
NJBA DWS Operations & Policy	Expendable Receipts	-81,300	
NLAA DWS Unemployment Insurance	Expendable Receipts	8,600	
Total FY 2020		**$0**	

FY 2021 Adjustments

Adjustment	Funding Source	One-time	Ongoing
Administrative Services			
Reallocate Funding for Bldg Board Program FMA to DFCM Admin FEA			
FEAA DAS DFCM Administration	Beginning Nonlapsing Balance	192,400	
FEAA DAS DFCM Administration	Capital Project Fund		1,227,600
FEAA DAS DFCM Administration	General Fund		10,700
FMAA DAS Building Board Program	Beginning Nonlapsing Balance	-192,400	
FMAA DAS Building Board Program	Capital Project Fund		-1,227,600
FMAA DAS Building Board Program	General Fund		-10,700
Agriculture and Food			
Reallocate Federal Funds			
SKAA DAG Marketing and Economic Development	Federal Funds		320,000
SAAA DAG Agriculture & Food Administration	Federal Funds		-320,000
Reallocate Kratom			
SJAA DAG Regulatory Services	Dedicated Credits		172,000
SAAA DAG Agriculture & Food Administration	Dedicated Credits		-172,000
Corrections			
Medicaid Expansion Reduction Restoration			
MDAA DOC Medical Services	General Fund		738,000
Environmental Quality			
Expendable Receipts			
NACA DEQ Environmental Response & Remediation	Dedicated Credits		-15,000
NACA DEQ Environmental Response & Remediation	Expendable Receipts		15,000
NALA DEQ Waste Management and Radiation Control	Dedicated Credits		-162,600
NALA DEQ Waste Management and Radiation Control	Expendable Receipts		162,600
Health			
Medicaid Expansion Reduction Restoration			
2252 Medicaid Expansion Fund	General Fund		-738,000
Move Cannabinoid Product Board Funding from DCP to EDO			
LAAA DOH Executive Director	General Fund		76,300
LEAA DOH Disease Control & Prevention	General Fund		-76,300

Adjustment	Funding Source	One-time	Ongoing
Move Funds for Anesthesia Complication			
LAAA DOH Executive Director	General Fund		43,800
LFAA DOH Family Health & Preparedness	General Fund		-43,800
Reallocate Dedicated Credits Revenue for Expendable Receipts Revenue			
LGAA DOH Medicaid and Health Financing	Dedicated Credits		369,700
LGAA DOH Medicaid and Health Financing	Expendable Receipts		-369,700
LIAA DOH Medicaid Services	Dedicated Credits		-11,766,600
LIAA DOH Medicaid Services	Expendable Receipts		17,227,600
LIAA DOH Medicaid Services	Expendable Receipts - Rebates		-5,461,000
Reallocate funds within LIAA Medicaid Services Line Item			
LIAA DOH Medicaid Services, From Various	General Fund		-40,887,100
LIAA DOH Medicaid Services, To Various	General Fund		40,887,100
Reallocate Hospital Provider Assess. Restricted Fund			
LIAA DOH Medicaid Services, From Various	Federal Funds		-16,460,200
LIAA DOH Medicaid Services, To Various	Federal Funds		16,460,200
LIAA DOH Medicaid Services, From Various	Hospital Provider Assessment		-7,545,500
LIAA DOH Medicaid Services, To Various	Hospital Provider Assessment		7,545,500
Heritage and Arts			
STEM Professional Learning Grants Restoration			
WSAA DHA STEM Action Center	General Fund		3,800,000
Higher Education			
Attorney General Internal Service Fund Reallocation			
QAAA RGT Board of Regents Administration	General Fund		-28,500
QCAA USU Education & General	General Fund		5,900
QDAA WSU Education & General	General Fund		-74,300
QEAA SUU Education & General	General Fund		5,900
QFAA SNOW Education & General	General Fund		81,700
QGAA DSU Education & General	General Fund		86,300
QJAA UVU Education & General	General Fund		-107,900
QKAA SLCC Education & General	General Fund		30,900
Balance Among Sources			
QJAA UVU Education & General	Education Fund	27,000,000	-69,000,000
QJAA UVU Education & General	General Fund	-27,000,000	69,000,000
Human Services			
Juvenile Competency Relocation			
KAAA DHS Executive Director	General Fund		-531,100
KAAA DHS Executive Director	Transfers		531,100
KBAA DHS Substance Abuse & Mental Health	General Fund		531,100
KBAA DHS Substance Abuse & Mental Health	Transfers		-531,100
Public Education			
Equity Pupil Unit Increase			
2436 PED Local Levy Growth Account	Education Fund		21,137,300
PPAA PED Basic School Program	Education Fund		-21,137,300
STEM Professional Learning Grants Restoration			
PJAA PED Educator Licensing	Education Fund		-3,800,000
Teacher and Student Success Program (WPU Value Amount)			
2437 PED Teacher and Student Success Account	Education Fund		23,179,100
PPAA PED Basic School Program	Education Fund		-23,179,100
WPU Add-on for Optional Enhanced Kindergarten (OEK)			
PPAA PED Basic School Program	Education Fund		7,588,800
PQAA PED Related to Basic Programs	Education Fund		-7,588,800
Tax Commission			
Reallocation of Accounting Duties			
GAAA Tax Commission Administration, From Various	General Fund		-43,900
GAAA Tax Commission Administration, To Various	General Fund		43,900
GAAA Tax Commission Administration, From Various	Sales and Use Tax Admin Fees (GFR)		-16,700
GAAA Tax Commission Administration, To Various	Sales and Use Tax Admin Fees (GFR)		16,700
Reallocation of IFTA Oversight Processes			
GAAA Tax Commission Administration	Dedicated Credits		-184,400
GAAA Tax Commission Administration	Dedicated Credits		184,400
GAAA Tax Commission Administration	Education Fund		-29,800
GAAA Tax Commission Administration	Education Fund		29,800
GAAA Tax Commission Administration	General Fund		-43,200
GAAA Tax Commission Administration	General Fund		43,200
GAAA Tax Commission Administration	Sales and Use Tax Admin Fees (GFR)		-21,900
GAAA Tax Commission Administration	Sales and Use Tax Admin Fees (GFR)		21,900

Adjustment	Funding Source	One-time	Ongoing
Transportation			
FTE Line Item Shift			
XDAA DOT Operations/Maintenance	Transportation Fund		-18,400
XFAA DOT Region Management	Transportation Fund		18,400
Technical Reallocation - Federal /State Shift			
XBAA DOT Support Services	Federal Funds		-693,400
XBAA DOT Support Services	Transportation Fund		693,400
Workforce Services			
Technical Reallocation Between Line Items—Reallocation of Expendable Receipts Appropriations			
NBAA DWS State Office of Rehabilitation	Expendable Receipts		1,500
NJAA DWS Administration	Expendable Receipts		71,200
NJBA DWS Operations & Policy	Expendable Receipts		-81,300
NLAA DWS Unemployment Insurance	Expendable Receipts		8,600
Compensation			
State Employee - Public Safety and Firefighter Retirement Rate Changes			
FKDA DAS Finance Mandated	General Fund		-948,600
Various Agencies	General Fund		948,600
Total FY 2021		**$0**	**$0**

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