

INVESTING IN THE
**FUTURE OF
UTAH**

BUDGET RECOMMENDATIONS

- Fiscal Year 2016
- Fiscal Year 2015 Supplementals

GOVERNOR GARY R. HERBERT



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Document updated 12/19/14 to reflect newly-adopted consensus estimates for Healthy Utah (which are lower than previous estimates) and other revisions made as part of the official budget submission to the Legislature.



GOVERNOR'S BUDGET OVERVIEW

Budget Principles

Maintaining Utah's competitive edge and quality of life in the future requires that we proactively manage and address the multiple demands being placed on limited taxpayer dollars. Utah's growing and changing population, along with new dynamics in our revenue streams, place an increased demand on everything from education to infrastructure and the state's natural resources to our correctional system.

Reacting only to new demands and changes within the economy without a proactive approach to budget design and strategy could potentially leave Utah vulnerable to a diminished future prosperity. A proactive focus on doing a limited number of things well will often yield better results than trying to do too many things and losing focus on what is most important. The Governor's recommended budget reflects strategic investments of scarce taxpayer resources to best manage the many demands placed on the State of Utah.

Governor Herbert's budget proposal is based on four major principles:

1. Optimize a healthy and growing economy
2. Make strategic investments in Utah's people
3. Provide maximum return on taxpayer dollars—pursuing innovative alternatives to meet demands should be a standard business practice
4. Live within our means

Budget Summary

The Governor's total recommended budget for fiscal year 2015-16 (FY 2016) is **\$14.35 billion**, including state, federal, and certain local sources. The recommended budget financed by state-collected funds (i.e., excluding federal funds, local property tax for schools, and higher education tuition) totals about **\$9.1 billion**. The recommended budget for the General Fund and the Education Fund, the state's two largest funds, totals approximately **\$6.3 billion**.

Major categories of General Fund and Education Fund expenditures include public education (about **\$3 billion**), Medicaid and other social services (about **\$1 billion**), higher education (about **\$1 billion**), and corrections, public safety, and justice (about **\$500 million**). In addition, transportation expenditures from state-collected funds total about **\$1 billion** (including debt service payments for transportation projects). These expenditures are funded through various transportation funds outside of the General Fund.

Budget Book Outline

There are many ways to view the various components of Utah's budget. This document summarizes major components of the budget, including the Governor's proposed budget changes. This year's budget recommendation book is divided into two segments. The first deals with budget policy issues and is more narrative in nature. The second provides additional technical details about the Governor's budget

recommendations and can be found online at gomb.utah.gov.

A Strong and Growing Economy

The Governor's economic focus has been to create a strong economy. A vibrant economy, in turn, provides the financial resources for Utah's many budget demands, including education.

Utah has emerged from the recession with one of the strongest economies in the nation, with other states looking to our example. As of November 2014 (the most recent data available), Utah has an unemployment rate of 3.6%. Over the past year, over 43,400 new jobs have been added to Utah's economy, a healthy growth rate of 3.3%. Although the Governor's focus continues to be a further improvement of the job situation for Utah's families, significant progress has been made.

Revenue Forecast

After years of budget challenges, a growing economy is now providing the resources to invest in the state's long-term future. Utah's vibrant economy and broad-based economic growth is reflected in growing state government revenues. State individual income tax and corporate income tax revenues are growing, with more people back to work and businesses earning a profit. As people feel more confident about the economy and purchase more goods, sales tax revenues continue to increase.

In November 2014, 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 2015 revenue forecast and developed a new consensus revenue forecast for FY 2016. The Governor's budget recommendations are based on this forecast, which yields approximately **\$313 million** in new one-time funds (including **\$112 million** from the

FY 2014 revenue surplus) and **\$325 million** in new available ongoing unrestricted General Fund and Education Fund revenue. In addition, a net **\$56 million** ongoing and **\$7 million** one-time funds are allocated for earmarks. These revenue increases come from strong increases in individual income taxes (nearly **\$200 million** above the February forecast for FY 2015) and sales and use taxes (over **\$140 million**, of which about **\$80 million** is deposited into the General Fund and **\$60 million** is used for earmarked funds), as well as other sources.

Prudent Fiscal Management

Through sound budgeting practices, the state has prudently managed its resources. Rainy day fund balances have now been restored and exceed pre-recession totals, with nearly **\$470 million** in the state's various rainy day funds (Education Fund Budget Reserve Account, General Fund Budget Reserve Account, Medicaid Growth Reduction and Budget Stabilization Account, and Disaster Recovery Restricted Account). In addition, the Governor recommends that over **\$12 million** be deposited to rainy day funds.

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. The Governor's budget funds actuarially-estimated, long-term obligations including pensions, bond payments, and various employee benefit programs.

In addition, and in large part due to the Governor's SUCCESS initiative and a revamped budget process, agency budget requests were reduced by nearly 40% as many agencies have improved the capacity to resolve issues with existing resources. Although this is an ongoing process, significant progress has been made. Of the systems currently reporting measures through

the Success Management Information System (SMIS), there is a 17% improvement after the first phase of implementation.

One concerning budget practice in recent years has been the proliferation of General Fund earmarks. As detailed in the budget brief on earmarks, this continuing practice can create budgetary problems. The Governor's budget proposes to shift a portion of earmarked revenues (**\$94.2 million**) back to the General Fund. Although providing transportation infrastructure is clearly important for a well-functioning economy, transportation needs must be balanced against all other needs, including education. The Department of Transportation indicates that it can effectively manage existing projects with the change in transportation earmarks with no postponement of currently programmed projects. In addition, the Governor intends to work with the legislature to develop a sustainable funding plan for transportation, including the maintenance of existing infrastructure.

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

Investing in People: Education

To be successful long-term, the state must invest in its people. In the 21st century, a dynamic economy requires an educated population. Education drives innovation, attracts employers looking to fill high-skilled jobs, and provides for a higher quality of life.

The Governor's budget starts with education, providing over **\$500 million** for the state's public and higher education systems, bringing total state education spending to approximately **\$4.2 billion**. The Governor recommends over **\$340 million** in

support of public education (**\$246 million** ongoing, **\$96 million** one-time). This amount includes the largest net increase in the weighted pupil unit (WPU) in 25 years, at 6.25%. In addition, the budget builds on last year's historic increases in higher education funding, providing nearly **\$160 million** (**\$64 million** ongoing, **\$95 million** one-time) for the state's post-secondary institutions. Together, these ongoing and one-time increases for education total half a billion dollars.

Public Education

Unlike those who want to micromanage the public education system from the state level, the Governor believes that the state should establish general policy goals and expected outcomes and allow local control in the specific methods of attaining those goals. The Governor's budget proposes a substantial increase in locally controlled basic school program funding through a 6.25% increase in the value of the weighted pupil unit (WPU), estimated at **\$161 million**. Again, this represents the largest net increase in the WPU in 25 years.

Such a sizable increase is provided to allow local schools boards flexibility as they focus on needed local investments, including professional development for educators. Our teachers, principals, and other educators are key to reaching the Governor's goal of being in the top ten states for student achievement.

In the fall of 2015, Utah's schools are estimated to have nearly 8,000 more students coming through the door. The budget funds this anticipated enrollment growth, at a cost of **\$58 million**, including four new programs receiving enrollment growth funding and a one-year extension of an expiring charter school average daily membership (ADM) funding provision.

While these historic increases represent a good-faith down payment to increase resources for public education, meaningful accountability must accompany this investment. Over time, improved student outcomes from this major investment, as measured on the new PACE school report cards, should be expected. Important benchmarks include elementary school reading proficiency levels, middle school math proficiency levels, graduation rates, and disadvantaged student outcomes.

Over the coming year, the Governor calls on education stakeholders to unite in developing a ten-year plan for Utah's education system. As part of this plan development, a comprehensive review of the public education funding system should be undertaken to: (a) identify opportunities for simplifying and streamlining funding to enhance local control and meet modern delivery systems and student needs while also maintaining funding equity; and (b) ascertain ways of providing the public with greater insight into the relationship between school costs and outcomes.

The Governor's budget also provides funds for capital infrastructure for Utah schools, including technology. Major investments include **\$10.7 million** (**\$4.5 million** ongoing and **\$6.2 million** one-time) for the Utah Education Network (UEN) to connect schools by providing statewide technology infrastructure. An additional **\$56 million** (**\$20 million** ongoing and **\$36 million** one-time) is recommended for the capital outlay foundation program that provides funds for buildings or technology infrastructure to small school districts and school districts with a comparatively low property tax base per student who make a significant property tax effort.

The budget recommends **\$1.5 million** for innovative approaches and collaboration for

college and career counseling and **\$2.4 million** for the Utah Futures website.

The Governor also proposes operational increases (**\$900,000** ongoing and **\$700,000** one-time) and a new building for the Schools for the Deaf and Blind (**\$14.5 million**).

Higher Education

As an extension of last session's historic investment in the state's post-secondary education institutions, the Governor proposes additional increases in higher education.

The budget includes nearly **\$30 million** to fund a 3% compensation increase for higher education employees with the flexibility for institutions to target funds to retain the best and brightest employees and to address health insurance cost increases.

In addition, **\$15 million** is recommended for performance-based funding for Utah System of Higher Education (USHE) institutions. In support of the state's goal of 66% of adults with a degree or certificate by 2020, this funding is targeted to institutions making meaningful progress toward mission-specific objectives leading to the 66% goal, including increasing the number of graduates. Rather than focusing on inputs, this approach focuses on higher education achieving desired outcomes while leaving the details of how to attain these outcomes to the individual institution.

The Utah College of Applied Technology (UCAT) is a key factor in meeting the 66% goal, providing market-based technical training to meet employer demands. The Governor recommends over **\$13 million** to increase UCAT campus capacity, enhancing the ability of each campus to increase the number of certificates awarded.

In addition, the budget includes funding for new higher education buildings, including the University of Utah Crocker science building (**\$34 million**), Snow College science building (**\$19.9 million**), Dixie Applied Technology College (**\$31.9 million**), and the University of Utah's Huntsman Cancer Institute (**\$9.5 million**), as well as various UCAT infrastructure needs (**\$3 million**). Funding for related maintenance costs is also recommended (**\$4 million**).

Investing in People: Healthy Utah

As a result of decisions made in Washington, D.C. regarding the Affordable Care Act (ACA), the Governor has obtained the flexibility for a Utah-specific approach to health care. The Healthy Utah program is designed to provide or induce coverage to nearly 90,000 low-income Utahns, protect taxpayers, and promote individual responsibility. In FY 2016, consensus estimates indicate that Healthy Utah savings will exceed costs by about \$2 million. These savings will be directed toward FY 2015 and FY 2016 administrative costs and result in no net state costs for the combined FY 2015 and FY 2016 time period.

Key features of the plan (details of which can be found at healthy.utah.gov) include providing coverage through private insurance markets, charging premiums and copays for adults, automatically enrolling adults who can work in an integrated work program, and incentivizing healthy behaviors.

Corrections Reform

Based on comprehensive studies to identify ways to improve Utah's correctional system, significant funding (**\$10.5 million**) is provided to reduce Utah's recidivism rate. The overarching strategy is to continue to protect public safety by using prisons for serious and violent offenders, while implementing cost-effective strategies that

ensure appropriate oversight and a better integration of non-dangerous offenders into society so they may make meaningful contributions. Strengthening probation and parole supervision and improved re-entry and treatment services, as well as support of local corrections systems, are key strategy recommendations. In addition, the proposal includes funding for pilot "Pay for Success" contracts for investors that fund programs that deliver successful outcomes.

As an important aspect of this correctional reform effort, additional funding is provided to address specific compensation issues for correctional employees (**\$2.1 million**).

In addition, the Governor recommends increases to county jail reimbursement rates (**\$1.5 million**), jail contracting rates (**\$1 million**), and increases in the number of prisoners housed through jail contracting (**\$1.2 million**). The budget also includes **\$8 million** to fund operations at the expanded Gunnison prison and includes **\$46 million** for prison relocation costs.

Air Quality and Water

In addition to the many actions already undertaken and that are described in more detail in the air quality budget brief, the Governor's budget addresses air quality in a number of ways. First, the Governor proposes **\$20 million** for the replacement of older polluting school buses with those that use clean fuel technology. In addition, **\$1.5 million** is provided for grants to incentivize households and small businesses to replace polluting equipment, such as wood-burning fireplaces, old lawnmowers, and business equipment. In addition, **\$750,000** is proposed for air quality research and over **\$500,000** is proposed for education and compliance efforts to ensure that everyone is playing by the same rules

and the public-at-large is not suffering from the bad actions of a few.

For water, the budget also includes **\$11.2 million** (\$5 million General Fund, \$6.2 million from sales tax earmarks for water) for improvements to dam safety, **\$600,000** to maintain a drinking water program, nearly **\$440,000** to improve the water right adjudication process, and **\$130,000** from sales tax earmarks to conduct canal safety inspections.

Investing in People: Employee Compensation

The Governor's budget proposes an inflationary 2% salary increase for state employees (**\$12.5**

million) as well as targeted funding to increase agency "hot spot" salaries in specific classifications that are below market wages (**\$6.6 million**). In addition, the budget funds ongoing health cost increases (**\$5 million**).

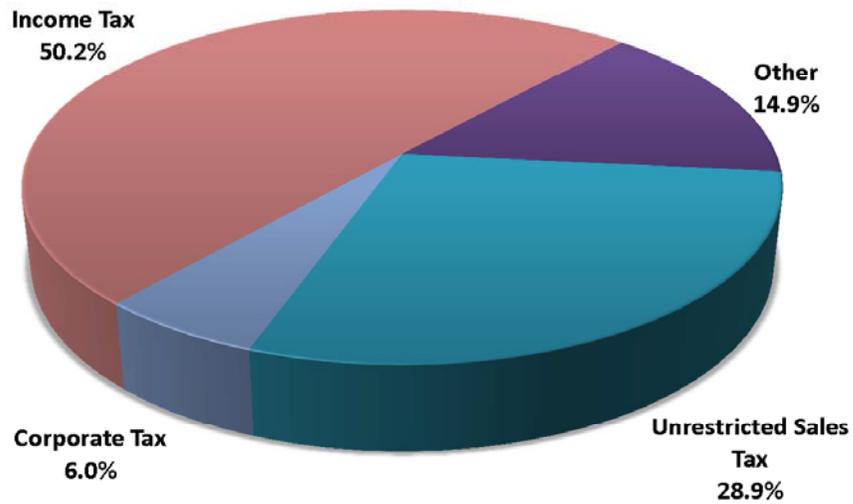
Summary

The Governor's budget is rational, reasonable, responsible, and responsive to the needs of the state. It invests in the future of Utah.

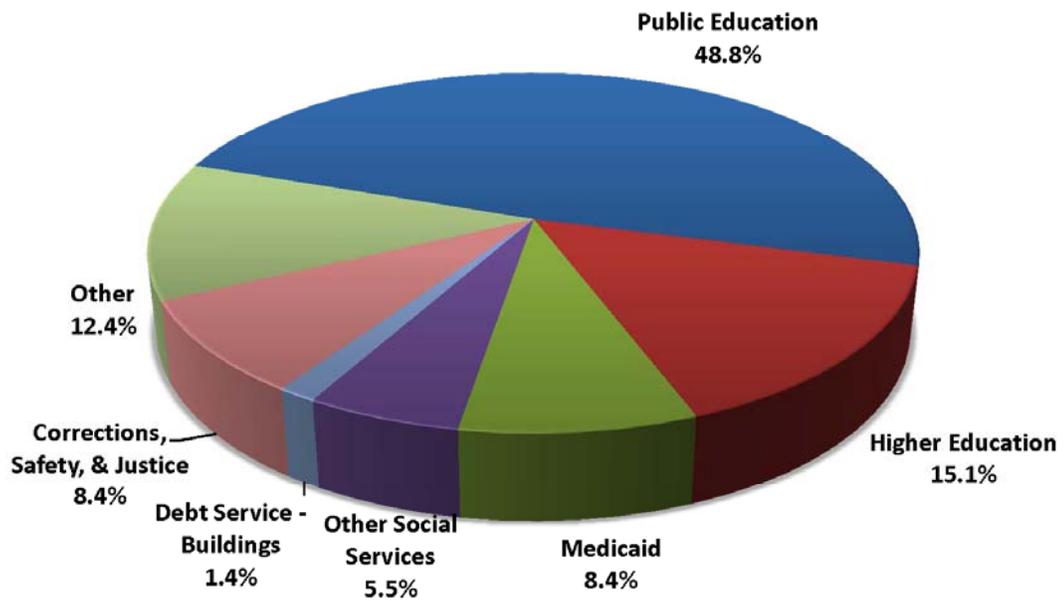
**Table 1:
Governor's Education Recommendations**

In Support Of	Incremental Budget Change Item	Ongoing	One-time	Total
Public education	Increase value of WPU 6.25% - largest net % increase in last 25 years	\$160,983,200	\$0	\$160,983,200
Public education	Enrollment growth (includes one-year extension of expiring charter school average daily membership (ADM) provision and four new items in enrollment growth)	\$54,709,600	\$3,430,000	\$58,139,600
Public education	Capital outlay foundation program	\$20,000,000	\$36,000,000	\$56,000,000
Public education	Beverly Taylor Sorenson arts program	\$2,500,000	\$2,500,000	\$5,000,000
Public education	University collaborative career counseling programs for public education	\$1,500,000	\$0	\$1,500,000
Public education	Utah Education Network (UEN) - Technology infrastructure for public education	\$4,500,000	\$6,200,000	\$10,700,000
Public education	Utah Futures - DWS	\$1,400,000	\$1,000,000	\$2,400,000
Public education	Utah Schools for the Deaf and Blind - step and lane, growth, Braille funding, modular classrooms	\$861,000	\$697,000	\$1,558,000
Public education	Teacher supplies	\$0	\$6,000,000	\$6,000,000
Public education	Professional development for principals	\$0	\$5,000,000	\$5,000,000
Public education	School evaluation support	\$0	\$1,000,000	\$1,000,000
Public education	Student-centered learning pilot program	\$0	\$250,000	\$250,000
Public education - capital	Air quality / clean fuel school bus	\$0	\$20,000,000	\$20,000,000
Public education - capital	Schools for the Deaf and Blind building	\$45,000	\$14,500,000	\$14,545,000
Public education - capital	Back out one-time building O&M	\$0	-\$45,000	-\$45,000
Public Education Total		\$246,498,800	\$96,532,000	\$343,030,800
Higher education	Higher education (USHE, UCAT, UEN) 3% compensation and health insurance	\$29,685,000	\$0	\$29,685,000
Higher education	Higher education - USHE performance funding	\$15,000,000	\$0	\$15,000,000
Higher education	UCAT - campus equity (\$12.58M), IT (\$250K), marketing/messaging (\$400K)	\$13,226,900	\$0	\$13,226,900
Higher education	Regents Scholarships	\$3,000,000	\$0	\$3,000,000
Higher education - capital	UCAT facilities	\$0	\$3,181,000	\$3,181,000
Higher education - capital	Huntsman Cancer Institute Building	\$1,850,000	\$9,500,000	\$11,350,000
Higher education - capital	Dixie Applied Technology College (ATC) Building	\$866,000	\$31,900,000	\$32,766,000
Higher education - capital	U of U Crocker Science Building	\$683,000	\$34,000,000	\$34,683,000
Higher education - capital	Snow College Science Building	\$322,000	\$19,937,000	\$20,259,000
Higher education - capital	Back out one-time building O&M	\$0	-\$3,721,000	-\$3,721,000
Higher Education Total		\$64,632,900	\$94,797,000	\$159,429,900
Total Public and Higher Education		\$311,131,700	\$191,329,000	\$502,460,700

**Sources of Unrestricted General Fund & Education Fund
FY 2016 Recommendation***



**Uses of Unrestricted General Fund & Education Fund
FY 2016 Recommendation***



*Based on Table 2 - Summary of Recommendations by Agency: General Fund and Education Fund
Note: Figures may vary from other sources due to rounding and categorization.

Table 2 - Summary of Recommendations by Agency: General Fund and Education Fund

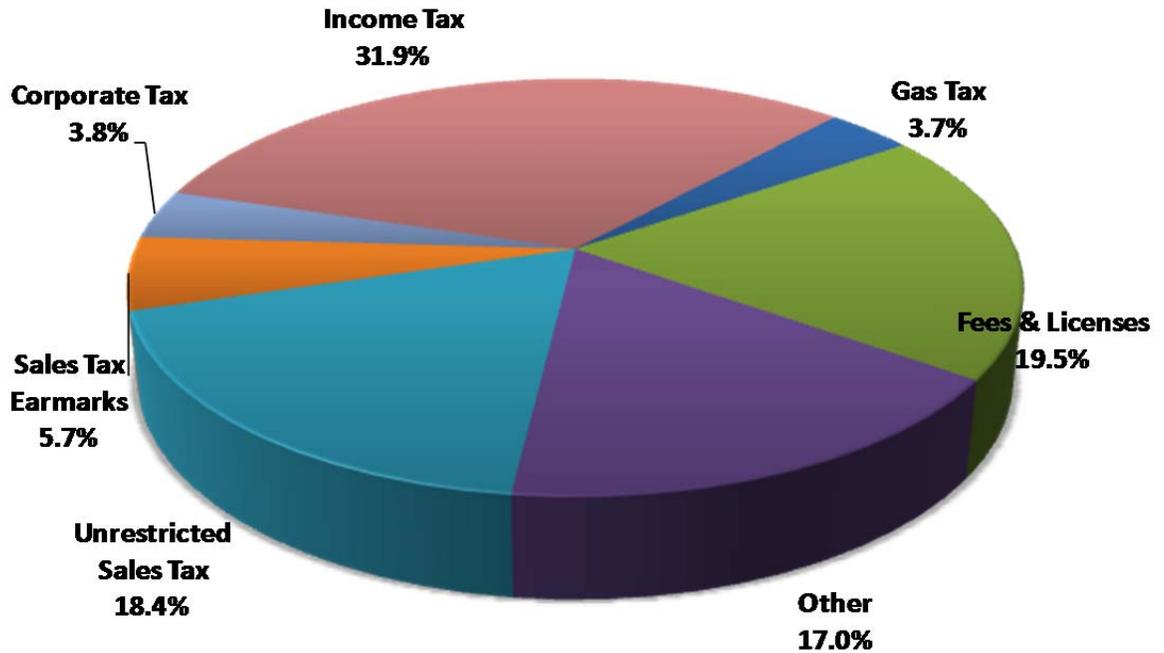
Operating and Capital Budgets, including Expendable Special Revenue Funds and Accounts and Restricted Fund Transfers

This table includes recommended capital and operating budgets, including expendable special revenue funds and accounts, from the General Fund and Education Fund only.

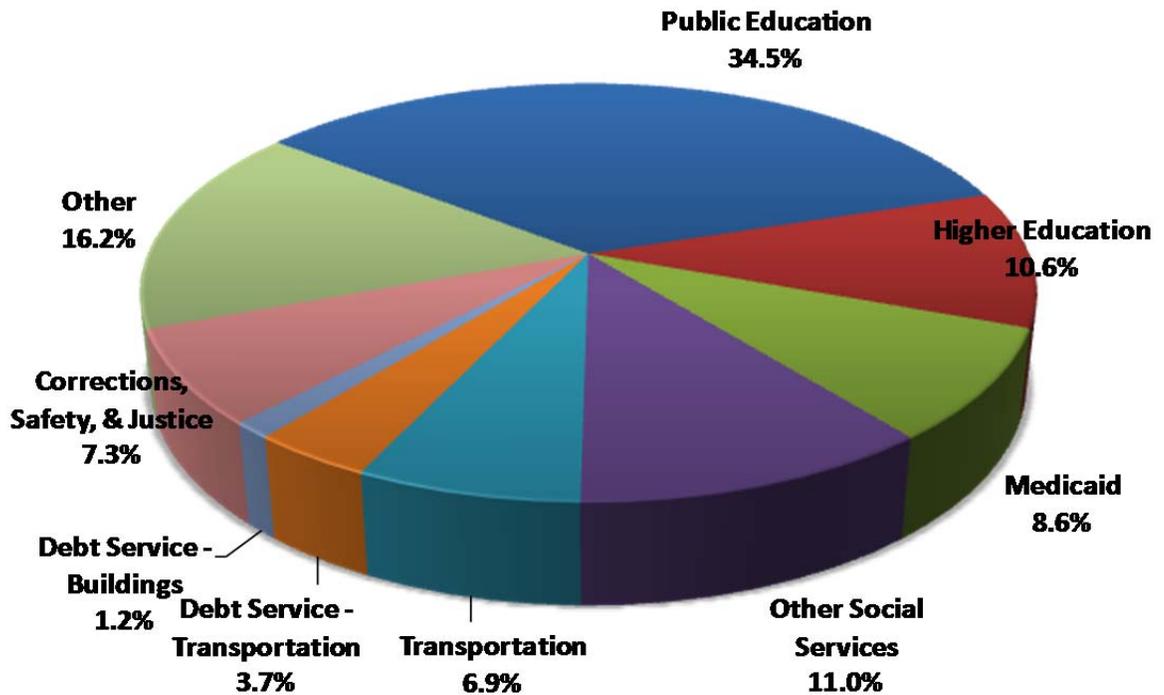
	Governor Herbert's Recommendations						
	Actual	Authorized	Supple-	Recom-	Base	Ongoing &	Recom-
	FY 2014	FY 2015	mentals	mended	FY 2016	One-time	mended
		(a)	(b)	(c)	(d)	(e)	
Plan of Financing							
General Fund	\$2,173,945,700	\$2,179,922,900	\$0	\$2,179,922,900	\$2,179,051,800	\$172,226,200	\$2,351,278,000
General Fund, One-time	(4,242,500)	155,934,500	(12,189,400)	143,745,100	0	151,713,500	151,713,500
Education Fund	3,135,807,000	3,292,039,400	0	3,292,039,400	3,292,039,400	247,809,700	3,539,849,100
Education Fund, One-time	96,709,800	160,982,400	4,450,400	165,432,800	0	214,978,801	214,978,801
Total Financing	\$5,402,220,000	\$5,788,879,200	(\$7,739,000)	\$5,781,140,200	\$5,471,091,200	\$786,728,201	\$6,257,819,401
Operating Budget							
Administrative Services	\$31,814,500	\$31,855,300	\$450,000	\$32,305,300	\$37,268,100	(\$677,100)	\$36,591,000
Agriculture and Food	11,805,600	13,309,800	0	13,309,800	11,502,800	1,763,300	13,266,100
Attorney General	45,140,200	32,911,100	0	32,911,100	32,578,400	1,394,900	33,973,300
Auditor	3,446,100	3,534,600	0	3,534,600	3,522,700	(636,600)	2,886,100
Board of Pardons and Parole	3,530,600	4,222,300	0	4,222,300	4,210,200	281,100	4,491,300
Capitol Preservation Board	4,037,000	4,375,200	0	4,375,200	4,246,800	3,273,500	7,520,300
Career Service Review Office	288,700	261,900	0	261,900	260,500	7,100	267,600
Corrections	239,871,800	262,339,400	0	262,339,400	261,044,600	19,988,000	281,032,600
Courts	113,830,300	117,287,200	1,664,200	118,951,400	116,697,100	5,375,900	122,073,000
Environmental Quality	10,977,600	14,577,000	0	14,577,000	12,171,300	3,210,300	15,381,600
Governor and Lt. Governor	11,141,700	12,474,600	48,200	12,522,800	11,179,500	6,994,300	18,173,800
Gov. Office of Econ. Dev.	35,618,000	45,631,500	0	45,631,500	25,060,900	7,373,800	32,434,700
Gov. Office of Energy Dev.	1,008,900	1,298,400	0	1,298,400	1,294,500	234,000	1,528,500
Health	403,968,900	472,590,100	(14,539,500)	458,050,600	462,887,300	18,236,100	481,123,400
Heritage and Arts	16,501,900	15,035,000	0	15,035,000	13,270,900	1,653,600	14,924,500
Higher Education	726,325,500	809,710,200	0	809,710,200	805,738,800	47,149,900	852,888,700
Human Resource Mgmt.	2,869,900	2,606,000	0	2,606,000	2,598,700	(2,523,500)	75,200
Human Services	305,199,700	320,281,100	0	320,281,100	305,611,000	12,592,000	318,203,000
Insurance	8,087,900	4,400	0	4,400	4,400	0	4,400
Juvenile Justice Services	87,680,700	89,218,300	0	89,218,300	87,457,400	3,627,800	91,085,200
Labor Commission	6,090,500	6,051,200	0	6,051,200	5,972,800	183,200	6,156,000
Legislature	25,009,600	24,479,200	0	24,479,200	23,738,700	461,700	24,200,400
National Guard	5,964,300	6,147,200	0	6,147,200	6,129,700	404,700	6,534,400
Natural Resources	35,015,300	35,904,100	0	35,904,100	33,998,500	6,407,900	40,406,400
Public Education	2,653,493,400	2,750,521,100	3,430,000	2,753,951,100	2,740,726,300	244,613,300	2,985,339,600
Public Lands Office	861,400	853,700	0	853,700	851,900	915,600	1,767,500
Public Safety	71,423,600	69,797,200	0	69,797,200	70,086,800	5,487,400	75,574,200
State Office of Rehab.	19,372,800	21,731,100	0	21,731,100	20,933,000	6,123,100	27,056,100
Tax Commission	45,209,100	46,866,800	0	46,866,800	46,637,900	1,579,000	48,216,900
Technology Services	2,266,200	1,319,000	0	1,319,000	1,309,300	56,600	1,365,900
Transportation	100,000	3,150,000	0	3,150,000	0	0	0
Treasurer	908,400	927,300	0	927,300	924,000	24,100	948,100
UCAT	57,830,600	65,975,100	0	65,975,100	66,262,600	18,255,900	84,518,500
Utah Education Network	19,096,700	22,517,900	0	22,517,900	19,217,900	10,985,800	30,203,700
USTAR	22,016,000	22,036,800	0	22,036,800	22,032,800	50,800	22,083,600
Veterans' and Military Affairs	1,555,200	2,512,800	0	2,512,800	2,205,200	245,300	2,450,500
Workforce Services	65,232,900	64,513,500	1,138,300	65,651,800	69,126,600	(584,200)	68,542,400
<i>Subtotal Operating Budget</i>	<i>5,094,591,500</i>	<i>5,398,827,400</i>	<i>(7,808,800)</i>	<i>5,391,018,600</i>	<i>5,328,759,900</i>	<i>424,528,600</i>	<i>5,753,288,500</i>
Capital Budget							
Capital Budget	184,039,100	264,643,600	0	264,643,600	46,777,300	260,378,100	307,155,400
Natural Resources	1,772,100	772,100	0	772,100	772,100	0	772,100
Public Education	14,499,700	14,499,700	0	14,499,700	14,499,700	56,000,000	70,499,700
Transportation	1,470,600	0	0	0	0	0	0
<i>Subtotal Capital Budget</i>	<i>201,781,500</i>	<i>279,915,400</i>	<i>0</i>	<i>279,915,400</i>	<i>62,049,100</i>	<i>316,378,100</i>	<i>378,427,200</i>
Debt Service	85,939,900	85,829,300	69,800	85,899,100	71,675,100	14,221,500	85,896,600
Transfers*	19,907,100	24,307,100	0	24,307,100	8,607,100	31,600,001	40,207,101
Total Budget	\$5,402,220,000	\$5,788,879,200	(\$7,739,000)	\$5,781,140,200	\$5,471,091,200	\$786,728,201	\$6,257,819,401

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

**Sources of State-Collected Funds
FY 2016 Recommendation***



**Uses of State-Collected Funds
FY 2016 Recommendation***



*Based on Table 3 - Summary of Recommendations by Agency: State-Collected Funds

Note: Figures may vary from other sources due to rounding and categorization.

Table 3 - Summary of Recommendations by Agency: State-Collected Funds

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

This table includes the recommended capital and operating 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 Education Fund, but also earmarked tax revenue and other funding from restricted funds and accounts, and dedicated credits.

	Actual FY 2014	Authorized FY 2015	Governor Herbert's Recommendations					
			Supple- mentals (a)	Recom- mended FY 2015 (b)	Base FY 2016 (c)	Ongoing & One-time Adj. (d)	Recom- mended FY 2016 (e)	
Plan of Financing								
General Fund	\$2,168,338,600	\$2,171,315,800	\$0	\$2,171,315,800	\$2,170,444,700	\$157,226,200	\$2,327,670,900	
General Fund, One-time	(18,542,500)	140,234,500	(12,189,400)	128,045,100	0	147,713,500	147,713,500	
Education Fund	3,135,807,000	3,292,039,400	0	3,292,039,400	3,292,039,400	247,809,700	3,539,849,100	
Education Fund, One-time	96,709,800	160,982,400	4,450,400	165,432,800	0	202,378,800	202,378,800	
Transportation Fund	360,077,300	364,067,700	0	364,067,700	364,067,700	10,611,300	374,679,000	
Transportation Fund, One-time	1,100,200	637,400	0	637,400	0	0	0	
Dedicated Credits*	524,765,400	548,753,600	0	548,753,600	547,927,500	4,399,900	552,327,400	
Restricted/Trust Funds	1,325,821,400	1,366,546,900	500,000	1,367,046,900	1,277,234,100	(39,668,600)	1,237,565,500	
Transfers	621,358,500	534,688,600	1,244,500	535,933,100	382,003,800	12,427,400	394,431,200	
Other Funds	784,100	500,500	0	500,500	500,500	341,900	842,400	
Pass-through Funds	23,370,800	23,368,100	0	23,368,100	23,330,900	0	23,330,900	
Beginning Balances	1,582,038,300	1,648,296,900	46,500	1,648,343,400	1,545,235,300	0	1,545,235,300	
Non-lapsing Balances	(1,648,343,400)	(1,544,783,800)	(451,500)	(1,545,235,300)	(1,224,145,000)	5,766,300	(1,218,378,700)	
Lapsing Funds	(330,532,200)	(43,077,200)	0	(43,077,200)	0	0	0	
Total Financing	\$7,842,753,300	\$8,663,570,800	(\$6,399,500)	\$8,657,171,300	\$8,378,638,900	\$749,006,400	\$9,127,645,300	
Operating Budget								
Administrative Services	\$47,698,500	\$62,180,700	\$200,000	\$62,380,700	\$55,370,400	\$3,805,800	\$59,176,200	
Agriculture and Food	22,988,300	27,371,300	184,300	27,555,600	23,130,700	4,263,100	27,393,800	
Alcoholic Beverage Control	39,658,800	42,679,700	0	42,679,700	41,086,800	2,819,800	43,906,600	
Attorney General	71,587,700	56,532,700	0	56,532,700	54,814,300	2,236,400	57,050,700	
Auditor	4,926,000	5,349,400	0	5,349,400	5,827,600	185,900	6,013,500	
Board of Pardons and Parole	3,830,700	4,424,500	0	4,424,500	4,212,400	281,100	4,493,500	
Capitol Preservation Board	4,425,200	5,051,500	0	5,051,500	4,923,100	3,273,500	8,196,600	
Career Service Review Office	240,400	261,900	0	261,900	260,500	7,100	267,600	
Commerce	27,236,100	32,694,700	0	32,694,700	31,903,400	1,079,600	32,983,000	
Corrections	260,078,200	279,110,000	0	279,110,000	267,405,100	20,982,600	288,387,700	
Courts	132,608,100	146,549,900	1,664,200	148,214,100	143,217,300	5,073,100	148,290,400	
Environmental Quality	36,954,100	43,150,600	(595,000)	42,555,600	40,833,800	3,859,500	44,693,300	
Financial Institutions	6,397,900	7,088,900	0	7,088,900	7,029,700	211,200	7,240,900	
Governor and Lt. Governor	26,598,600	27,194,000	(595,400)	26,598,600	26,598,600	4,356,000	30,954,600	
Gov. Office of Econ. Dev.	42,307,200	81,380,300	(39,158,300)	42,222,000	42,222,000	13,654,500	55,876,500	
Gov. Office of Energy Dev.	1,359,900	2,094,500	(734,600)	1,359,900	1,359,900	732,000	2,091,900	
Health	885,909,900	948,517,500	(14,539,500)	933,978,000	933,543,000	19,163,900	952,706,900	
Heritage and Arts	18,584,800	19,356,000	0	19,356,000	16,506,400	1,715,200	18,221,600	
Higher Education	757,505,600	883,148,100	0	883,148,100	824,780,100	47,153,500	871,933,600	
Human Resource Mgmt.	2,901,500	2,953,500	0%	2,953,500	2,693,500	(2,389,300)	304,200	
Human Services	490,887,900	534,939,200	0	534,939,200	513,944,700	21,936,300	535,881,000	
Insurance	29,457,800	11,645,900	0	11,645,900	12,235,200	666,900	12,902,100	
Juvenile Justice Services	89,678,900	91,773,100	0	91,773,100	88,883,000	3,708,500	92,591,500	
Labor Commission	9,677,200	10,969,900	0	10,969,900	10,491,500	378,600	10,870,100	
Legislature	24,701,200	24,729,200	0	24,729,200	23,988,700	462,700	24,451,400	
National Guard	7,006,600	6,200,900	0	6,200,900	6,149,700	404,700	6,554,400	
Natural Resources	147,150,500	153,451,800	65,000	153,516,800	136,781,700	26,439,300	163,221,000	

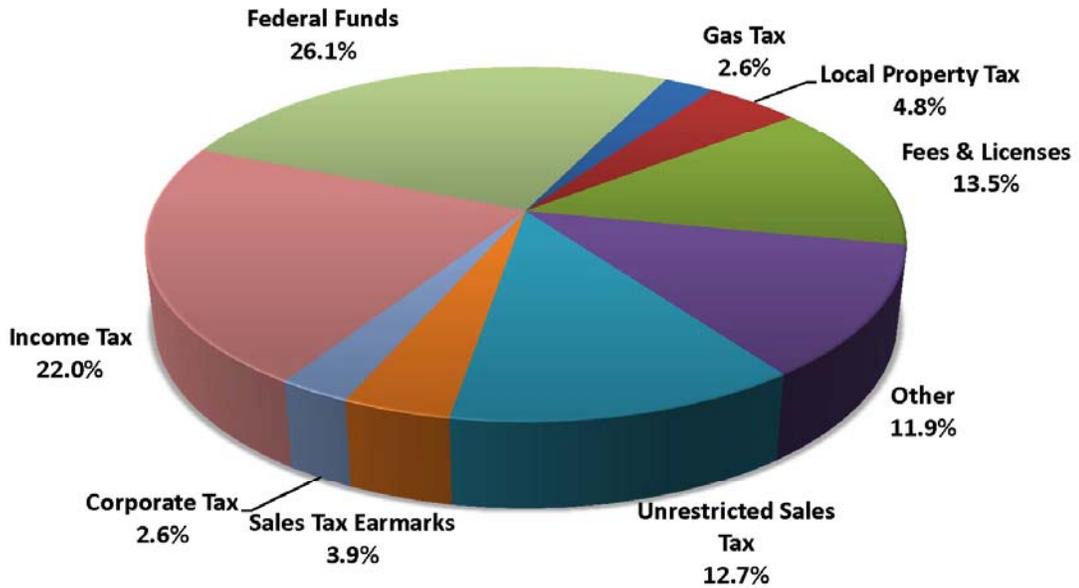
Governor Herbert's Recommendations

	Actual FY 2014	Authorized FY 2015	Supple- mentals (a)	Recom- mended FY 2015 (b)	Base FY 2016 (c)	Ongoing & One-time Adj. (d)	Recom- mended FY 2016 (e)
Public Education	2,710,120,500	2,845,444,900	3,430,000	2,848,874,900	2,838,284,900	244,292,800	3,082,577,700
Public Lands Office	1,353,300	4,796,600	0	4,796,600	2,122,300	938,200	3,060,500
Public Safety	148,966,500	159,278,300	0	159,278,300	150,526,700	9,922,500	160,449,200
Public Service Commission	12,696,100	14,830,300	0	14,830,300	16,922,700	51,900	16,974,600
School Trust Fund Office	0	578,000	0	578,000	578,000	0	578,000
School Trust Lands Admin	9,527,700	10,305,600	0	10,305,600	9,859,300	2,403,300	12,262,600
State Office of Rehab.	25,059,200	17,891,200	0	17,891,200	21,733,000	6,789,700	28,522,700
Tax Commission	85,834,300	91,179,000	300,000	91,479,000	88,258,500	2,823,900	91,082,400
Technology Services	3,675,100	2,721,000	0	2,721,000	2,407,800	73,400	2,481,200
Transportation	252,650,900	266,761,500	0	266,761,500	256,142,900	12,364,500	268,507,400
Treasurer	2,716,700	3,202,100	0	3,202,100	2,984,500	70,200	3,054,700
UCAT	57,828,100	65,962,300	0	65,962,300	65,662,300	18,255,900	83,918,200
Utah Education Network	34,663,700	44,113,100	0	44,113,100	37,841,100	11,039,200	48,880,300
USTAR	19,722,800	24,692,800	0	24,692,800	22,190,100	50,800	22,240,900
Veterans' and Military Affairs	2,532,600	2,636,800	0	2,636,800	2,608,600	261,500	2,870,100
Workforce Services	104,300,000	183,765,400	2,382,800	186,148,200	163,744,700	6,547,800	170,292,500
<i>Subtotal Operating Budget</i>	<i>6,664,005,100</i>	<i>7,248,958,600</i>	<i>(47,396,500)</i>	<i>7,201,562,100</i>	<i>7,002,060,500</i>	<i>502,347,100</i>	<i>7,504,407,600</i>
Capital Budget							
Capital Budget	363,465,000	362,075,000	0	362,075,000	325,381,600	259,592,200	584,973,800
Natural Resources	5,839,000	7,716,900	0	7,716,900	3,976,500	0	3,976,500
Public Education	14,499,700	14,499,700	0	14,499,700	14,499,700	56,000,000	70,499,700
School Trust Lands Admin	702,600	8,800,000	0	8,800,000	8,800,000	(3,300,000)	5,500,000
Transportation	268,466,600	427,481,800	0	427,481,800	453,985,000	(94,781,900)	359,203,100
Wokforce Serives	48,103,600	123,760,000	0	123,760,000	132,530,000	0	132,530,000
<i>Subtotal Capital Budget</i>	<i>701,076,500</i>	<i>944,333,400</i>	<i>0</i>	<i>944,333,400</i>	<i>939,172,800</i>	<i>217,510,300</i>	<i>1,156,683,100</i>
Debt Service	477,671,700	470,278,800	(70,000)	470,208,800	452,333,100	14,221,500	466,554,600
Total Budget	\$7,842,753,300	\$8,663,570,800	(\$47,466,500)	\$8,616,104,300	\$8,393,566,400	\$734,078,900	\$9,127,645,300

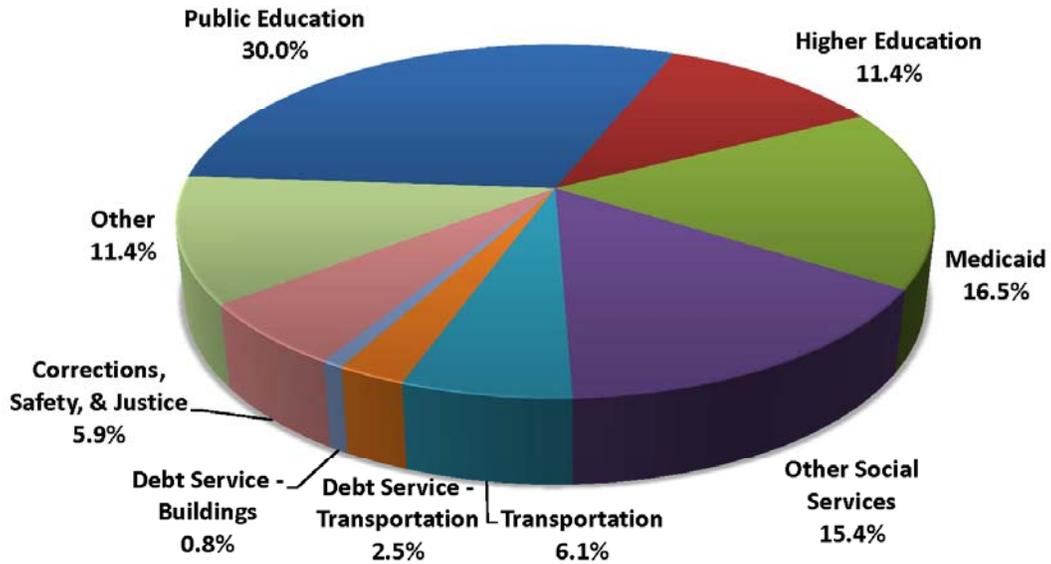
*State-collected funds does not include federal funds, mineral lease, or local property tax and excludes higher education tuition.

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**Sources of All Funds
FY 2016 Recommendation***



**Uses of All Funds
FY 2016 Recommendation***



*Based on Table 4 - Summary of Recommendations by Agency: All Sources of Funding
Note: Figures may vary from other sources due to rounding and categorization.

Table 4 - Summary of Recommendations by Agency: All Sources of Funding

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

This table includes the recommended capital and operating budgets, including expendable special revenue funds and accounts, from all sources of funding. These sources of funding include not only state-collected funds from taxes and fees, but also federal funds, mineral lease revenues, higher education tuition, and a portion of school property taxes.

	Actual FY 2014	Authorized FY 2015	Governor Herbert's Recommendations				
			Supple- mentals (a)	Recom- mended FY 2015 (b)	Base FY 2016 (c)	Ongoing & One-time Adj. (d)	Recom- mended FY 2016 (e)
Plan of Financing							
General Fund	\$2,168,338,600	\$2,171,315,800	\$0	\$2,171,315,800	\$2,170,444,700	\$157,226,200	\$2,327,670,900
General Fund, One-time	(18,542,500)	140,234,500	(12,189,400)	128,045,100	0	147,713,500	147,713,500
Education Fund	3,135,807,000	3,292,039,400	0	3,292,039,400	3,292,039,400	247,809,700	3,539,849,100
Education Fund, One-time	96,709,800	160,982,400	4,450,400	165,432,800	0	202,378,800	202,378,800
Transportation Fund	360,077,300	364,067,700	0	364,067,700	364,067,700	10,611,300	374,679,000
Transportation Fund, One-time	1,100,200	637,400	0	637,400	0	0	0
Federal Funds	3,496,814,000	3,688,706,000	1,606,500	3,690,312,500	3,625,941,000	75,243,300	3,701,184,300
Dedicated Credits	1,204,255,200	1,209,548,800	0	1,209,548,800	1,208,722,700	13,598,900	1,222,321,600
Mineral Lease	165,070,700	174,278,500	0	174,278,500	178,814,000	41,000	178,855,000
Restricted/Trust Funds	1,325,821,400	1,366,546,900	500,000	1,367,046,900	1,277,234,100	(39,668,600)	1,237,565,500
Transfers	621,358,500	534,688,600	1,244,500	535,933,100	382,003,800	12,427,400	394,431,200
Other Funds	784,100	500,500	0	500,500	500,500	341,900	842,400
Pass-through Funds	23,370,800	23,368,100	0	23,368,100	23,330,900	0	23,330,900
Beginning Balances	1,582,038,300	1,648,296,900	46,500	1,648,343,400	1,545,235,300	0	1,545,235,300
Non-lapsing Balances	(1,648,343,400)	(1,544,783,800)	(451,500)	(1,545,235,300)	(1,224,145,000)	5,766,300	(1,218,378,700)
Lapsing Funds	(330,532,200)	(43,077,200)	0	(43,077,200)	0	0	0
Local Property Tax	611,892,000	652,065,700	0	652,065,700	652,065,700	21,113,700	673,179,400
Total Financing	\$12,796,019,800	\$13,839,416,200	(\$4,793,000)	\$13,834,623,200	\$13,496,254,800	\$854,603,400	\$14,350,858,200
Operating Budget							
Administrative Services	\$50,500,000	\$65,139,500	\$200,000	\$65,339,500	\$58,417,400	\$3,805,800	\$62,223,200
Agriculture and Food	30,017,300	33,391,600	184,300	33,575,900	34,337,700	4,898,000	39,235,700
Alcoholic Beverage Control	39,658,800	42,679,700	0	42,679,700	41,086,800	2,819,800	43,906,600
Attorney General	73,491,800	58,618,400	0	58,618,400	56,900,000	2,574,800	59,474,800
Auditor	4,926,000	5,349,400	0	5,349,400	5,827,600	185,900	6,013,500
Board of Pardons and Parole	3,830,700	4,424,500	0	4,424,500	4,212,400	281,100	4,493,500
Capitol Preservation Board	4,425,200	5,051,500	0	5,051,500	4,923,100	3,273,500	8,196,600
Career Service Review Office	240,400	261,900	0	261,900	260,500	7,100	267,600
Commerce	27,566,100	33,097,800	0	33,097,800	32,203,400	1,087,800	33,291,200
Corrections	260,522,100	279,504,300	0	279,504,300	267,799,400	20,983,200	288,782,600
Courts	133,120,300	147,281,700	1,664,200	148,945,900	143,964,600	5,079,300	149,043,900
Environmental Quality	54,192,400	62,787,900	(595,000)	62,192,900	58,788,600	4,407,200	63,195,800
Financial Institutions	6,397,900	7,088,900	0	7,088,900	7,029,700	211,200	7,240,900
Governor and Lt. Governor	36,726,700	46,315,800	248,200	46,564,000	40,402,900	21,977,400	62,380,300
Gov. Office of Econ. Dev.	44,086,800	83,291,400	0	83,291,400	31,514,500	25,375,600	56,890,100
Gov. Office of Energy Dev.	2,039,500	2,604,400	330,500	2,934,900	2,351,400	253,800	2,605,200
Health	2,670,990,200	2,811,482,100	(12,916,000)	2,798,566,100	2,740,365,300	71,098,400	2,811,463,700
Heritage and Arts	24,278,000	27,511,500	0	27,511,500	24,291,600	1,736,800	26,028,400
Higher Education	1,439,444,900	1,546,339,400	0	1,546,339,400	1,487,071,500	56,352,500	1,543,424,000
Human Resource Mgmt.	2,901,500	2,953,500	0	2,953,500	2,693,500	(2,389,300)	304,200
Human Services	605,235,800	653,440,600	0	653,440,600	632,649,500	23,206,100	655,855,600
Insurance	31,487,200	14,598,000	0	14,598,000	13,950,200	669,700	14,619,900
Juvenile Justice Services	92,959,100	96,058,500	0	96,058,500	92,726,200	3,793,600	96,519,800
Labor Commission	12,456,400	13,868,900	0	13,868,900	13,447,400	503,000	13,950,400
Legislature	24,701,200	24,729,200	0	24,729,200	23,988,700	462,700	24,451,400
National Guard	77,963,700	69,423,600	0	69,423,600	52,459,200	926,100	53,385,300
Natural Resources	185,407,200	206,719,900	65,000	206,784,900	198,096,400	26,968,900	225,065,300

Governor Herbert's Recommendations

	Actual FY 2014	Authorized FY 2015	Supple- mentals (a)	Recom- mended FY 2015 (b)	Base FY 2016 (c)	Ongoing & One-time Adj. (d)	Recom- mended FY 2016 (e)
Public Education	3,744,769,100	3,983,388,600	3,430,000	3,986,818,600	3,976,296,000	265,817,400	4,242,113,400
Public Lands Office	1,353,300	4,796,600	0	4,796,600	2,122,300	938,200	3,060,500
Public Safety	177,059,800	196,974,500	0	196,974,500	187,721,700	10,707,200	198,428,900
Public Service Commission	13,783,000	16,322,200	0	16,322,200	16,922,700	55,100	16,977,800
School Trust Fund Office	0	578,000	0	578,000	578,000	0	578,000
School Trust Lands Admin	9,527,700	10,305,600	0	10,305,600	9,859,300	2,403,300	12,262,600
State Office of Rehab.	79,106,300	78,088,700	0	78,088,700	80,907,000	7,798,700	88,705,700
Tax Commission	86,353,400	91,769,600	300,000	92,069,600	88,849,100	2,823,900	91,673,000
Technology Services	3,881,100	3,021,000	0	3,021,000	2,707,800	73,400	2,781,200
Transportation	291,534,700	296,656,400	0	296,656,400	286,037,800	12,502,300	298,540,100
Treasurer	2,716,700	3,202,100	0	3,202,100	2,984,500	70,200	3,054,700
UCAT	64,984,600	73,079,800	0	73,079,800	72,779,800	18,255,900	91,035,700
Utah Education Network	38,769,500	47,271,200	0	47,271,200	40,996,000	11,063,400	52,059,400
USTAR	19,722,800	24,692,800	0	24,692,800	22,190,100	50,800	22,240,900
Veterans' and Military Affairs	17,322,100	19,126,100	0	19,126,100	19,118,700	263,700	19,382,400
Workforce Services	726,211,600	980,934,200	2,382,800	983,317,000	970,390,100	9,498,100	979,888,200
<i>Subtotal Operating Budget</i>	<i>11,216,662,900</i>	<i>12,174,221,300</i>	<i>(4,706,000)</i>	<i>12,169,515,300</i>	<i>11,852,220,400</i>	<i>622,871,600</i>	<i>12,475,092,000</i>
Capital Budget							
Capital Budget	363,465,000	362,075,000	0	362,075,000	325,381,600	259,592,200	584,973,800
Natural Resources	9,315,300	11,386,600	0	11,386,600	7,646,200	0	7,646,200
Public Education	14,499,700	14,499,700	0	14,499,700	14,499,700	56,000,000	70,499,700
School Trust Lands Admin	702,600	8,800,000	0	8,800,000	8,800,000	(3,300,000)	5,500,000
Transportation	641,866,800	650,290,900	0	650,290,900	678,538,900	(94,781,900)	583,757,000
Workforce Services	56,059,900	132,088,000	0	132,088,000	141,076,000	0	141,076,000
<i>Subtotal Capital Budget</i>	<i>1,085,909,300</i>	<i>1,179,140,200</i>	<i>0</i>	<i>1,179,140,200</i>	<i>1,175,942,400</i>	<i>217,510,300</i>	<i>1,393,452,700</i>
Debt Service	493,447,600	486,054,700	(87,000)	485,967,700	468,092,000	14,221,500	482,313,500
Total Budget	\$12,796,019,800	\$13,839,416,200	(\$4,793,000)	\$13,834,623,200	\$13,496,254,800	\$854,603,400	\$14,350,858,200



INVESTING IN WHAT WORKS

Connecting the Budget with Operational Performance

Governance

The executive branch approach to operational excellence is to create more value for every tax dollar invested. That strategy, combined with a sound, conservative approach to budgeting and policy, is the bedrock of the Governor's budget recommendation. Government, like all organizations, has an inherent appetite to expand. Without the constraints of the market place, a natural tendency to grow must be contained through accountability, fiscal discipline, and a healthy respect for the pocket books of taxpayers. We believe that government needs to be accountable to the public by first looking to internal improvements and ways to change how we do business before defaulting to increased spending. Just like individuals and families, government must live within its means—spending only what it can afford.

In order to align with these principles, Governor Herbert charged state agencies to improve performance by at least 25%. This goal isn't simply rhetoric. A set of management principles and tools is being implemented across state government designed to boost the quality and efficiency of government services. These tools, known as the SUCCEED Framework, are yielding measurable results and require that we ask two fundamental questions prior to recommending new funds for a program or entity.

1. Has the entity maximized existing resources?
2. Does the request for new money demonstrate how the investment will make a measurable difference?

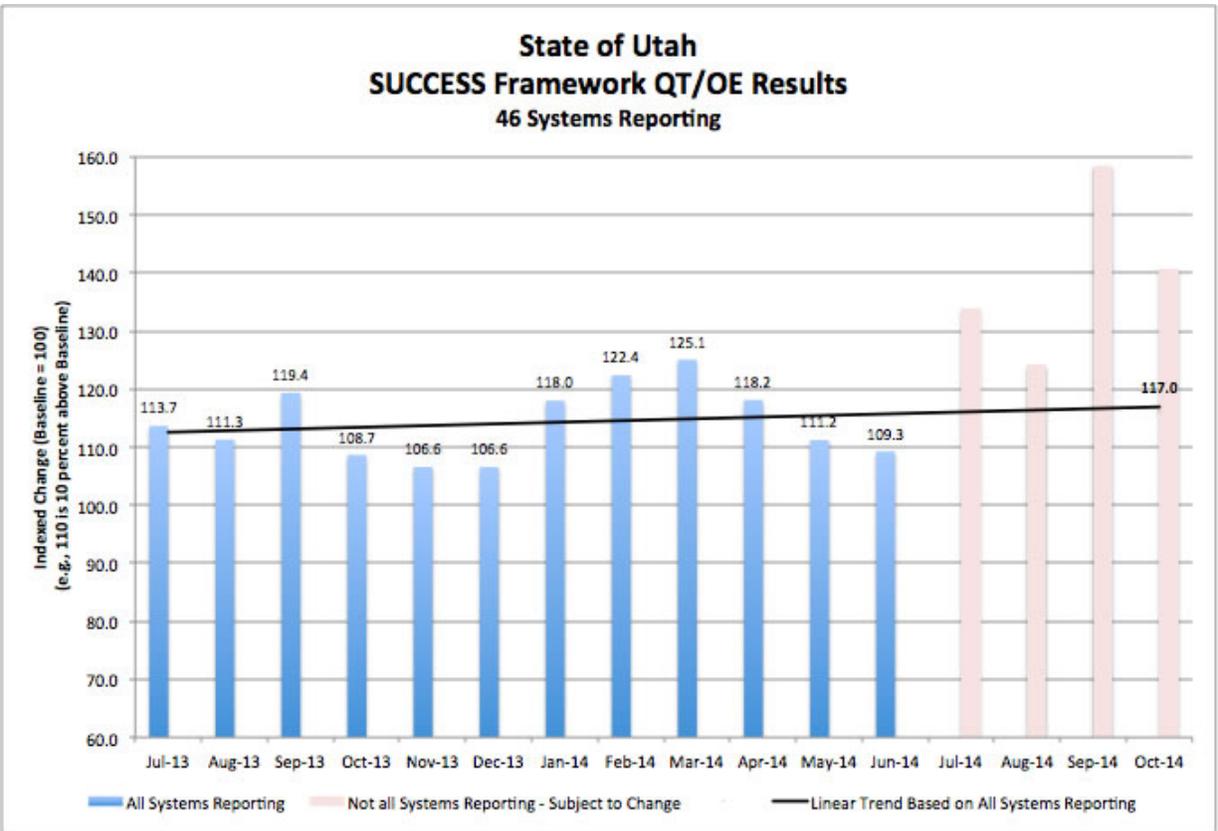
Results

There are currently 46 systems reporting results of SUCCESS Framework initiatives. The Governor's Office of Management and Budget (GOMB) is working with agencies to finalize another 19 systems for reporting during the next month. An additional 11 systems are on track to begin reporting results by the start of the legislative session. In all, GOMB is presently engaged with more than 90 systems to improve operations throughout state government.

Of the current 46 systems currently reporting, 26 have experienced efficiency improvements above 10%. Among the 26, a total of 22 have reported improvements exceeding 20%. The remaining systems are in different phases of process improvement work and will begin to show results in the near future.

Agencies that have embraced the SUCCESS Framework can demonstrate measurable cost benefits to meet growing demand and to offer improved services given current funding. Among the 46 systems currently reporting, 31 (67%) show fewer costs per service/unit based on improved quality and/or greater throughput. Average quality is up in 33 agencies (72%). Among those agencies with improved quality, the average is up 16%.

Improvements range from everything to reducing the risk factors that lead to recidivism among prison inmates to improving how snow is removed from our roads during the winter and from project management within technology and infrastructure to ensuring the safety of children.



Specific results include:

- The Department of Public Safety’s Crime Lab Division has experienced marked improvement in the ability to process latent fingerprints. The division has significantly improved evidence processing turnaround times and moved from an average of 67 cases in a month to a new peak of 92.
- The Utah Office for Victims of Crime reduced the cost per unit for determining eligibility for crime victim financial assistance by \$2.71 per application or 40% below the baseline cost of \$6.81. Operational improvements also resulted in an average of 74% of application decisions being made within 30 days as compared to the baseline of 49%.
- The Department of Commerce has accommodated an average increase of 33% in the number of monthly real estate license applications without adding any additional operating expense. By increasing processing

speed, the Real Estate Division absorbed this dramatic increase while also improving the time it takes to approve a license.

- The Utah Correctional Industries Division doubled the capacity of the furniture shop by improving the production process—leading to more job opportunities for inmates.

With current systems reporting representing \$317 million in operating expense and as more systems come online, decision makers will have greater insights into the need for new investments. Likewise, as government agencies continue to improve performance and existing resources are maximized, the growth curve for existing programs can bend—allowing for new revenue to more easily be diverted to critical areas, including education. This concerted effort will span multiple years and require a mindset of continuous improvement and focus along with building more expert capacity across state government in order for the momentum to continue.



BUDGET AND POLICY BRIEF

Utah's Major Revenue Sources

Highlights:

- **\$3.1 billion** individual income tax
 - **\$2.3 billion** state sales and use tax
 - **\$370 million** corporate taxes
 - **\$360 million** gas taxes
-

State Taxes and Fees

The State of Utah imposes various taxes to fund government programs administered at both the state and local level. The individual income tax and state sales and use tax are by far the two largest state taxes. Various other revenue sources 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 funds. Budget bills enacted by the legislature authorize the use of these funds for designated purposes.

Sales and Use Tax. The sales and use tax is the largest revenue source for state government operations, generating \$2.3 billion in revenue in FY 2016. Most sales and use tax revenues (\$1.8 billion) are deposited into the state General Fund. Of the \$550 million in sales tax earmarks, \$517 million are for transportation, with the remaining \$33 million for water and other purposes. The Governor's budget proposes reducing the amount of sales tax earmarks.

Additional revenues are also set aside for economic development purposes after being deposited into the General Fund.

Individual Income and Corporate Income Tax. The Utah Constitution requires that income taxes be used to support public and higher education. Based on this constitutional directive, revenues from both individual income taxes (\$3.1 billion) and corporate franchise and income taxes (\$370 million) are not deposited into the state General Fund to be used for any purpose. Rather, they are deposited into the Education Fund that can only be used to support the state's public education and higher education systems.

Gas Tax. The Utah Constitution also requires that "proceeds from fees, taxes, and other charges related to the operation of motor vehicles on public highways and proceeds from an excise tax on liquid motor fuel used to propel those motor vehicles" be used for transportation purposes. Consequently, motor and special fuel taxes or "gas taxes" (\$360 million) are deposited into a separate state Transportation Fund to be used for transportation purposes.

General Fund Revenue Source. As shown in Figure 1, state sales and use taxes are the primary revenue source for the state's General Fund (\$1.8

billion). Other taxes deposited into the General Fund include severance taxes on oil, gas, and mineral extraction (\$115 million); beer, cigarette, and tobacco taxes (\$105 million); insurance premium taxes (\$96 million); and cable and satellite excise taxes (\$26 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 (\$97 million), investment income (\$6 million), and other sources including legal settlements, transfers of certain fee revenue, and credits (net \$73 million).

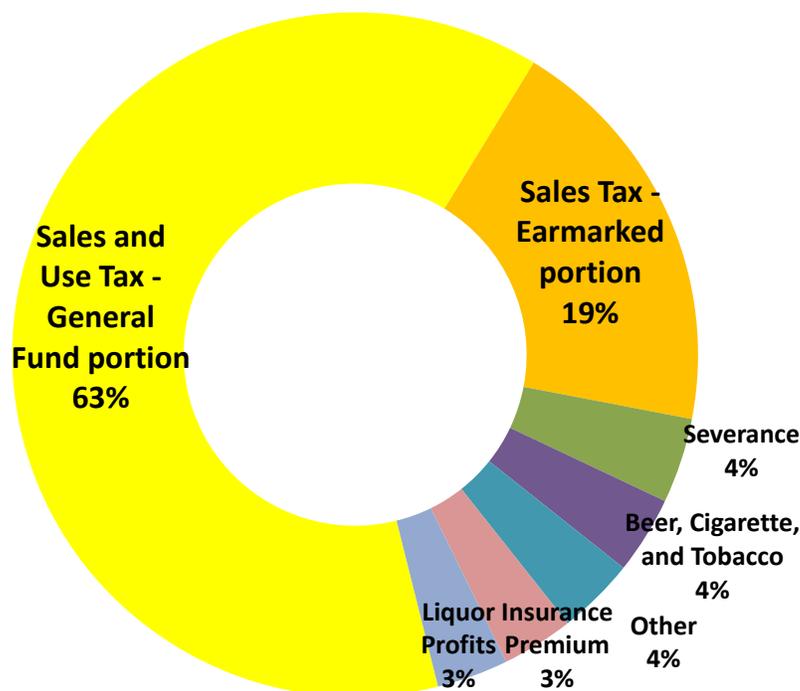
Earmarked Sales Taxes. As the Earmarks Policy Brief highlights in more detail, in the past decade the legislature has significantly increased earmarks of sales and use tax revenues to other funds, meaning that revenue is not available in the General Fund. FY 2016 earmarks are estimated at about \$550 million. In prior years, this revenue would have been deposited into the General Fund. This change makes it difficult to create a meaningful historical comparison of General Fund allocations or combined General Fund and Education Fund allocations across years.

The Governor’s budget proposes returning a portion of earmarked sales tax to the General Fund.

State-Imposed Fees. In addition to tax revenues, the state collects about \$1.4 billion in fees each year. This figure excludes higher education tuition and fees, which are an additional \$700 million. Revenue collected from fees is intended to tie the cost of providing specific government services or regulation directly to the user of the service. State statute requires that state-imposed fees be “reasonable, fair, and reflect the cost of services provided” and that a public hearing be held prior to adopting a fee.

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

Figure 1 – General Fund Revenue Sources and Sales Tax Earmarks



Federal Funds

Significant federal funds (estimated at \$3.7 billion) also flow through the state budget. For major programs such as Medicaid, state and federal funding are often combined because many major federal programs require a state match of funds. In addition, some federal funds flow through the state to local entities such as school districts, counties, and cities. Other federal funds, including grants, can also be provided directly to local entities and do not flow through the state's budget.

Revenue Estimates

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

The Governor's budget recommendations are based on the November 2014 consensus forecast. This forecast anticipates new available General Fund, Education Fund, earmark revenues of approximately \$381 million in ongoing revenue and

\$321 million of one-time revenue. Of this, approximately \$56 million is ongoing and \$8 million is one-time earmarked revenue under current statute. As detailed elsewhere, the Governor's budget proposes altering the state's sales tax earmark policy.

After subtracting earmarked revenue from total revenue, a total of approximately \$325 million in new ongoing unrestricted General Fund and Education Fund revenue and \$313 million in new one-time funds remains available for appropriation during the 2015 General Legislative Session. From these unrestricted amounts, outstanding items include additional earmarks for tourism marketing and resolution of SB 269 of the 2014 General Session, which the Governor's budget assumes can be resolved without additional funding.

Lapsing and Non-lapsing Balances

Amounts that are appropriated to state agencies, but not expended during the year of appropriation, remain available 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).

Table 5 - November 2014 Consensus Revenue Estimates

	FY14 Actual	FY 2015 February Consensus Estimate	FY 2015 Revised Consensus Estimate	FY 2016 Consensus Estimate	FY 2016 - FY 2015 Year-over-year Change from Feb Consensus
Sales and Use Tax - TOTAL	2,109,284	2,199,486	2,227,709	2,342,021	142,535
Sales and Use Tax - Earmarked for Transportation	421,097	458,189	469,824	516,842	58,652
Sales and Use Tax - Earmarked for Water	30,847	32,151	32,565	34,216	2,065
Sales and Use Tax - Earmarked for Other	534	534	534	534	(0)
Subtotal - Sales and Use Tax Earmark	452,478	490,874	502,923	551,591	60,717
Sales and Use Tax - General Fund	1,656,806	1,708,612	1,724,786	1,790,429	81,818
					43% of sales and use tax growth is earmarked
General Fund (GF) Revenue Sources					
Sales and Use Tax - General Fund	1,656,806	1,708,612	1,724,786	1,790,429	81,818
Cable/Satellite Excise Tax	25,987	25,517	26,439	26,416	899
Liquor Profits	87,808	89,384	92,945	96,509	7,125
Insurance Premiums	91,212	98,726	94,112	96,439	(2,286)
Beer, Cigarette, and Tobacco	113,125	114,856	108,992	104,845	(10,011)
Oil and Gas Severance Tax	89,160	74,344	92,246	96,468	22,124
Metal Severance Tax	15,851	18,001	17,955	18,585	585
Investment Income	5,028	4,063	5,101	5,618	1,554
Other	81,817	73,044	77,382	78,907	5,863
Property and Energy Credit	(5,962)	(6,778)	(6,199)	(6,334)	444
Subtotal General Fund	2,160,833	2,199,767	2,233,759	2,307,882	108,115
Subtotal General Fund / Sales and Use Tax Earmark	2,613,311	2,690,641	2,736,682	2,859,474	168,832
Education Fund (EF) Revenue Sources					
Individual Income Tax	2,889,792	2,913,051	2,986,202	3,109,993	196,942
Corporate Tax	313,537	319,455	360,417	370,089	50,634
Mineral Production Withholding	32,362	32,531	34,764	35,647	3,115
Escheats & Other	23,205	24,610	22,637	23,229	(1,381)
Subtotal Education Fund	3,258,895	3,289,646	3,404,020	3,538,957	249,311
Subtotal GF/EF/Sales and Use Tax Earmark	5,872,206	5,980,288	6,140,702	6,398,431	418,143
Subtotal GF/EF	5,419,728	5,489,414	5,637,779	5,846,840	357,426
Transportation Fund (TF) Revenue Sources					
Motor Fuel Tax	256,760	255,730	257,187	258,885	3,155
Special Fuel Tax	101,706	100,137	101,372	102,063	1,926
Other	82,045	85,468	84,918	86,417	948
Subtotal Transportation Fund	440,511	441,335	443,477	447,365	6,029
Subtotal GF/EF/TF/Sales and Use Tax Earmark	6,312,717	6,421,623	6,584,178	6,845,796	424,173
Subtotal GF/EF/TF	5,860,239	5,930,749	6,081,256	6,294,204	363,455
Mineral Lease (ML) Revenue					
Royalties	163,689	153,165	171,264	175,745	22,580
Bonuses	3,956	6,341	6,248	6,395	54
Subtotal Mineral Lease	167,645	159,506	177,512	182,140	22,634
Total GF/EF/TF/ML/Sales and Use Tax Earmark	6,480,362	6,581,129	6,761,690	7,027,936	446,807
Total GF/EF/TF/ML	6,027,884	6,090,255	6,258,768	6,476,345	386,090

Note: These tables represent consensus revenue estimates. The Governor recommends returning \$94.2 million of sales tax earmarks to the General Fund. In addition, \$10 million in e-cigarette tax revenue is recommended, as well as \$6 million from more efficient collection of motor fuel taxes at the refinery level (\$4.2 million to state, \$1.8 million distributed to local governments).



BUDGET AND POLICY BRIEF

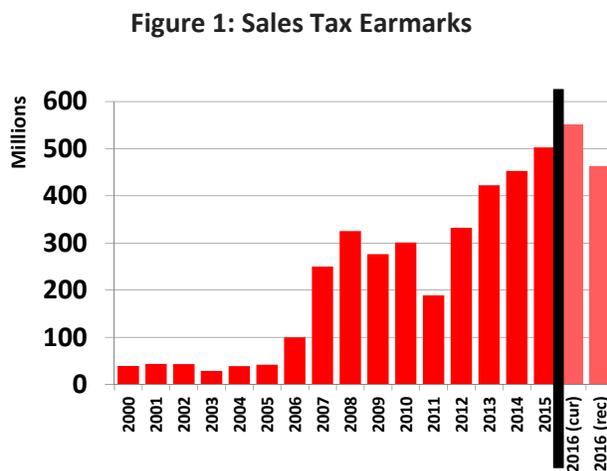
Revenue Earmarks

Highlights:

- **43%** of state sales and use tax growth is earmarked under current law
- **\$94.2 million** in sales tax earmarks proposed to be returned to the General Fund
- **\$586 million** General Fund earmarks and set asides under current statute

Sales Tax Earmarks

As used in this summary, “earmark” refers to revenue set aside for a specific purpose. Over the past decade, the legislature has dramatically increased the use of sales tax earmarks (See Figure 1). Historically, the legislature resisted earmarks because earmark-funded programs tend to receive less scrutiny than those subject to the standard intense examination and prioritization of General Fund revenue through the legislative budget process.



Based on current law, 43% of sales and use tax revenue growth for FY 2016 is earmarked—primarily for transportation and water. Unless a legislative change is made, this trend will continue and will result in a significant portion of General Fund revenues being earmarked for a specific use.

Earmarks are Problematic

Legislative earmarks of General Fund revenues are problematic because they are not fully transparent to the public. Such earmarks tend to be viewed as “captured” revenue belonging to the system benefiting from the earmark rather than as general taxpayer dollars. In addition, programs funded with earmarked revenues are often not fully prioritized against competing needs, such as education, as an integral part of the budget process.

Those who do not have a historical or in-depth knowledge of the state budget may not understand the implications and impact of previous legislative actions to current budgeting decisions.

For example, references to “new revenue” have historically only included Education Fund and General Fund increases, even though the actual growth in tax collections is higher than the reported new revenue. Similarly, the term “state funds” has historically been used synonymously with Education Fund and General Fund revenue—implying that earmarked revenues outside of the General Fund are not available state funds.

Growth in General Fund & Sales Tax Earmarks

Figure 2 illustrates that since the Great Recession, revenues that were historically deposited into the

General Fund have experienced solid growth. However, only those adept at managing the details of the state budget may understand that the reason for the slow growth of General Fund revenue is because a significant portion of total revenue growth is earmarked and not available in the General Fund.

If earmarking General Fund revenue continues to be viewed as a successful budget strategy to permanently fund programs, it is likely that program advocates will continue to come forward with proposals to set aside dedicated revenues for a particular program or system in order to bypass the annual scrutiny and prioritization of the budget process.

As shown in Table 6, a total of \$586 million in General Fund revenue is earmarked or set-aside for certain purposes as of FY 2016 and based on current statute. This includes nearly \$552 million in sales tax earmarks and over \$34 million of revenue set aside for other purposes.

Governor’s Proposal to Reform Earmarks

In order to invest in Utah’s significant public and higher education needs as well as other budget priorities, the Governor’s budget proposes to stem the tide in the growth of earmarks. The recommendation includes moving \$94.2 million of sales tax transportation earmarks back to the General Fund, thereby allowing increased funding options for other priorities—specifically education. At the same time, the Governor intends to work with the legislature to find long-term solutions for funding future transportation needs.

It is the position of the Governor’s Office of Management and Budget that changes to earmarks constitute changes to expenditure policy, not tax policy. In other words, redirecting earmarks does not change the amount of revenue collected by the Utah State Tax Commission (which administers the state’s tax laws) or paid by taxpayers, it only changes how revenue is distributed.

Figure 2: Sales Tax Earmarks and General Fund Revenues

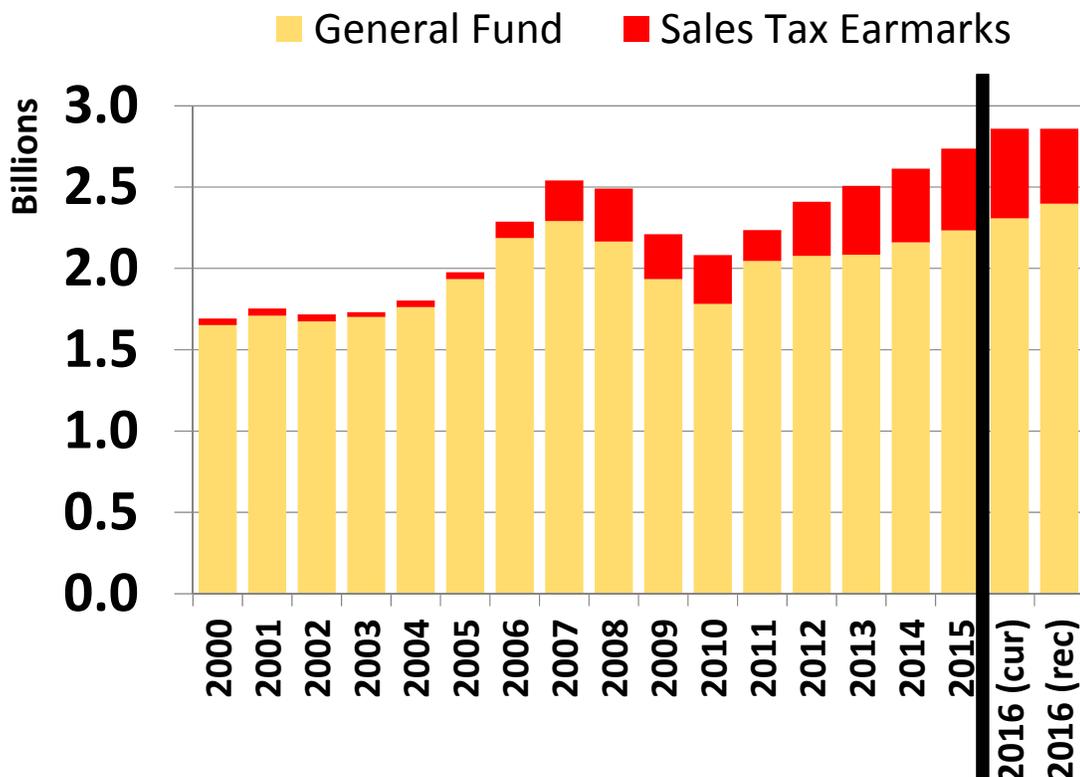


Table 6 - General Fund Earmarks and Set-Asides

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 \$585 million in FY 2016. The Governor recommends that \$94.2 million in earmarks be returned to the General Fund.

Earmark Item	Statute	Actual FY 2014	Authorized FY 2015	Recom- mended FY 2015*	% Chg. FY 14 - FY 15*	Recom- mended FY 2016*	% Chg. FY 15* - FY 16*
Sales and Use Tax							
Transportation:							
Transportation Investment Fund of 2005 (8.3% of sales tax)	59-12-103(8)	175,071	182,557	184,900	5.6%	194,388	5.1%
Transportation Investment Fund of 2005 (30% of growth above FY 11)	59-12-103(8)	95,615	122,676	131,143	37.2%	165,436	26.1%
Transportation Investment Fund of 2005 (\$90M)	59-12-103(9)	90,000	90,000	90,000	0.0%	90,000	0.0%
Transportation Fund (1/16%)	59-12-103(6)	30,847	32,151	32,565	5.6%	34,216	5.1%
Transportation Investment Fund of 2005 (0.025% non-food)	59-12-103(11)	10,927	11,384	11,538	5.6%	12,124	5.1%
Transportation Fund (0.025% non-food)	59-12-103(12)	10,927	11,384	11,538	5.6%	12,124	5.1%
Transportation Investment Fund of 2005 (1/64%)	59-12-103(7)	7,712	8,038	8,141	5.6%	8,554	5.1%
Subtotal - Sales and Use Tax Transportation		421,097	458,189	469,824	11.6%	516,842	10.0%
Subtotal - Recommendation After Earmark Reform						422,642	
Water:							
Water development (94% of \$ over \$18.5M gen. by 1/16%)	59-12-103(5)(d)	11,935	13,161	13,550	13.5%	15,102	11.5%
Water development (41% of \$17.5M)	59-12-103(4)(e)	7,175	7,175	7,175	0.0%	7,175	0.0%
Drinking water (20.5% of \$17.5M)	59-12-103(4)(g)	3,588	3,588	3,588	0.0%	3,588	0.0%
Water quality (20.5% of \$17.5M)	59-12-103(4)(f)	3,588	3,588	3,588	0.0%	3,588	0.0%
Endangered species (14% of \$17.5M)	59-12-103(4)(b)(i)	2,450	2,450	2,450	0.0%	2,450	0.0%
Water rights (6% of \$ over \$18.5M gen. by 1/16%)	59-12-103(5)(e)	762	840	865	13.5%	964	11.5%
Agricultural resource development (3% of \$17.5M)	59-12-103(4)(c)	525	525	525	0.0%	525	0.0%
Watershed rehabilitation (\$ over \$18M gen by 1/16%, up to \$500K)	59-12-103(5)(b)	500	500	500	0.0%	500	0.0%
Water rights (1% of \$17.5M)	59-12-103(4)(d)	175	175	175	0.0%	175	0.0%
Cloud seeding (\$ over \$18M gen by 1/16%, up to \$150K)	59-12-103(5)(c)	150	150	150	0.0%	150	0.0%
Subtotal - Sales and Use Tax Water		30,847	32,151	32,565	5.6%	34,216	5.1%
Other:							
Qualified Emergency Food Agency Fund	59-12-103(10)	534	534	534	0.0%	534	0.0%
Subtotal - Sales and Use Tax Other		534	534	534	0.0%	534	0.0%
Subtotal - All Sales and Use Tax Earmarks		452,478	490,874	502,923	11.1%	551,591	9.7%
Subtotal - Recommendation After Earmark Reform						457,391	
Severance Tax:							
Permanent State Trust Fund (begins FY 2016-17)**	Article XIII, Sec. 5	\$0	\$0	\$0	0.0%	\$0	0.0%
Subtotal - Severance Tax		0	0	0	0.0%	0	0.0%
Cigarette Tax:							
Dept. of Health - tobacco prevention and control media campaign	59-14-204(5)(c)(i)	250	250	250	0.0%	250	0.0%
Dept. of Health - tobacco prevention, reduction, cessation, control	59-14-204(5)(c)(ii)	2,900	2,900	2,900	0.0%	2,900	0.0%
University of Utah - Huntsman Cancer research	59-14-204(5)(c)(iii)	2,000	2,000	2,000	0.0%	2,000	0.0%
University of Utah - medical education	59-14-204(5)(c)(iv)	2,800	2,800	2,800	0.0%	2,800	0.0%
Subtotal - Cigarette Tax Earmarks		7,950	7,950	7,950	0.0%	7,950	0.0%
Beer Tax:							
Alcohol law enforcement	59-15-109	5,494	5,416	5,416	-1.4%	5,422	0.1%
Subtotal - Beer Tax		5,494	5,416	5,416	-1.4%	5,422	0.1%
Insurance Premium Tax:							
Fire Academy Support		150	162	155	3.2%	159	2.5%
Subtotal - Insurance Premium Tax		150	162	155	3.2%	159	2.5%
General Fund Set-Asides							
Economic Development - Tax Increment Financing***	63M-1-2401	7,261	7,713	3,222	-55.6%	3,255	1.0%
Economic Development - Tourism Marketing Performance Account	63M-1-1406	12,000	15,000	15,000	25.0%	18,000	20.0%
Subtotal - General Fund Set-Asides		19,261	22,713	18,222	-5.4%	21,255	16.6%
Total - General Fund Earmarks		485,333	527,116	534,666	10.2%	586,377	9.7%
Total - Recommendation After Earmark Reform						492,177	

*Consensus revenue estimates adopted by GOMB and LFA in November 2014

** Approximately \$49 million would be earmarked for the permanent fund if this provision had been in effect in FY 2016

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BUDGET AND POLICY BRIEF

Public Education

Highlights:

- **6.25%** increase (\$161 million) in weighted pupil unit (WPU), the largest net increase in 25 years
- **\$58 million** for enrollment growth of nearly 8,000 new students
- **\$56 million** for capital outlay foundation program
- **\$20 million** to replace old, polluting school buses
- **\$10.7 million** for statewide technology infrastructure through Utah Education Network
- **\$5 million** for professional development of principals
- **\$1 million** to provide schools with technical support to help improve outcomes

Objective

To develop effective public education policies and funding solutions to ensure:

- an equitable funding structure that supports similar educational opportunities for children across the state;
- significant investments in public education that provide the resources to facilitate Utah's goal to be among the top ten states for student achievement;
- meaningful local control over funding that provides the flexibility to meet varying local needs, including providing sufficient basic school program funds for local school boards to provide professional development tailored to unique local needs and to appropriately address technology use at the local level; and
- local school board accountability allowing constituents and the state to clearly understand the use of state taxpayer dollars, including transparency into costs and student achievement on key metrics.

Guiding Principles

- The public education system should not be micromanaged at the state level. One common form of micromanagement is the establishment of a long list of separate funding programs that become diluted when distributed statewide and may not take into account local school needs. In addition, each program added at the state level carries additional administrative burden with specific requirements, tracking, and processes. Rather than micromanaging through a long list of programs, the state should provide flexible resources in concert with a robust accountability system and allow local school boards to prioritize expenditures based on local needs and expected outcomes.
- A robust accountability structure should accompany the emphasis on local control. To ensure the \$3 billion in state tax revenues (estimated \$5.3 billion in total revenues) allocated to public education translates to positive outcomes, student achievement should be reported to state policymakers and

the public through tools such as the new PACE School Report Card (samples follow). In addition, further efforts should be undertaken to promote added visibility into the relationship between costs and outcomes.

- Technology use within public education is a hot topic. The public education system includes three types of technology. First, a statewide technology infrastructure provided by the Utah Education Network (UEN). The state has played a major role in this area and should continue to do so. Second, local technology infrastructure that should be funded primarily through locally controlled sources such as Minimum School Program allocations or local property taxes. However, the state may partially equalize major disparities in property tax resources for small school districts and when school districts make a significant property tax effort. Third, specific devices, software, or other student technologies should be controlled at the local level and paid for with locally-controlled resources such as general purpose Minimum School Program allocations or local property taxes. Local school boards should prioritize student technology purchases against other competing local needs.

Background

Enrollment. The number of children in Utah’s public schools continues to grow, albeit at a slower pace than in previous years. Utah’s student population is estimated to reach about 630,000 students in FY 2016, an increase of 7,951 students or 1.3%.

After a decade of relatively flat, and even declining, enrollment during the late 1990s and early 2000s, a baby boomer “echo-echo wave” began hitting the public education system in 2004. As illustrated in Figures 1 and 2, enrollment has increased significantly over the past decade.

Although enrollment growth is anticipated to continue for the foreseeable future, growth is expected to continue at a slower pace.

Funding new enrollment growth is a major budget driver for the state. Annual enrollment growth cost increases have ranged between \$50 million and \$70 million in recent years, which exceeds the entire budget of many state agencies. The Governor’s budget fully funds enrollment growth. In addition, the budget adds four new programs to the enrollment growth calculation and assumes a one-year extension of an expiring charter school average daily membership (ADM) provision—a permanent solution should be studied over the coming year in context of a comprehensive school funding review. These enrollment growth investments are estimated at \$58.1 million (\$54.7 million ongoing and \$3.4 million one-time).

Figure 1 – Public Education Total Enrollment

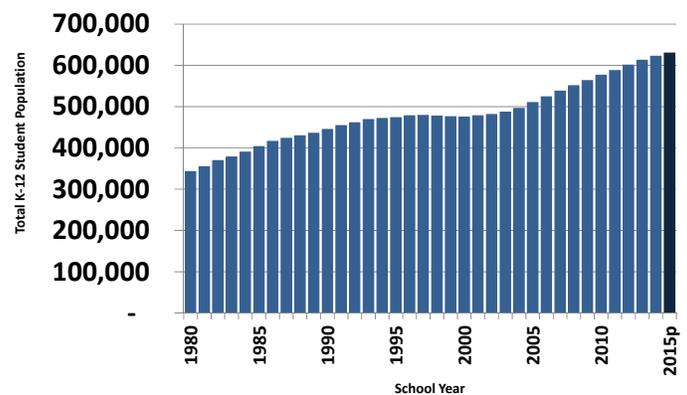
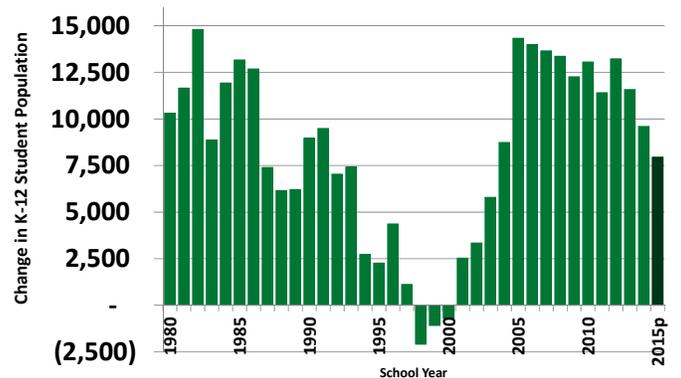


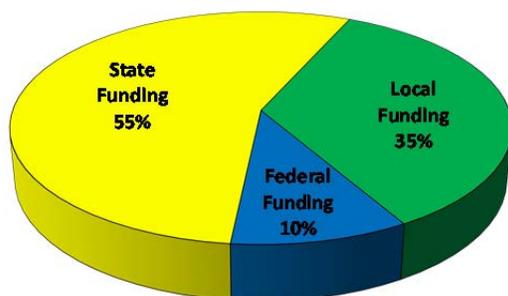
Figure 2 – Public Education Enrollment Growth



Funding Overview. Utah’s public education system has a shared state and local governance and funding structure. The legislature and governor exercise oversight of the system by allocating state funds for public education; establishing tax policies that provide the state portion of public education revenues; and by setting broad parameters within which the system operates. The State Board of Education exercises general control and supervision of public education. School district boards impose local property taxes and local school district and charter school boards oversee the delivery of education services.

Total Funding. When total funding sources (state, local, and federal) for all uses are considered, it is estimated that funding for Utah’s public education system will total approximately \$5.3 billion in FY 2016 or about \$8,400 per student. This includes \$3 billion in state funds (generally income tax), \$1.8 billion in local funds (generally property tax), and nearly \$500 million in federal funds. Based on these estimates, state funds constitute approximately 55% of total school funding (the exact percentage will vary slightly depending on actual local funding decisions).

Figure 3 – State, Local, and Federal Funding



What is the Minimum School Program?

Of the estimated \$5.3 billion total in public education funding for FY 2016, approximately \$3.6 billion (nearly 70%) falls within the Minimum School Program. The Minimum School Program is

comprised of the following three major sub-programs: (1) the Basic Program, (2) the Voted and Board Levy Program, and (3) the Related-to-Basic Programs.

Of the \$3.6 billion in Minimum School Program funding, about \$670 million comes from a portion of local school property taxes with the remaining \$2.95 billion allocated from state funds.

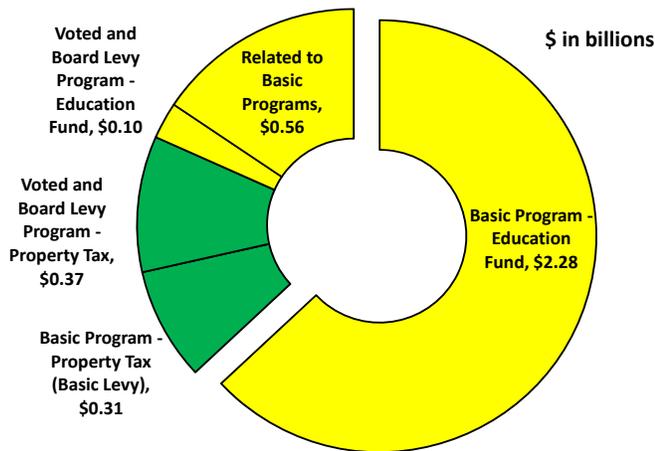
Basic School Program. The Basic School Program is the largest subprogram within the Minimum School Program and is funded in the Governor’s budget at \$2.6 billion. These funds are spent by local school boards on local priorities. The Basic School Program comprises about half of all school funding and is equalized on both the spending and the revenue side. This means that similarly situated students and taxpayers are treated similarly throughout the state—not that every student is funded at the same level.

On the revenue side, Utah’s statewide income tax system is the main source of state funds for the Minimum School Program. In addition, a uniform property tax rate (the basic levy) is imposed statewide by school districts.

On the spending side, school districts and charter schools receive allocations based on the number of weighted pupil units (WPUs) generated within the school district or charter school multiplied by the value of the WPU. A school district or charter school’s WPU amount is generally based on the number of students and the characteristics of those students. For example, a student in grades 1-12 in a school district typically generates 1.0 WPU. A kindergarten student will generate 0.55 of a WPU. Charter school WPUs vary by grade range. Additional WPU numbers are generated based on student or other characteristics such as special education students, school district size, or the existence of small rural schools within the district.

As a result of enrollment growth, the Governor’s budget funds an increase in the number of WPUs. In addition, the budget includes a 6.25% increase in WPU value, which would increase locally controlled school funding by about \$161 million. The 6.25% increase represents the largest net increase in the WPU over the last 25 years.

Figure 4 – Minimum School Program Funds



Voted and Board Levy Program: A Partially Equalized Program. Under the voted and board levy program, the state provides about \$100 million to school districts with a comparatively low property tax base per student and is based on the district’s tax effort as measured by the local property tax rate. About \$370 million in property taxes are imposed under the voted and board local levy program and are included in the state budget; however, school districts may also impose taxes above the amount included for purposes of the state partial equalization program.

Related to Basic Program. This subprogram is funded with state revenues generally targeted for a specific purpose. Examples include educator salary adjustments, pupil transportation, charter school local property tax replacement funding, and at-risk student funding.

State Funding of Public Education. Public education is by far Utah’s largest state-funded program with over \$3 billion recommended in FY 2016. This equals almost half of the state’s combined Education Fund / General Fund budget. The Minimum School Program (\$3.6 billion) provides a substantially equalized funding structure through the Basic School Program (\$2.3 billion state / \$300 million local) and the partially equalized Voted and Board Levy Guarantee Program (\$100 million state / \$370 million local). In addition, the Governor’s budget recommends over \$560 million through the Related to Basic School Program for specific items such as transportation, charter school local property tax replacement, and educator salary adjustments. In addition to Minimum School Program funding, the Governor’s budget recommends an allocation of \$70 million through the School Building Program.

With such a large public education budget, changes that may appear small have major budget implications. For example, it costs \$58 million to fund the anticipated 1.3% growth in the projected number of new children (8,000) in the public education system.

Local Funding. School districts are authorized to impose five discretionary property tax levies, subject to certain limits, to provide additional local education funding. In other words, local school boards are responsible for imposing taxes if they want to provide services above the levels possible with state funding. Local school boards also have political accountability to local voters for use of local funds. Charter schools cannot impose property taxes but do receive allocations based on the amount of property tax imposed by school districts.

As of 2014, school districts budgeted about \$1.3 billion in ad valorem property tax, consisting of about \$300 million in the mandatory basic levy

and about \$1 billion in discretionary local taxes. Approximately \$245 million in local discretionary property tax authority remains available under existing statutory property tax rate caps (\$105 million under the board levy and \$140 million under the voted levy). In addition, nearly \$400 million is available statewide under the capital levy, which can be used for items such as buildings and technology infrastructure.

While unused property tax capacity varies by school district, all districts have unused property tax authority through the board local or voted local levy for operations; the vast majority of districts have unused authority under both levies; and all districts but one have unused authority under the capital levy. Although charter schools cannot impose property taxes, the Charter School Local Replacement Program provides charter schools with an amount equal to the statewide average of per-pupil property tax revenues.

Unlike Utah's substantially equalized funding for operations, capital expenses are generally funded at the local level with property taxes or other locally controlled funds. In FY 2015, only about \$15 million is provided to equalize funding for capital infrastructure. For FY 2016, the Governor recommends a significant increase to this program (\$20 million ongoing, \$36 million one-time) for local school boards to prioritize capital infrastructure needs such as buildings and technology infrastructure. In addition, increases are recommended to minimum allocations for small school districts under the program.

Proposed Solutions

- Work in concert with the State Board of Education and stakeholders such as Prosperity 2020 and Education First to establish a 10-year education plan.
- Explore ways to provide policymakers and the public with more visibility into education by

making educational outcomes and costs more simple, transparent, and easily understood.

- Over the next year, work with the State Board of Education and key stakeholders to conduct a comprehensive review of the state's education funding system to explore opportunities for simplifying and streamlining funding to enhance local control while maintaining appropriate funding equity, including a review of the ability of the current funding structure to deal with changing education delivery structures, demographics, and student needs.
- Provide significant flexible general purpose funding through the Basic Program and its weighted pupil unit (WPU) allocation methodology, allowing local education agencies to prioritize and fund competing local needs including professional development and student technology purchases.
- Resist pressures for the state to assume what should be local roles in governance or funding, such as the purchase and use of student technology and other local needs.
- Assist districts with capital needs, including buildings and technology infrastructure, by providing increased funding through the Capital Outlay Foundation Program, which provides additional state resources for school districts with a comparatively low property tax base per student and includes a significant emphasis on local property tax effort
- Establish methodologies for sharing best practices across the state, while allowing local decision-making.
- Provide funding for school evaluation support to assist when expected outcomes are not being met.
- To improve the state's air quality, provide funding to replace old polluting school buses with new buses using clean fuel technologies.
- GOMB was charged to administer HB 96, which creates funding to support early

intervention programs for targeted and at risk populations. This program is based on a new and innovative funding model which leverages private investments that are repaid based on measurable outcomes. If successful, captured savings and benefits could extend to reach additional students and/or serve as a model for the future.

Improving Accountability: PACE Report Cards

The new PACE School Report Cards and PACE Progress Reports (samples follow) are the beginning of an ongoing effort to improve accountability reporting in public education. The report cards provide a variety of education outcome measures along with important contextual information in a comprehensive, transparent, yet easy-to-understand format. They are intended to engage parents, administrators, policymakers and the general public in a constructive and productive way.

The public education report cards incorporate metrics from the Governor's "*PACE 66% by 2020*" road map to success, along with student performance and growth data currently contained

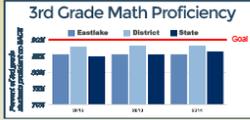
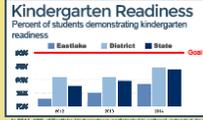
in State Board and State Office of Education reports.

The new PACE School Report Cards were originally initiated by the Governor, but by working collaboratively with the State Office of Education, these new report cards meet the reporting requirements of the State Board of Education and State Office of Education. In September 2014, the State Board voted to adopt the new PACE School Report Cards to replace the previous UCAS accountability system.

Efforts were made during the past legislative session to reach out to members of the Legislature in an attempt to design the PACE Report Card while also meeting the Legislature's school grading system objectives. However, the timing of the session became an issue, preventing a more thorough discussion of the new report cards. So, just as last year, there will be two separate accountability reports issued for K-12 public schools.

Utah Education PACE* REPORT CARD

Eastlake Elementary



Student Demographics

Enrollment	525
Minority Share	38%
English Learners	24%
Low Income	46%
Students With Disabilities	18%
Chronic Absenteeism	28%
Mobility	38%

Schoolwide Performance

Achievement*	Student Group Performance*		
	ELA	Math	Science
SAGE Language Arts 85%	Socio-Economic 79%	84%	79%
SAGE Math 80%	Non-Proficient 80%	79%	72%
SAGE Science 83%	English Learner 65%	55%	66%
	Students w/ Disabilities 62%	65%	69%
	Non-white 71%	75%	75%

*percent proficient

School Snapshot

Eastlake is a new elementary school with a diverse student population. It offers dual immersion classes in Chinese and has adopted the "Leader in Me" student leadership program.

***PACE: Prepares, Access, Completes, Economic Success**

For additional Federal Accountability Information go to www.utaheducationreportcard.utah.gov

Utah Education PACE* REPORT CARD

Westview High

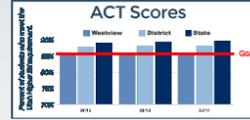


College Credit Earned

Percent of students earned in a minimum of 1.0 credit for grades 11 or 12

Concurrent Enrollment	34%
Advanced Placement	25%
UCAT Courses	22%
CTE Courses	54%
International Baccalaureate	35%

29% of 11th and 12th grade students earned at least three credits in the college and career ready courses above.



Student Demographics

Enrollment	1,845
Minority Share	25%
English Learners	17%
Low Income	21%
Students With Disabilities	12%
Chronic Absenteeism	37%
Mobility	22%

Schoolwide Performance

Achievement*	Growth of Student Groups*		
	ELA	Math	Science
SAGE Language Arts 85%	Socio-Economic 79%	84%	79%
SAGE Math 80%	Non-Proficient 80%	79%	72%
SAGE Science 83%	English Learner 65%	55%	66%
	Students w/ Disabilities 62%	65%	69%
	Non-white 71%	75%	75%

*percent proficient

School Snapshot

Westview is a 4 year charter high school that incorporates the International Baccalaureate program and places a strong emphasis on the arts in education. It was recognized as a "School to Watch" by the National Association of Gold Medal Schools.

***PACE: Prepares, Access, Completes, Economic Success**

For additional Federal Accountability Information go to www.utaheducationreportcard.utah.gov

Minimum School Program & School Building Program - Budget Detail Tables
2015 General Session

FY 2014 Actual | FY 2015 Revised Appropriated | FY 2016 Recommended

A	C	D	E	F	G
	Fiscal Year 2014 Actual	Fiscal Year 2015 Revised		Fiscal Year 2016 Recommended	
Section 1: Total Minimum School Program Revenue					
Revenue Sources	Amount		Amount		Amount
A. State Revenue					
1. Education Fund	\$2,525,152,000		\$2,621,355,200		\$2,840,719,400
2. Education Fund, One-time	18,477,800		(10,470,000)		23,750,000
3. Uniform School Fund	21,000,000		30,000,000		28,829,000
4. Uniform School Fund, One-time	0		22,000,000		0
5. USF Restricted - Interest & Dividends Account	37,436,500		37,580,700		40,000,000
B. Transfers to Education Fund, One-time ⁽¹⁾	0		(58,902,600)		0
C. Beginning Nonlapsing Balances	64,023,700		95,813,300		36,910,700
D. Closing Nonlapsing Balances	(95,389,500)		(36,910,700)		(25,910,700)
Subtotal State Revenue:	\$2,570,700,500		\$2,700,465,900		\$2,944,298,400
E. Local Property Tax Revenue					
1. Basic Levy	\$306,367,800		\$296,709,700		\$305,172,300
2. Voted Local Levy	220,946,200		258,867,000		269,043,500
3. Board Local Levy	69,578,100		81,489,000		83,768,600
4. Board Local Levy - Reading Levy	15,000,000		15,000,000		15,195,000
Subtotal Local Revenue:	\$611,892,100		\$652,065,700		\$673,179,400
Total Revenue:	\$3,182,592,600		\$3,352,531,600		\$3,617,477,800

Section 2: Revenue & Expenditure Details by Program

Part A: Basic School Program (Weighted Pupil Unit Programs)					
<i>Primary WPU Value :</i>	\$2,899		\$2,972		\$3,158
<i>Add-on WPU Value :</i>	\$2,659		\$2,726		\$2,896
<i>Basic Tax Rate:</i>	0.001535		0.001477		0.001416
Revenue Sources	Amount		Amount		Amount
A. State Revenue					
1. Education Fund	\$1,976,626,200		\$2,076,971,300		\$2,251,986,000
2. Education Fund, One-time ⁽³⁾	23,000,000		(22,000,000)		0
3. Uniform School Fund	21,000,000		30,000,000		28,829,000
4. Uniform School Fund, One-time	0		22,000,000		0
B. Local Property Tax Revenue - Basic Levy	306,367,800		296,709,700		305,172,300
C. Transfers to Education Fund, One-time ⁽¹⁾	0		(54,504,000)		0
D. Beginning Nonlapsing Balances	31,503,900		72,977,800		18,473,800
E. Closing Nonlapsing Balances	(72,977,800)		(18,473,800)		(18,473,800)
Total Revenue:	\$2,285,520,100		\$2,403,681,000		\$2,585,987,300
Expenditures by Program	Amount	WPU	Amount	WPU	Amount
A. Regular Basic School Program					
1. Kindergarten	\$81,224,200	29,215	\$86,827,000	28,319	\$89,431,400
2. Grades 1-12	1,567,456,100	555,130	1,649,846,400	562,824	1,777,398,200
3. Necessarily Existent Small Schools	26,364,400	9,357	27,809,000	9,357	29,549,400
4. Professional Staff	151,757,800	53,041	157,637,800	53,751	169,745,700
5. Administrative Costs	4,348,500	1,505	4,472,900	1,505	4,752,800
Subtotal:	\$1,831,151,000	648,248	\$1,926,593,100	655,756	\$2,070,877,500
B. Restricted Basic School Program					
1. Special Education - Regular - Add-on WPU	\$187,861,700	72,991	\$198,973,400	75,134	\$217,588,100
2. Special Education - Regular - Self-Contained	41,189,600	14,285	42,455,000	13,925	43,975,200
3. Special Education - Pre-School	27,801,400	9,753	28,985,900	9,878	31,194,700
4. Special Education - Extended Year Program	1,226,300	429	1,275,000	429	1,354,800
5. Special Education - State Programs	7,358,600	2,907	8,639,600	2,934	9,265,600
Subtotal:	\$265,437,600	100,365	\$280,328,900	102,300	\$303,378,400
6. Career & Technical Education - District Add-on	\$77,879,500	29,705	\$80,975,800	30,085	\$87,126,200
7. Class Size Reduction	\$111,052,000	38,958	\$115,783,200	39,457	\$124,605,200
Subtotal:	\$454,369,100	169,028	\$477,087,900	171,842	\$515,109,800
Total Expenditures:	\$2,285,520,100	817,276	\$2,403,681,000	827,598	\$2,585,987,300

Minimum School Program & School Building Program - Budget Detail Tables

2015 General Session

FY 2014 Actual | FY 2015 Revised Appropriated | FY 2016 Recommended

A	C	D	E	F	G
	Fiscal Year 2014 Actual	Fiscal Year 2015 Revised		Fiscal Year 2016 Recommended	

T H E L I N E

Part B: Related to Basic School Program					
Revenue Sources	Amount		Amount		Amount
A. State Revenue					
1. Education Fund	\$448,935,100		\$467,888,100		\$489,214,000
2. Education Fund, One-time	18,477,800		11,530,000		23,750,000
3. USF Restricted - Interest & Dividends Account	37,436,500		37,580,700		40,000,000
B. Transfers to Education Fund, One-time ⁽¹⁾	0		(4,398,600)		0
C. Beginning Nonlapsing Balances	9,892,100		17,296,500		12,897,900
D. Closing Nonlapsing Balances	(16,872,700)		(12,897,900)		(1,897,900)
Total Revenue:	\$497,868,800		\$516,998,800		\$563,964,000
Expenditures by Program	Amount	Changes	Amount	Changes	Amount
A. Related to Basic Programs					
1. To and From School Pupil Transportation	69,049,500		71,978,000	5,434,300	77,412,300
2. Guarantee Transportation Levy	500,000		500,000	6,500	506,500
3. Flexible Allocation - WPU Distribution	23,106,600		23,106,600		23,106,600
Subtotal:	\$92,656,100	\$0	\$95,584,600	\$5,440,800	\$101,025,400
B. Special Populations					
1. Enhancement for At-Risk Students	23,384,300		24,376,400	1,840,400	26,216,800
2. Youth-in-Custody	19,557,200		19,909,000	1,503,100	21,412,100
3. Adult Education	8,990,400		9,780,000	738,400	10,518,400
4. Enhancement for Accelerated Students ⁽²⁾	4,148,700		4,424,700	334,100	4,658,800
5. Concurrent Enrollment	8,893,300		9,270,600	699,900	9,970,500
6. Title I Schools in Improvement - Paraeducators	300,000		300,000	3,900	303,900
Subtotal:	\$65,273,900	\$0	\$68,060,700	\$5,119,800	\$73,080,500
C. Other Programs					
1. School LAND Trust Program	37,436,500		37,580,700	2,419,300	40,000,000
2. Charter School Local Replacement	92,697,300		98,286,600	4,459,600	102,746,200
3. Charter School Administrative Costs	5,490,000		6,657,800	83,200	6,741,000
4. K-3 Reading Improvement Program	14,964,600		15,000,000	195,000	15,195,000
5. Educator Salary Adjustments	160,003,100	3,430,000	163,381,000	3,430,000	163,381,000
6. Teacher Salary Supplement Restricted Account	0		5,000,000		5,000,000
7. Library Books & Electronic Resources	545,200		550,000		550,000
8. Matching Fund for School Nurses	877,600		882,000		882,000
9. Critical Languages & Dual Immersion	1,965,000		2,315,400		2,315,400
10. Year-Round Math & Science (USTAR Centers)	2,732,200		6,200,000		6,200,000
11. Early Intervention	7,500,000		7,500,000	97,500	7,597,500
12. Beverly Taylor Sorenson Arts Learning Program	0		2,000,000	2,500,000	4,500,000
13. Public Education Job Enhancement	145,700				
Subtotal:	\$324,357,200	\$3,430,000	\$345,353,500	\$13,184,600	\$355,108,100
D. One-time Funding Items					
1. Teacher Supplies & Materials	5,000,000		5,000,000		6,000,000
2. Beverly Taylor Sorenson Arts Learning Program	3,981,600		3,000,000		2,500,000
3. Professional Development for Principals					5,000,000
4. School Evaluation Support					1,000,000
5. Student-centered Learning Pilot Program					250,000
6. Transportation Initiative - Clean-fuel School Buses					20,000,000
7. State Capitol Field Trips	0		0		0
8. Statewide Computer Adaptive Testing Infrastructure	6,600,000		0		0
Subtotal:	\$15,581,600	\$0	\$8,000,000	\$0	\$34,750,000
Total Expenditures:	\$497,868,800	\$3,430,000	\$516,998,800	\$23,745,200	\$563,964,000

Minimum School Program & School Building Program - Budget Detail Tables

2015 General Session

FY 2014 Actual | FY 2015 Revised Appropriated | FY 2016 Recommended

A	C	D	E	F	G
	Fiscal Year 2014 Actual	Fiscal Year 2015 Revised		Fiscal Year 2016 Recommended	
Part C: Voted & Board Local Levy Programs					
Revenue Sources	Amount	Changes	Amount	Changes	Amount
A. State Revenue					
1. Education Fund	99,590,700		\$76,495,800	\$23,023,600	\$99,519,400
2. Education Fund, One-time ⁽³⁾	(23,000,000)				
B. Local Property Tax Revenue					
1. Voted Local Levy	220,946,200		258,867,000	10,176,500	269,043,500
2. Board Local Levy	69,578,100		81,489,000	2,279,600	83,768,600
3. Board Local Levy - Reading Improvement Program	15,000,000		15,000,000	195,000	15,195,000
C. Beginning Nonlapsing Balances	22,627,700		5,539,000		5,539,000
D. Closing Nonlapsing Balances	(5,539,000)		(5,539,000)		(5,539,000)
Total Revenue:	\$399,203,700	\$0	\$431,851,800	\$35,674,700	\$467,526,500
Expenditures by Program			Amount	Changes	Amount
Guarantee Rate (per 0.0001 Tax Rate per WPU) :	\$27.36		\$27.92		\$30.11
A. Voted and Board Local Levy Programs					
1. Voted Local Levy Program	294,884,600		\$319,610,000	\$28,779,000	\$348,389,000
2. Board Local Levy Program	89,319,100		97,241,800	6,700,700	103,942,500
3. Board Local Levy - Reading Improvement Program	15,000,000		15,000,000	195,000	15,195,000
Total Expenditures:	\$399,203,700		\$431,851,800	\$35,674,700	\$467,526,500
Total Minimum School Program Expenditures:	\$3,182,592,600		\$3,352,531,600		\$3,617,477,800

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	\$20,000,000	\$34,499,700
2. Education Fund, One-time	\$0		\$0	\$36,000,000	\$36,000,000
Total Revenue:	\$0		\$0		\$70,499,700
Expenditures by Program			Amount		Amount
A. Capital Outlay Programs					
1. Foundation	\$12,610,900		\$12,610,900	\$56,000,000	\$68,610,900
2. Enrollment Growth	\$1,888,800		1,888,800		1,888,800
Total Expenditures:	\$14,499,700		\$14,499,700		\$70,499,700

Governor's Office of Management & Budget

Date Modified: 12/8/2014
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Notes:

- The Legislature transferred up to \$58.9 million in nonlapsing balances from various MSP programs to the Education Fund at the end of FY 2015. This allows the State Board of Education to close both FY 2014 and FY 2015 budgets before the transfer occurs.
- FY15 includes \$100,000 one-time for Advanced Placement Test Funding appropriated in S.B. 140.
- The Legislature transferred \$23 million in estimated nonlapsing balances at the end of FY 2014 from the Voted & Board Local Levy programs to the Basic School Program. Statutory provisions in 53A-17a-105 allow the State Board of Education to transfer funding from the Basic School Program to the Voted & Board Local Levy Programs to fund the state guarantee rate as appropriated should this estimated nonlapsing balance not materialize.



BUDGET AND POLICY BRIEF

Career Counseling

Highlights:

- **\$1.5 million** for college and career counseling and mentoring
 - **\$2.4 million** for Utah Futures website
-

Objective

To develop education policy and funding practices in support of college and career counselors and other personnel who guide students in activities that will connect them with post-secondary education opportunities and a future career.

Background

College and career counselors within the public education system can be an important resource in helping students identify college and career desires and in making decisions that will lead students along the path to a specific college and career. Counselors are often required, however, to perform other non-counseling functions.

Utahfutures.org is a website administered by the Department of Workforce Services that brings together information related to college and career planning for students, parents, counselors, teachers, and members of the public. Over the past year, the website was revamped to be more user-friendly; however, due to minimal appropriations in recent years, additional enhancements to improve overall functionality have not been made. A bill passed during the 2014 Legislative Session required an independent review of the upgraded Utah Futures website to determine if use of the system should be

continued or if the state should hire a private vendor. The independent panel recommended continuation of the state-run Utah Futures website with ongoing improvements. The updated website includes additional resources designed with the flexibility to add future enhancements.

Guiding Principles

- Maintain the focus on local control by providing school districts and charter schools the ability to make decisions on how and where to spend career counseling funding based on best practices and available support.
- Ensure that students have adequate, up-to-date, readily accessible information and guidance on a wide array of college and career paths, thus enabling students to make decisions based on individual skills and interests.
- Provide the training and supports necessary to ensure school counselors' limited time is focused on counseling activities directly related to college and career readiness.

Proposed Solutions

- Allocate \$1.5 million for a collaborative public and higher education partnership to improve counseling (including college and career

counseling certifications and parental involvement) and for grants to schools to pilot innovative ideas, including a focus on the best use of counselor time. Best practices will be shared statewide.

- Utah Futures is a valuable online tool with the potential to greatly enhance the amount of

career information counselors can share with students. Allocate \$2.4 million (\$1.4 million ongoing and \$1 million one-time) to maintain the Utah Futures website and ongoing improvements.



BUDGET AND POLICY BRIEF

Post-Secondary Education

Highlights:

- **\$30 million** for compensation (including 3% for flexible employee wage increases)
- **\$15 million** for performance-based funding for the state’s higher education institutions
- **\$16 million** for Utah College of Applied Technology
- **\$3 million** for Regents Scholarships
- **\$10.7 million** for Utah Education Network (also discussed under public education)
- **\$99 million** for new building construction and operation and maintenance funding

Objective

To support the state goal of 66% of working-age adults attaining a post-secondary degree or certificate by 2020 by:

- increasing the graduation / completion rate;
- ensuring affordability for students at all economic levels;
- providing access and support infrastructure for first generation and nontraditional students; and
- improving the alignment between graduates skills and workforce needs.

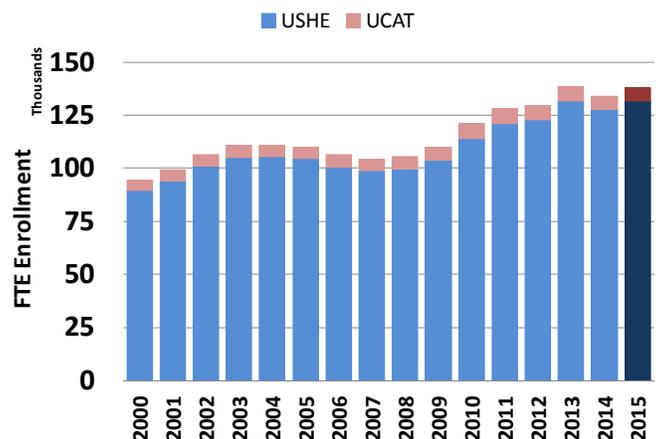
Background

In the 21st century, a dynamic economy requires an educated population. Education drives innovation, attracts employers looking to fill high-skilled jobs, and provides for a higher quality of life. Higher education levels correspond to higher average income and lower levels of government dependence.

Utah has two major systems providing post-secondary education—the Utah System of Higher

Education (USHE) and Utah College of Applied Technology (UCAT).

Figure 1 - Higher Education Enrollment



The eight USHE institutions include the University of Utah, Utah State University (including USU Eastern), Weber State University, Southern Utah University, Utah Valley University, Dixie State University, Salt Lake Community College, and Snow College. USHE projects total enrollment of about 190,000 in FY 2015, or about 130,000 end-of-term full-time equivalent students. USHE

granted nearly 30,700 degrees in FY 2014, an increase of nearly 2,900 over the number of degrees granted in FY 2011 (see Figure 2).

Figure 2 - Number of Degrees by Institution

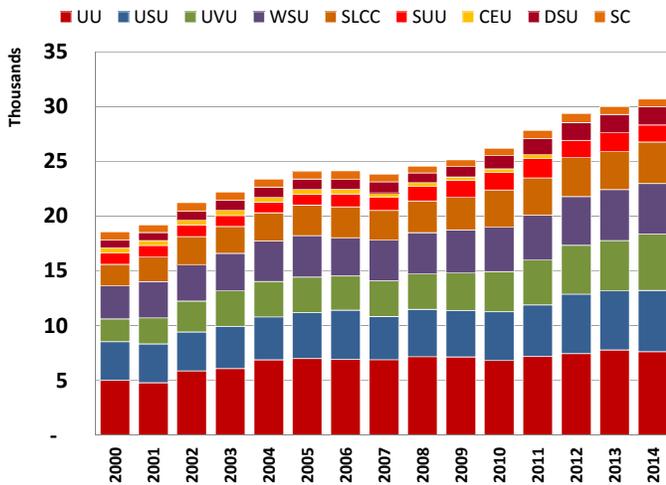
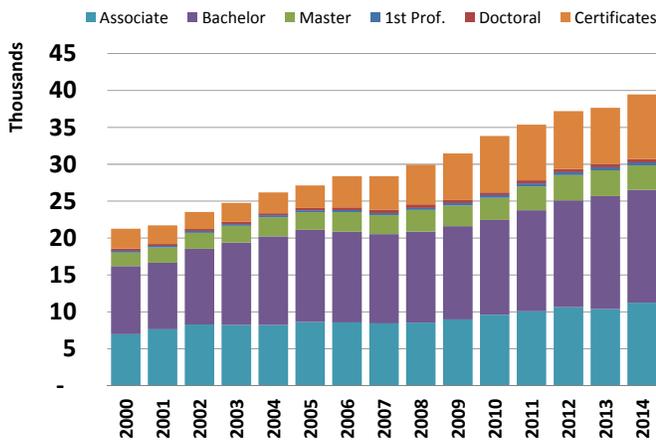


Figure 3 – Higher Education Completions by Type



The eight UCAT institutions include Bridgerland, Ogden-Weber, Davis, Tooele, Mountainland, Uintah Basin, Southwest, and Dixie ATC. UCAT currently serves about 36,000 students, including high school, occupational upgrade, certificate seeking, and other post-secondary training students. UCAT currently grants about 10,000 certificates per year.

The Utah Education Network and Utah Telehealth Network provide the technology infrastructure connecting education and health care entities statewide.

Post-secondary education is one of the largest programs funded in the state budget, constituting about 15% of the combined Education Fund and General Fund budgets.

Funding for post-secondary education comes from state funds, tuition, and other funds such as federal and endowment funds. Tuition is paid not only with direct student payments but also through scholarships, grants, and student loans.

Tuition costs have been increasing at a higher rate than overall inflation. Increasing tuition costs have led students to increasingly turn to student loans. Changing demographics include a higher proportion of immigrants, refugees, and first-generation college students, many of whom struggle to pay for college and who may not be aware of all options available to them.

Guiding Principles

- Improve the degree completion rate of higher education students.
- Focus on ways to deliver education more economically and provide additional funding access for students.
- Develop mechanisms to support post-secondary education access and success for nontraditional students.
- Incentivize education innovation to explore new models of delivering post-secondary education.
- Offer programs that meet the workforce demands of high wage industries.

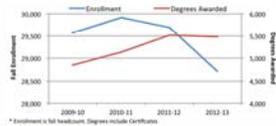
Proposed Solutions

- Following a legislative session in which historic funding increases were provided to post-secondary education, continue the investment in Utah's future.
- To ensure the state's desired outcomes are attained, provide \$15 million in USHE performance-based funding contingent on demonstrable improvements in meaningful performance measures—correlated with each institution's distinct mission—including the number of degrees granted overall and degrees for first generation or disadvantaged students.
- Provide \$13 million in campus equity funding to UCAT to expand capacity and increase the number of certificates awarded by the various UCAT campuses in high-demand fields.
- Provide \$30 million in flexible compensation funding to USHE, UCAT, and UEN to help ensure institutions are able to maintain a highly qualified workforce.
- Provide \$3 million for Regents' Scholarships.
- The Governor's budget includes funds for a science building at Snow College (\$19.9 million), the Crocker science building at the University of Utah (\$34 million), a new building at the Dixie Applied Technology College (\$31.9 million), and a sizable contribution toward the Huntsman Cancer Center at the University of Utah (\$9.5 million). The budget also includes additional funding for the operation and maintenance of these new buildings.
- The Governor's budget includes \$10.7 million (\$4.5 million ongoing and \$6.2 million one-time) for the Utah Education Network to improve existing infrastructure and expand capacity throughout the state.
- Obtain a better understanding of the net out-of-pocket cost of higher education to students (after scholarships and grants) to ensure that post-secondary education remains affordable and assists policy makers in gaining a better understanding of how to best fund the system.
- Explore different curriculum development and delivery models, including leveraging technology to deliver curriculum and to bring people together from remote locations.
- Look for opportunities for shared resources in curriculum development and delivery as well as shared administrative resources.

Governor's PACE* PROGRESS REPORT

Utah State University

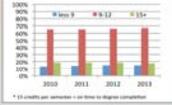
USHE Enrollment and Degrees Awarded*



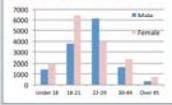
Retention Rates



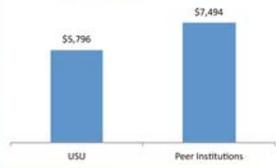
Fall Semester Credit Load*



Demographics



Annual Resident Undergraduate Tuition



Campus Snapshot



Utah State University (USU) is a public research university committed to providing access to higher education by fulfilling its land-grant mission. As Utah's land-grant institution, the Utah State University system of campuses and education centers spans the state of Utah. USU is aligned with the Higher Education 2020 priorities of participation, completion, and economic innovation.

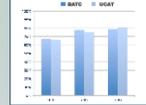
*PACE: Prepare. Access. Complete. Economic Success

For additional Federal Accountability information go to www.utaheducationreportcard.utah.gov

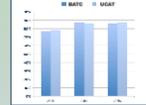
Governor's PACE* PROGRESS REPORT

Bridgerland Applied Technology College (BATC)

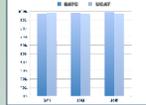
Completion



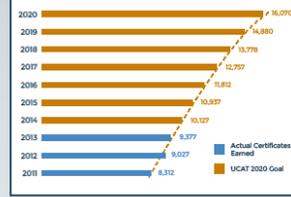
Placement



Licensure



UCAT Certificate Goals



BATC

Category	Count
Certificates Earned	912
Program Certificates	1,057
Occupational Upgrades	1,969
Total	3,938

Category	Count
Membership Hours	257,885
Secondary	772,078
Postsecondary	1,047,963
Total	2,077,926

Category	Count
Student Headcount	1,737
Secondary	4,253
Postsecondary	5,990
Total	11,980

Category	Count
Custom Fit	128
Companies Served	4,084
Trainees	128

Campus Snapshot

Bridgerland Applied Technology Center has campuses in Rich County, Logan and Brigham City. They lead the state in number of Construction Trades programs as well as Business Technology, Service Professions and Transportation programs. All BATC programs met or exceeded the Council on Occupational Education national accreditation standards for completion, placement and licensure.

*PACE: Prepare. Access. Complete. Economic Success

For additional Federal Accountability information go to www.utaheducationreportcard.utah.gov



BUDGET AND POLICY BRIEF

Healthy Utah

Highlights:

- **89,000 Utahns** covered
- **\$373 million** in Utah-paid federal tax dollars returning to the state
- **No new net state funding** required in FY 2015 and FY 2016

Objective

To implement a Utah-cultivated solution to provide private-market healthcare coverage to low-income Utah adults; to recoup about \$373 million in Utah-paid Affordable Care Act federal tax dollars through an enhanced federal assistance percentage of 90 – 100%, compared to the 70/30 match rate for traditional Medicaid.

Background

As Utah's Medicaid program is currently designed, not all low-income citizens qualify for coverage. In general, non-disabled adults without dependent children and parents who earn more than approximately 50% of the federal poverty level (~\$7,500 a year for a family of two) are categorically ineligible for Medicaid benefits. Likewise, the Affordable Care Act dictates that individuals with incomes below the poverty level cannot receive federal premium subsidies towards the purchase of coverage through the federal health insurance marketplace. It is estimated that more than 62,000 Utahns living in poverty fall into a coverage gap where they can neither access Medicaid nor financial assistance towards the purchase of health insurance. Many of these individuals may only need transitional assistance as they seek to improve their

employment situation, whereas others are medically frail and have acute healthcare needs.

Another feature of the Affordable Care Act is the imposition of billions of dollars of new taxes in the form of Medicare taxes on higher income families, "Cadillac taxes" on high-cost insurance plans, and increases in taxes on employers and insurance providers, among others. Utah's annual share of this tax burden is estimated to be \$700-800 million.

Finally, the Affordable Care Act created a new Medicaid eligibility group for adults up to 133% of the federal poverty level (\$20,900 a year for a family of two). States that elect to extend coverage to individuals in this new aid category will receive 100% federal cost sharing in calendar year 2016 and 95% federal cost sharing in calendar year 2017, with one percent reductions each year until calendar year 2020 when cost sharing will remain constant at 90%.

Guiding Principles

- To develop Utah-specific policy solutions which optimally address the needs of the public while maintaining the proper role of government.

- To respect the taxpayer by ensuring that expenditure decisions yield return on the investment of both state and federal tax dollars paid by Utahns.
- To honor our collective responsibility to assist our state's most vulnerable, but to do so in a fashion that instills individual responsibility and promotes self-determination.

Proposed Solutions

Where the Affordable Care Act failed, Healthy Utah succeeds. Healthy Utah provides premium subsidies to Utah adults between the ages of 19-64 who earn incomes less than 133% of poverty to be used towards the purchase of private-market healthcare coverage. Newly eligible parents with Medicaid-qualifying dependent children will also have the option of unifying their families' coverage by bringing their children onto their qualified health plan. Healthy Utah beneficiaries who are determined to be medically frail will have the option of enrolling in traditional Medicaid coverage, primarily provided through Accountable Care Organizations, or they may receive premium subsidies like their non-frail counterparts. Healthy Utah will also provide premium assistance with employer-provided insurance for enrollees who possess such benefits.

Healthy Utah beneficiaries must meet financial and participation requirements as a condition of their enrollment. All members must pay some form of copay and those above poverty will have higher copays and pay a monthly premium. Healthy Utah participants who are not working will be automatically enrolled into an integrated work program. This benefit will help people improve their skills and provide them opportunities to improve their employment situation. The state is exploring various options to ensure and maximize compliance with the integrated work plan. Consequences for non-

compliance could range from the withholding or reducing of TANF and SNAP benefits, to the revocation of driver licenses.

While the Governor recognizes the challenges associated with the Affordable Care Act and continues to encourage Congress to address its deficiencies, he believes that doing nothing is not an option. The ACA is the law of the land and as such Utah must work within the law's constraints in order to create the best plan possible for tax payers and those in need of health care coverage. By primarily offering premium subsidies instead of traditional Medicaid benefits, Healthy Utah leverages efficiencies and preserves the integrity of private insurance and healthcare markets, while reducing uncompensated care by an estimated \$51 million annually. With the majority of the newly eligible population either in poverty or of medically frail status, Healthy Utah closes the coverage gap and provides assistance to our most needy and vulnerable. For those who are able-bodied and work-ready, Healthy Utah requires beneficiaries to demonstrate efforts towards self-sufficiency. By recouping millions of Utah-paid federal tax dollars, Healthy Utah respects the taxpayer and benefits all citizens of the state.

Budget Recommendations

The most recent actuarial projections are that 72,500 newly eligible individuals will enroll in Healthy Utah in FY 2016. Service costs for these new enrollees will be paid exclusively by federal funds that year. However, it is estimated that 16,500 individuals who are currently eligible for Medicaid but unenrolled in the program will seek out benefits due to increased awareness around the implementation of Healthy Utah. This phenomenon is commonly referred to as the 'Woodwork Effect'. Service costs for Woodwork enrollees are covered at the traditional match rate of 70% federal funds and 30% state funds.

Conversely, Healthy Utah generates savings in areas where new Medicaid dollars will displace state funds that are supporting the provision of non-Medicaid healthcare benefits, such as the Primary Care Network, behavioral health programs and inpatient hospital services for prisoners.

The Governor recommends \$930,000 in FY 2015 for Healthy Utah related infrastructure and

administration costs in the Department of Health and Department of Workforce Services. Under consensus estimates, in FY 2016 Healthy Utah savings are estimated to exceed costs by about \$2 million. Under the Governor's recommendation, these savings will be directed to FY 2015 and FY 2016 administration costs and net to zero state funding required for FY 2015 and FY 2016 in those two years.

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BUDGET AND POLICY BRIEF

Medicaid

Highlights:

- **\$12.9 million** negative supplemental in FY 2015
- **\$10.1 million** in new funding in FY 2016
- **\$4.5 million** reduction in Primary Care Network funding for Healthy Utah

Objective

To provide healthcare coverage to Medicaid beneficiaries at a long-run sustainable cost and in a fashion that maintains or improves benchmarks for quality of care.

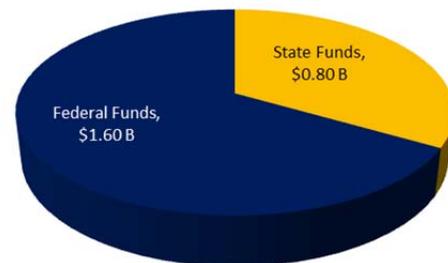
Background

Medicaid is a joint state and federal program that funds health care services for an estimated 321,000 low-income Utahns in FY 2016. Medicaid is an entitlement program, meaning that the program guarantees the authorized services to everyone that meets eligibility requirements. Eligible recipients receive services from private providers, who are paid with Medicaid program funds. Service costs for currently eligible Medicaid beneficiaries are typically shared between federal and state funding sources at a 70/30 split. This federal participation is in contrast to, and independent of, the 100% federal cost sharing for newly eligible individuals under the Governor's Healthy Utah plan in FY 2016.

Medicaid income eligibility requirements vary, with qualified income thresholds reaching up to 133% of the federal poverty level for some core service groups. The federal poverty level, which varies by household size, is about \$24,000 for a family of four. In general, adults without dependent children do not qualify for Medicaid

on the sole basis of low income and asset status. However, considerable overlap exists between Medicaid eligibility criteria and eligibility requirements for other public benefit programs.

Figure 1 – FY 2016 Medicaid Funding



From FY 2003 to FY 2013, Medicaid General Fund spending grew from \$276 million to \$502 million, which represents an increase in the Medicaid share of General Fund from 15% to 25%. In FY 2015 and 2016, Medicaid spending as a percent of all General Fund is expected to decline to less than 23%, as General Fund growth outpaces anticipated growth in Medicaid expenditures.

Numerous factors influence the level of Medicaid expenditures, including population growth, program changes, and, in particular, economic conditions. Medicaid enrollment tends to be counter-cyclical, meaning enrollment increases when economic conditions deteriorate. An

improving economy is expected to put downward pressure on Medicaid enrollment growth.

Figure 2 – General Fund for Medicaid

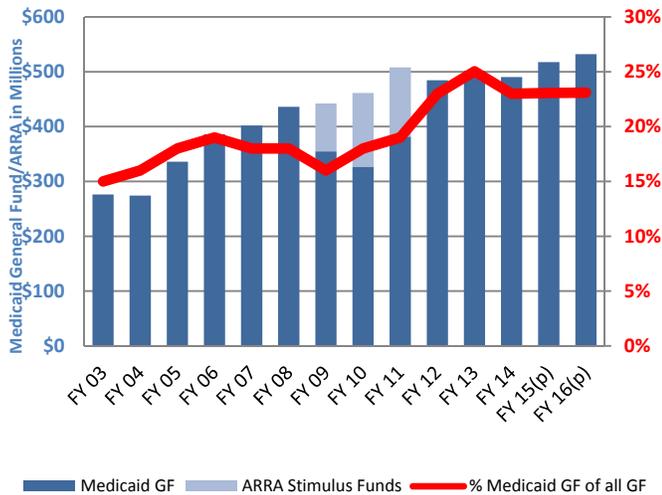
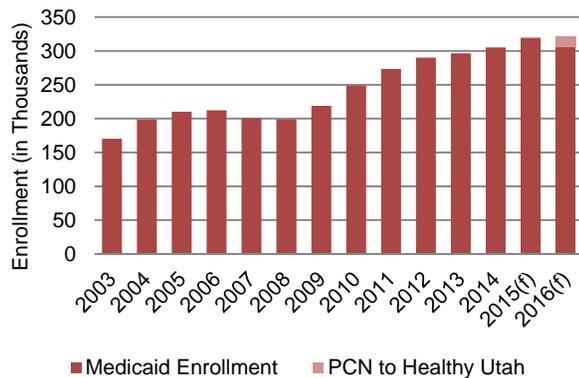


Figure 3 – Number of Medicaid Enrollees



In FY 2015, average Medicaid enrollment (including Qualified Medical Benefits and the Primary Care Network) is expected to reach 319,000 individuals. This represents a year-over growth rate of 4.7%. However, nearly all of this increase in enrollment can be attributed to children transitioning from the Children’s Health Insurance Program (CHIP) to traditional Medicaid coverage. Under the Affordable Care Act, children under 133% of the federal poverty level are eligible for traditional Medicaid benefits, thus an estimated 13,200 children who were previously covered under CHIP are expected to receive Medicaid benefits in FY 2015. In FY 2016, base

enrollment is anticipated to grow by less than 1%, which is more characteristic of typical Medicaid enrollment behavior during an economic climate like that of which Utah is currently experiencing. Furthermore, approximately 15,000 Primary Care Network beneficiaries are projected to become eligible for Healthy Utah benefits in FY 2016.

Budget Recommendation

The Governor recommends a \$12.9 million negative supplemental for Medicaid in FY 2015 (\$15.4 million when including surplus funds in the Children’s Health Insurance Program) and \$10.1 million in new funding to support increases in reimbursement rates for nursing homes, the restoration of dental coverage for the elderly and people with disabilities and to provide ACA tax offsets for Accountable Care Organizations, among other items. The Governor also recommends that activities and costs as identified and forecasted by the Medicaid Consensus workgroup be carried out and covered in FY 2016 (i.e. a 2% increase to Accountable Care Organizations, transition program caseload, forced provider inflation, general caseload growth, etc.), but corresponding funding will be provided as necessary in the form of a supplemental that year because the Medicaid Mandatory and Optional line items have been running surpluses for several consecutive years.

Recent practice has been to take negative supplementals from Medicaid as they materialize from the previous year’s closing balance or the current year’s cost projection. This year, the Governor recommends addressing potential Medicaid surpluses prospectively by delaying new funding recommendations for Medicaid Consensus items until those funding needs become apparent in FY 2016. Under Healthy Utah, the Governor recommends that the Primary Care Network program be dissolved and that the corresponding \$4.5 million in funding be repurposed for related Healthy Utah service and administration costs. Finally, it is recommended that the state Medicaid agency be allowed to access Medicaid stabilization account funds as necessary in the event that costs exceed Medicaid Consensus workgroup projections.



BUDGET AND POLICY BRIEF

Corrections and Recidivism Reform

Highlights:

- **\$10.5 million** for recidivism reform (\$9 million General Fund, \$1 million TANF, and \$500,000 Corrections “Pay for Success”)
 - **\$1.5 million** for jail reimbursement, bringing total to \$14.5 million
 - **\$2.2 million** for jail contracting increased rates and expansion, bringing total to \$33.1 million
 - **\$2.1 million** for compensation issues (in addition to statewide employee compensation recommendations)
 - **\$8 million** for Gunnison operating expenses
 - **\$46 million** to fund prison relocation
-

Objective

To develop correctional polices and funding that:

- ensure public safety;
- hold offenders accountable; and
- control prison costs by lowering recidivism rates through an expansion of evidence-based behavioral health treatment and reentry resources.

Background

A strong criminal justice system ensures the protection of Utah’s citizens, helps victims feel justice has been served, and allows released offenders to become contributing members of society rather than return to prison. Utah struggles with persistently high recidivism rates, as does the nation as a whole. Today, about 65% of Utah inmates released on parole return to prison within three years for technical parole violations or for committing a new crime.

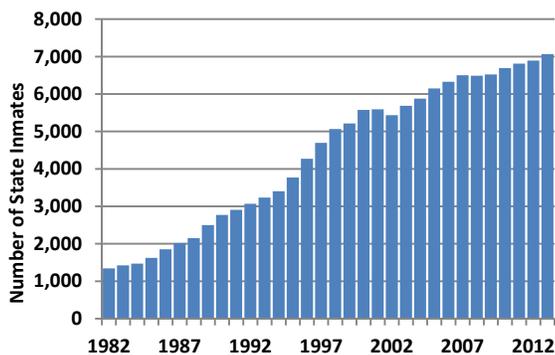
Utah’s Prison Population

While the majority of Utah’s prison beds are filled with violent and sex offenders, the prison population also includes a significant number of other offenders. In 2013, eight of the top ten offenses at admission were non-violent. As a result of the increase in the length of time the average drug offender spends in prison, drug possession offenders occupy an increasingly larger number of prison beds. By 2033, Utah’s prison population is projected to increase by 37% and, if current trends continue, this growth will necessitate additional funding for the Department of Corrections.

The State of Utah currently incarcerates 244 people per 100,000 residents (0.24% of the total population). Although this number is significantly lower than both the average incarceration rate of Western states (388 per 100,000) and the overall national rate (448 per 100,000), Utah’s incarceration rate increased by 175% between 1982 and 2013, as depicted in Figure 1. Despite falling crime rates, Utah’s prison population grew

by 18% in the past decade—more than six times as fast as the national growth rate of 3%. Absent any reform, the prison population is projected to grow 37% over the next 20 years.

Figure 1: 1982 – 2013 Average Annual Incarcerated Population



The size of the prison population is affected by the number of offenders incarcerated, the amount of time that an inmate remains in prison for a crime, the number of released inmates that return, and the enactment of new laws passed by the legislature. The time that an offender remains in prison depends on the offense type and individual criminal history and risk factors.

Figure 2 – Prison Population by Offense Type

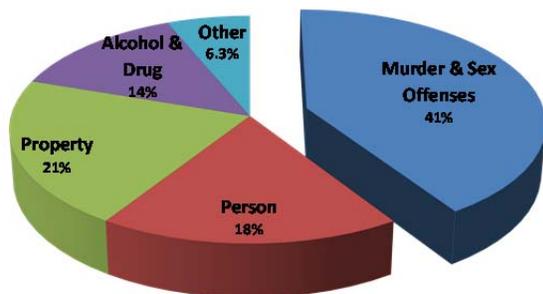


Figure 2 depicts the prison population by offense type and shows that 41% of Utah’s prisoners are incarcerated for homicide and sex offenses. In general, the average length of stay for these offenses is much longer as compared to other offenses such as person, property, and alcohol/drug offenses.

Prison Relocation

During the 2014 General Legislative Session, HCR-8 Concurrent Resolution Regarding Moving the State Prison, was enacted. The resolution concluded that it is in the best interest of the state to relocate the prison from its current Draper location. The decision was based on the following reasons:

- the substantial expense to maintain, replace, and upgrade current prison infrastructure;
- the cost savings over time from operating a more efficient facility;
- the opportunity to tailor new facilities to improve correction programs to reduce recidivism; and
- the substantial economic benefits from changing the use of the current prison location.

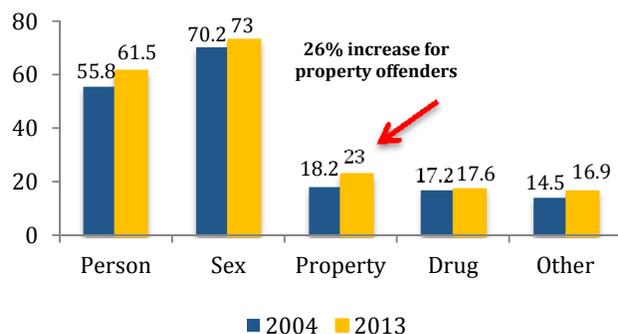
The Justice Reinvestment Initiative (JRI)

Despite efforts to reduce recidivism, 63% of parolees return to prison within three years of release. In his 2014 State of the State address, the Governor addressed this issue by calling for a “full review of our current system to develop a plan to reduce recidivism, maximize offenders’ success in becoming law-abiding citizens, and provide judges with the tools they need to accomplish these goals.”

Following the Governor’s address, state leaders from all branches of government joined together to request technical assistance from the Public Safety Performance Project of The Pew Charitable Trusts and the U.S. Department of Justice to develop a package of data-driven policy recommendations to reduce recidivism and safely control the growth in the state prison population. In April of 2014, the Commission on Criminal and Juvenile Justice (CCJJ) began to analyze the state’s criminal justice system, which included an in-depth review of sentencing and corrections data.

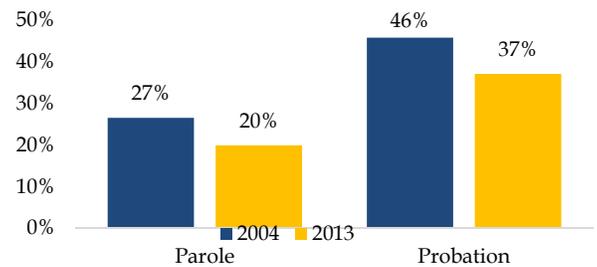
The analysis found that length of stay is up across all offense types, with property offenders spending 26% longer in prison than in 2004, and drug possession offenders spending 22% longer as shown in Figure 3. For example, newly sentenced property offenders released in 2013 spent 4.8 months longer than those released in 2004. This increase in the length of stay for property offenders (considered non-violent offenders) contributed to 183 more prison beds being filled today than for new property offenders in 2004.

Figure 3: Average Time Served by Offense Type, NCC Only, 2004 and 2013 Releases (Months)



Another key finding of the review addressed recidivism and data showing that Utah has experienced an overall decline in offender success during the last 10 years. For parolees, successful discharge rates have decreased from 27% to 20% and for probationers, from 46% to 37% as shown in Figure 4. Overall, almost half (46%) of offenders released from prison in Utah return within three years—including 63% of offenders released on parole supervision.

Figure 4: Parole and Probation Successful Discharge Rates, 2004 vs. 2013



The analysis concluded that these low success rates are, in part, driven by insufficient treatment resources that adhere to evidence-based practices. It should be noted that the cost to supervise a probationer or parolee in the community is approximately \$8 per day, which is significantly lower than housing an inmate in prison at \$79 per day or \$29,000 per year.

Based on these findings, the Commission on Criminal & Juvenile Justice (CCJJ) developed a comprehensive set of evidence-based policy recommendations to reduce recidivism, hold offenders accountable, and control growth to the state’s prison population. These 18 policy recommendations fall into the following five categories:¹

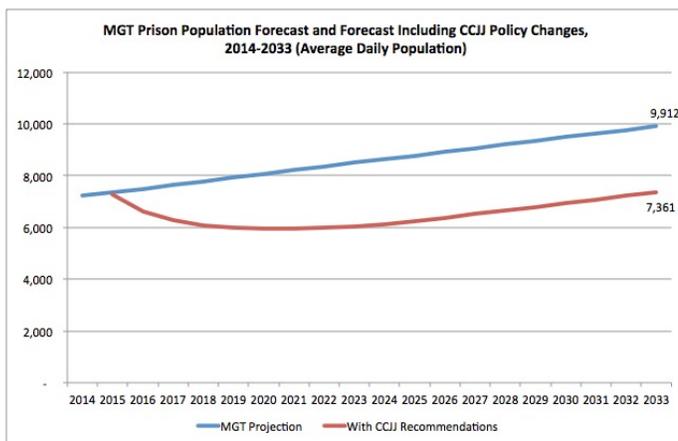
- Focus prison beds on serious and violent offenders
- Strengthen probation and parole supervision
- Improve and expand reentry and treatment services
- Support local corrections systems
- Ensure oversight and accountability

If adopted, these recommendations, **which target nonviolent offenders**, are projected to divert 98% of the projected prison growth over the next 20 years and avert \$542 million in corrections

¹ The full Justice Reinvestment Report is available at: http://justice.utah.gov/Documents/CCJJ/Reports/Justice_Reinvestment_Report_2014.pdf.

spending as shown in Figure 5. The Governor recommends reinvesting part of these averted funds into programs and practices proven to reduce recidivism and cut crime. The Governor also recommends \$10.5 million to help implement the initiative, with the majority of the money being spent on enhanced community treatment and incentive grants to counties.

Figure 5: Projected Growth vs. Projected Growth with Recommended Policy Change



Offender Transition

Pew research, as well as Utah-specific data, clearly demonstrates that offenders leaving prison are most vulnerable to return within the first six months after release. Here, the CCJJ recommendations also focus on improvements that will impact prison growth and offender success. Investment will be made in transition agents who will begin working with inmates approximately six months prior to release. These agents will be responsible for identifying the greatest risks and needs of individual offenders, and then working with the offenders to ensure risks are mitigated and needs are met. This may include finding stable housing, gaining employment, accessing medical/ mental health care, and attaching to specific community-based treatment providers immediately upon release. By focusing on this transition period and

providing immediate support and assistance, offender success will improve during this period of vulnerability.

In sum, the CCJJ recommendations are not guaranteed at this time. Some recommendations will require statutory adjustment. Others will require changes in processes and coordination among stakeholders. Many will change the way the justice system operates in Utah and where resources are located. Although these recommendations provide a glimpse of a decreased and stable prison population and improved offender outcomes—outcomes cannot be realized without a strong investment. In the short-term, corrections operating expenses will increase. Long-term, however, offender success will improve dramatically.

SUCCESS Initiative

The Department of Corrections’ goal is to reduce recidivism by operationalizing Pew research findings and applying the management principles and tools of the SUCCESS Framework. Significant progress is being made in the following areas:

- **Division of Adult Probation and Parole.** Reduce the risk factors that lead to recidivism by providing agents with more time to case manage offenders using evidence-based practices.
- **Institutional Programming Division.** Deliver more effective evidence-based programming, services, and treatments. Improve the case action plan process to focus first on addressing criminal history, behavior, attitude and education.
- **Division of Institutional Operations.** Improve the offender management process to provide correctional officers more time to perform security and offender management functions.
- **Utah Correctional Industries.** Increase work opportunities for inmates and train them with marketable skills.

Guiding Principles

- Serious and violent offenders should fill prison beds. Certain nonviolent offenders should be diverted away from the prison system.
- Improved recidivism rates will create future cost avoidance. To the extent that recidivism rates drop enough over time to allow the state to experience actual cost savings, resources would be made available to invest into the community to ensure parolees' prospects for success.
- Expand treatment resources and ensure treatment plans adhere to evidence-based principles proven to reduce recidivism. Increase funding for institutional and community-based treatment with an emphasis on community options.

Proposed Solutions

- Eliminate unintended consequences of drug sentencing enhancements, such as drug-free zones.
- Distinguish between drug dealers and those with serious substance abuse disorders.
- Reduce the length of stay for certain offender categories such as non-violent, low-level possession offenders, and first time non-violent offenders with no prior criminal history.
- Modify the sentencing guideline's criminal history score calculation by eliminating

factors that result in inflated prison lengths of stay.

- Utilize proportional lengths of stay for technical probation revocations.
- Develop and implement a matrix for supervision violations/compliance, including proportional length of stay caps on probation and parole revocations and earned time incentives.
- Institute collaborative transition planning for offenders being released from prison.
- Reinvest in halfway house (Community Correction Centers) capacity and expand the use of the parole violator center.
- Invest in correctional officer compensation in order to attract and retain a qualified and stable workforce. In recent years, turnover in the Department of Corrections has been particularly acute among workers with less than four years of tenure, which has depressed the average level of expertise held across all officers and has resulted in increased training costs.
- Address offenders' criminogenic needs and establish standards for recovery and reentry support.
- Authorize a single organization or agency to establish statewide treatment standards.
- Establish a certification process to ensure the use and sustainability of evidence-based practice for treatment providers.
- Establish performance measures and oversight.

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BUDGET AND POLICY BRIEF

Infrastructure

Highlights:

- **\$150 million** for six new buildings
- **\$46 million** to fund prison relocation
- **\$112 million** in proposed capital improvements for FY 2016
- **\$2.5 billion** net outstanding general obligation debt in FY 2016

Background

Sometimes taken for granted, reliable infrastructure is essential to a well-functioning economy. Transportation systems and state buildings account for a major portion of the infrastructure portion of the state budget and typically take a long time to plan and require a significant funding investment. Based on these factors, the State of Utah may incur debt to finance new infrastructure projects. An appropriate mix of debt and cash financing for new infrastructure along with adequate funding for the maintenance of existing buildings and roads fulfills critical state infrastructure needs and adds significant value to the economy.

The Governor's budget provides funds for six major building projects: new science buildings at Snow College (\$19.9 million) and the University of Utah (\$34 million), a permanent campus for Dixie Applied Technology College (\$31.9 million), the construction of a Unified State Laboratory (\$39.7 million), a new building for the Utah School for the Deaf and Blind (\$14.5 million), and a sizable contribution toward expansion of the University of Utah's Huntsman Cancer Institute (\$9.5 million). The budget also includes an additional

\$4.5 million toward the operation and maintenance of the six buildings.

The budget includes \$46 million toward prison relocation. The Governor intends to work with the legislature to bond for prison relocation in a way that ensures that any increase in bond payments for a new prison are offset by reductions in payments on existing debt.

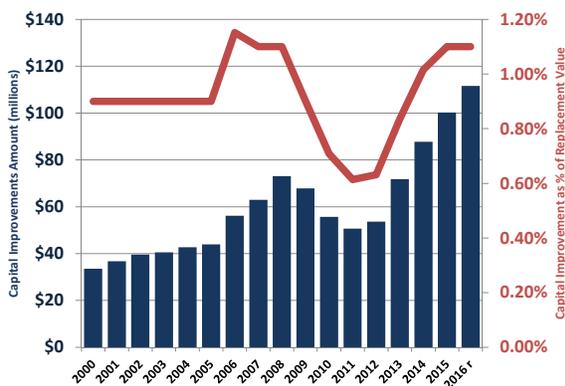
Capital Improvements for State Buildings

The Governor's budget includes nearly \$65 million in additional funding for capital improvements—defined in statute as remodeling, alteration, replacement, or repairs of less than \$2.5 million or the construction of a new facility of less than \$500,000. Capital improvement funds are used to replace worn equipment and facilities such as repairs to electrical and plumbing systems, roofs, and parking lots. Together with the base budget amount of \$46.8 million, the total capital improvement budget is at the statutory level of 1.10% of the replacement value of state buildings.

Figure 1 depicts the recent history of capital improvement funding. The state has approved significant capital development over the past

decade, however, funding for infrastructure maintenance has not always kept pace. It is important to fund infrastructure maintenance that costs substantially less over the long-term than having to fund costly repairs or reconstruction when buildings are not properly maintained. Through the SUCCESS Framework initiative, the Governor’s Office of Management and Budget will work closely with the Division of Facilities Construction and Management to ensure the maximum use of capital improvement dollars while ensuring that projects are completed on time and within budget.

Figure 1 – Capital Improvements Funding



Debt

Utah’s FY 2015 general obligation debt for roads and buildings is approximately \$2.9 billion and total debt service payments are expected to total about \$415 million. The Utah Constitution limits the state’s general obligation debt for buildings and roads to an amount equal to 1.5% of the value of the state’s taxable property. Total general obligation debt for FY 2015 is approximately 72% of the constitutional debt limit and is expected to drop to approximately 58% in FY 2016. This decrease is expected based on increased property values and retired debt. While the projected 58% figure is down from the FY 2012 high of 87%, the figure is still high as compared to pre-recession levels.

In FY 2008, debt per capita in Utah was historically low at \$445. By FY 2012, debt per capita nearly tripled to \$1,283. For FY 2016, the figure is forecast to decline to \$837 assuming no new debt.

Utah’s longstanding “triple-triple” status—an AAA rating from all three bond rating agencies—is the result of conservative and responsible debt management. The State Treasurer recommends an average debt target of 60% of the constitutional debt limit and \$600 general obligation debt per capita to ensure the state’s continued AAA rating.

Figure 2 – Outstanding GO Debt

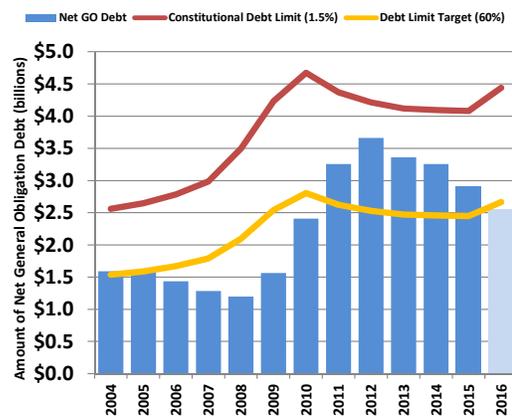


Figure 3 – Outstanding GO Debt per Capita

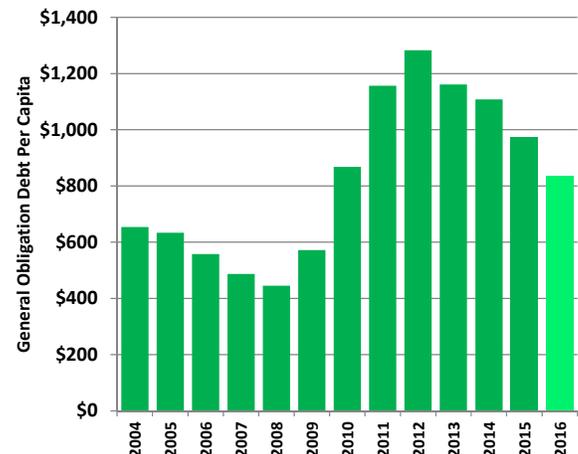


Table 8: General Obligation Bonds Payable (Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2014
2004 A Refunding Issue	3/2/2004	2010-2016	4-5%	\$314,775	\$204,910
2004 B Highway/Capital Facility Issue	7/1/2004	2005-2015	4.75-5%	\$140,635	\$3,950
2007 Highway/Capital Facility Issue	7/3/2007	2008-2014	4-5%	\$75,000	\$11,215
2009 A Highway Issue	3/17/2009	2010-2019	2-5%	\$394,360	\$150,005
2009 B Capital Facility Issue	5/19/2009	2010-2015	4%	\$104,450	\$44,100
2009 C High/Capital Facility Issue	9/29/2009	2011-2018	2-5%	\$490,410	\$353,150
2009 D Highway Issue	9/29/2009	2019, 2024	4.15%, 4.55%	\$491,760	\$491,760
2010 A Highway/Capital Facility Issue	9/30/2010	2011-2017	1.75-5%	\$412,990	\$267,710
2010 B Highway Issue	9/30/2010	2019-2025	3.19-3.45%	\$621,980	\$621,980
2010 C Refunding Issue	10/21/2010	2016-2019	4-5%	\$172,055	\$172,055
2011 A Highway/Capital Facility Issue	7/6/2011	2012-2026	2-5%	\$609,920	\$552,395
2012 A Capital Facility/Refunding Issue	10/3/2012	2014-2017	4-5%	\$37,350	\$37,350
2013 Highway Issue	7/30/2013	2015-2029	3-5%	\$226,175	\$226,175
Total General Obligation Bonds Outstanding					\$3,136,755
Unamortized Bond Premium					\$134,547
Total General Obligation Bonds Payable					\$3,271,302

State Building Ownership Authority Lease Revenue Bonds Payable (Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2014
Government Activities					
Series 1998 C	8/15/1998	2000-2019	3.8-5.5%	\$101,557	\$36,240
Series 2003	12/30/2003	2005-2025	2-5%	\$20,820	\$1,585
Series 2009 D	9/9/2009	2014-2017	5%	\$12,125	\$10,825
Series 2009 E	9/9/2009	2018-2030	4.62-5.77%	\$89,470	\$89,470
Series 2010	11/30/2010	2011-2024	2-5%	\$24,555	\$20,768
Series 2011	10/25/2011	2012-2031	2.13-4%	\$5,250	\$4,310
Series 2012 A	11/20/2012	2017-2027	1.5-5%	\$11,755	\$11,755
Series 2012 B	11/20/2012	2013-2022	1.5-2.25%	\$9,100	\$8,637
Business-Type Activities					
Series 1998 C	8/15/1998	2000-2019	3.8-5.5%	\$3,543	\$1,375
Series 2003	12/30/2003	2005-2025	2-5%	\$1,905	\$190
Series 2006 A	1/10/2006	2006-2027	3.5-5%	\$8,355	\$3,830
Series 2007 A	7/10/2007	2009-2028	4.25-5%	\$15,380	\$12,260
Series 2009 A	3/25/2009	2011-2030	3-5%	\$25,505	\$21,975
Series 2009 B	9/9/2009	2012-2019	3-5%	\$8,455	\$5,645
Series 2009 C	9/9/2009	2024, 2029	5.29%, 5.77%	\$16,715	\$16,715
Series 2010	11/30/2010	2011-2024	2-5%	\$12,180	\$10,722
Series 2012 A	11/20/2012	2017-2027	1.5-5%	\$3,855	\$3,855
Series 2012 B	11/20/2012	2013-2022	1.5-2.2%	\$2,600	\$2,539
Total Lease Revenue Bonds Outstanding					\$262,696
Unamortized Bond Premium					\$5,908
Total Lease Revenue Bonds Payable					\$268,604

Legal Debt Margin (Millions)

	2010	2011	2012	2013	2014
Taxable Value	\$212,423	\$205,284	\$201,473	\$201,294	\$207,211
Fair Market Value	\$291,460	\$280,846	\$274,806	\$272,954	\$282,489
Debt Limit Amount (1.5%)	\$4,372	\$4,213	\$4,122	\$4,094	\$4,237
Net General Obligation Bonded Debt	\$2,410	\$3,256	\$3,660	\$3,361	\$3,271
Legal Debt Margin	\$1,962	\$957	\$462	\$733	\$966
Net General Obligation Bonded Debt Percent of Limit	55.12%	77.29%	88.79%	82.09%	77.19%

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

Statutory Debt Limit (Millions)

	2010	2011	2012	2013	2014
Appropriations Limitation Amount	\$2,657	\$2,849	\$3,034	\$3,142	\$3,250
Statutory Debt Limit (45%)	\$1,196	\$1,282	\$1,365	\$1,414	\$1,463
Net General Obligation Bonded Debt	\$2,410	\$3,256	\$3,660	\$3,361	\$3,271
Exempt Highway Construction Bonds	\$1,861	\$2,698	\$3,132	\$2,869	\$2,860
Net General Obligation Bonded Debt Subject to Limit	\$549	\$558	\$528	\$492	\$411
Additional General Obligation Debt Incurring Capacity	\$647	\$724	\$837	\$922	\$1,052

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



BUDGET AND POLICY BRIEF

Transportation Infrastructure

Highlights:

- **\$94.2 million** of earmarked sales tax moved to General Fund to help fund education needs
 - **\$4.2 million** for road maintenance
 - **\$1.4 billion** in total transportation budget after earmark reform
 - **Explore** alternatives to appropriately fund long-term transportation needs, including maintenance
-

Objective

To develop transportation policy and funding decisions that:

- are fiscally responsible in the long-term and include the timely maintenance of existing infrastructure;
- provide sufficient infrastructure to support a well-functioning and mobile economy; and
- consider the full cost of Utah's transportation system, including both direct fiscal costs and external costs such as the impact to air quality.

Background

A well-functioning transportation system is critical to a well-performing economy. Utah's public roads currently expand over 45,000 miles. In addition, Utah's transportation system also includes a sizable mass transit system comprising of both rail and bus operations. With Utah's population projected to increase over 60% by 2040, there will be a significant need to fund new roads, highways, bridges, mass transit, and other methods of transportation.

The Unified Transportation Plan provides a road map for future needs within the transportation system, to include projected costs. While the plan is a useful tool for thinking about future needs, it assumes current and past behaviors, technology, and models for future construction. New and

better tools and strategies are inevitable and will help to maximize capacity and create structures with potentially longer life-cycles. As a result, the Unified Transportation Plan should be viewed as an estimate, not a definitive statement of future need.

With a recent emphasis on new road construction, the Utah Department of Transportation (UDOT) has fallen behind on the maintenance of existing roads. Although the state may experience short-term savings, maintenance costs increase significantly over time as roads continue to deteriorate. UDOT estimates an annual shortfall of \$67 million for road and bridge maintenance. However, UDOT indicates that major bridge maintenance issues do not need to be addressed for five more years.

Transportation funding comes from several sources: sales and use tax earmarks, fuel taxes, bonds, federal funds, licenses, permits and fees, and various additional sources. For the most part, fuel tax revenues fund road maintenance and sales tax earmarks fund new construction.

Fuel Taxes. Due to increased vehicle fuel efficiency and changes in driving patterns, motor fuel and special fuel tax or "gas tax" collections have flattened at around \$360 million. A portion of these gas tax funds are allocated to local governments for local road maintenance. Despite this flat revenue trend, maintenance costs

continue to increase as the population expands and more roads are built.

The Governor's budget proposes a more efficient collection of revenue by taxing gasoline at the refinery level or upon entry into the state for sale, use, or storage—similar to how diesel fuel is taxed. This is estimated to generate \$4.2 million in state revenue for maintenance and \$1.8 million in local revenue. The combined impacts of inflation along with more fuel-efficient vehicles have eroded the purchasing power of fuel tax revenues since the last fuel tax increase in 1997. It would take a fuel tax of 36.3 per gallon to maintain the same purchasing power as the 1997 fuel tax of 24.5 cents.

Sales and Use Tax Earmarks. In recent years, significant resources have been diverted from the General Fund for new transportation capacity projects through sales and use tax earmarks. Absent changes, General Fund transportation earmarks are projected to reach about \$517 million in FY 2016. Such earmarks reduce available funding for other priorities, including public and higher education.

Based on the negative impact to other important programs (including education), the Governor proposes to reform the practice of earmarking sales and use tax revenue for roads. To counteract the negative impact brought about through increased earmarks, the Governor's budget reinstates \$94.2 million in sales and use taxes to the General Fund so that other priorities, including education and air quality, can be funded. UDOT indicates that the agency will be able to handle existing road projects despite the funding shift. The Governor intends to work with the legislature to find sustainable ways of adequately funding transportation infrastructure needs, including maintenance.

Bonds. Bond proceeds account for a significant portion of revenue in any given year. However, this funding source can fluctuate if large projects are not initiated every year. The Governor's FY 2016 budget includes no additional bonding for roads.

Federal Funds. Although federal funding has historically been a relatively stable transportation revenue source, the federal fiscal situation and issues with the Federal Highway Trust Fund increase the uncertainty of this revenue source.

Guiding Principles

- Create stable, long-term funding solutions to meet current and future demands while moving away from sales tax transportation earmarks.
- Prioritize existing infrastructure maintenance by developing new roads, highways, and bridges only after appropriately preserving the existing infrastructure and enacting feasible solutions that optimize mobility.
- Focus on continuous improvement by ensuring the transportation system is maximizing current resources and is continually finding more efficient and effective ways to build and maintain the transportation system.
- Encourage increased transparency about the full costs of the transportation system to include air quality impacts.
- Increase public awareness by encouraging individuals to make sustainable and responsible transportation decisions.
- Seek ways to improve and achieve more efficiency in local mass transit systems.

Proposed Solutions

- Reduce sales and use tax earmarks so less General Fund revenue is used solely for new road development.
- Explore sustainable long-term transportation funding sources, including maintenance.
- Tax motor fuels at the refinery point and potentially reduce fuel tax evasion and Tax Commission administrative costs.
- Implement additional project management techniques such as Critical Chain Project Management to complete new transportation projects faster and more cost effectively.
- Reduce the retired risk so new capacity projects are completed ahead of schedule.
- Explore intelligent highway systems, congestion pricing, and other innovative methods to meet Utah's future transportation needs.



BUDGET AND POLICY BRIEF

Water

Highlights:

- **\$600,000** in restricted funds to maintain drinking water program
 - **\$11.2 million** for dam safety retrofits (\$5 million General Fund, \$6.2 million restricted funds)
 - **\$438,000** to begin accelerating water rights adjudication
 - **\$130,000** from restricted funds for canal safety inspection
-

Objective

To develop water funding policies and mechanisms that ensure:

- Utah has a sufficient, safe, and reliable supply of water to meet appropriate usage levels for a growing population that balances residential, economic development, recreation, agricultural, and environmental uses;
- limited water resources are being used wisely and beneficially and 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 to sustain their beneficial uses; and
- the State of Utah maintains an appropriate role that is fiscally prudent and sustainable.

Background

Water is essential for sustaining human life and health, economic growth, the natural environment, recreation, food production, and quality of life. Through wise investments, planning, and development, Utah's current

residents benefit from water supplies that would otherwise not be available in the state's semi-arid climate.

With Utah's population growth projected to double by 2060, policymakers, water providers, and water users must work toward solutions that lead to much greater conservation, use existing infrastructure more efficiently, and develop future water in ways that are fiscally and environmentally sustainable. In an era of reduced federal assistance, more clarity is needed to define the proper role of state government, local water providers, and end users with respect to developing, maintaining, and conserving Utah's limited water resources.

The challenges are significant and require a thoughtful, yet timely response. The state must have a sound water strategy in place to meet the outlined objectives, including a funding plan that provides greater certainty for water managers. Over the coming year, the Governor intends to seek input on water policy from a variety of stakeholders, including the Water Strategy Advisory Team. This document outlines principles

and ideas to guide the advisory team’s work and the state’s water policy decisions.

Guiding Principles

- Solutions should recognize the increasing value of limited water resources as growing demands stress existing supply. Solutions should also maximize the efficient use of existing water infrastructure and supplies.
- We have a stewardship responsibility to future, as well as current, residents. Policies and practices must be developed with a long-term perspective. Sound data and innovative new approaches building on successful historical practices will guide effective water policy decisions. To create the future we want, we must all adopt more water-efficient practices.
- Greater transparency in the funding sources and amounts associated with water infrastructure will help policy makers and consumers make informed decisions on how best to use and conserve water. Better information and market price signals—such as user fees—will allow market forces to influence the use and conservation of water.
- We rely on an aging water-delivery system. As we plan for the future, we cannot neglect to maintain our existing infrastructure.
- Historically, the state has been involved in water development and will continue to play a meaningful role. Moving forward, funding responsibility will increasingly shift to end users, while maintaining an appropriately stable funding portfolio. State involvement should be prudent and fiscally sustainable, balancing water funding with other state needs. Earmarks are discouraged. When state funds are provided to assist water development, recipients should meet basic criteria such as planning, maintenance, appropriate rate structuring, and conservation to advance the state’s overall

water goals. The state will continue to support conservation strategies and education.

- Much of the regulation influencing how water is used is best implemented at the local level. Nearly all municipal and industrial water pricing is set at the municipal or service district level. Increased effort and coordination from local governments and water conservancy districts is critical to the overall strategy.
- The state’s water supply depends on weather patterns and Utah has always been subject to drought. Changing climate patterns will likely affect the timing, form, and amount of precipitation. Our water policies and infrastructure decisions must account for this uncertainty and support a more resilient system.
- Solutions must balance various systems and uses, including maintaining healthy watersheds and riparian areas; providing adequate storage, delivery systems, and treatment facilities; addressing water rights concerns; implementing appropriate water rates; sustaining efficient agricultural production; encouraging conservation; informing consumers; and ensuring proper handling and treatment of storm and waste water.
- Water systems use a great deal of energy to produce and deliver water and to treat wastewater. Likewise, energy producers use a great deal of water to produce energy. Water and energy sectors should aggressively explore ways to use less energy and water in their respective industries and to minimize the negative impacts to water quality.
- Policies and strategies must be developed or better implemented to encourage all water users (residential, commercial, agricultural, and government) to conserve water. Strategies include enhanced public education, thoughtful price signals, use of emerging

water-saving technologies, increasing wastewater reuse, encouraging water-wise landscaping, and the elimination of conservation barriers in local and state laws. In addition, the state should explore ways to incentivize conservation within the prior appropriation system.

- The state water engineer must have the administrative and legal tools sufficient to efficiently enforce water rights law. The state should fund an improved water right adjudication process to clarify which water rights are valid and bring more certainty (and speed) to value-creating water transactions.
- Proven means of increasing natural storage and yield of clean water, such as the Watershed Restoration Initiative, merit continuing state support.
- Increased use of private funding sources should be evaluated and encouraged where appropriate.

Proposed Solutions

- Involve key stakeholders and legislators in developing future water pricing strategies.

- In the interest of providing additional budget flexibility and oversight, ensuring funding certainty, maintaining our water and treatment infrastructure, and encouraging more efficient water use, we must analyze whether there are better approaches to fund future needs. Utah should conduct a comprehensive water funding, pricing, and usage study to understand the full costs of water in the state; how those costs are allocated among water users and taxpayers; state budget considerations; and how potential changes in water pricing and infrastructure funding could affect future water use, system planning, and development.
- New loans or grants from state water loan portfolios should favor projects meeting criteria that advance state water goals. Those criteria might include increased per-capita conservation, block-rate pricing, greater transparency on consumer water use and cost, maintenance of existing systems, local planning, and adoption of water-wise ordinances.

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BUDGET AND POLICY BRIEF

Air Quality

Highlights:

- **\$20 million** school bus replacement
- **\$1.5 million** to encourage replacement of pollution-emitting equipment in homes and small businesses
- **\$750,000** for air quality research
- **\$400,000** for monitoring and compliance
- **\$135,000** for air quality attorney support
- **\$1.3 million** for state employee transit passes

Objective

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

- healthy Utahns;
- an attractive atmosphere for business and visitors; and
- a quality of life that is unsurpassed.

Background

Overall, Utah's air quality has improved over the past decade, even with a growing population and economy. Between 2002 and 2011, the population in the four most populated Wasatch Front counties increased by over 350,000 people (a 20% increase). During the same period of time, total emissions from those counties declined from 791,063 tons to 515,346 tons—a 35% total reduction and a 45% per capita reduction.

Despite these improvements, more stringent standards established by the Environmental Protection Agency (EPA) have pushed Utah out of compliance several days a year with current federal air-quality regulations. These stronger standards, coupled with expanding media

attention, have augmented awareness and concern among Utah citizens. The increased focus on air quality has been instrumental in educating residents and improving air quality. However, such acute attention can also have a dampening effect on the economy and has intensified public demand for even cleaner air.

The state has taken significant action in the past two years to improve air quality. We have required industrial sources to install stringent new control technology, passed nearly 30 new regulations addressing large categories of emissions, launched public education campaigns, created incentives for consumers to purchase cleaner vehicles, implemented travel-reduction plans, and much more. The Governor's Clean Air Action Team has identified meaningful additional strategies to clean our air.

While great strides have been made, we are not satisfied. Utah's unique topography, climate, and air chemistry exacerbate air pollution during certain times of the year. Due to these distinct conditions, national research is not always applicable to Utah. Greater understanding of the causes and effects of Utah's air pollution is

needed to further determine the most appropriate, effective, and cost-efficient mechanisms to improve Utah's air quality.

Guiding Principles

- All sources of air pollution, from large industry to individual residents, must reduce their emissions. An estimated 87% of Utah's winter air pollution comes from mobile and local area sources (such as vehicles, homes, consumer products, and small businesses). Most of our problem, therefore, is the result of the myriad decisions we make in our individual lives. Air pollutants do not respect jurisdictional boundaries and spread throughout the region. In short, all contribute to the problem and all are affected by the problem. As such, everyone must be involved and contribute to the solutions. State government can and must play a significant role; however, government cannot unilaterally solve the problem—everyone must bear some of the burden.
- Air, like food and water, is a vital element for sustaining human life. Contaminants directly impact overall health. Solutions must recognize the critical nature of this shared public resource and public health priority.
- Utah's unique challenges require unique solutions that complement Utah's values, lifestyle, and economy. While air quality decisions should be informed by broad research, such decisions should ultimately be tailor-made for Utah and not simply comprise the one-size-fits-most solutions borrowed from or imposed by others.
- Education will play a key role in arming citizens with the knowledge necessary to become part of the solution. Utahns generally want to do the right thing. We will emphasize educating and enabling residents to make smart choices.
- While every effort should be made to enlist the volunteer spirit that Utah is known for, voluntary efforts alone will be insufficient to tackle the challenges before us. Thoughtful, targeted regulation and enforcement must be

embraced as an important part of Utah's air quality strategy.

- While all potential solutions should be considered, the state has limited financial resources. To have a meaningful impact on improving air quality, funding must be prioritized based on approaches that have the greatest return per dollar invested.

Proposed Solutions

- We cannot solve problems that we do not yet understand. We must build understanding of Utah's unique climate, topography, and air chemistry, as well as future capacity, to find the most effective solutions to Utah's air quality challenges.
- To ensure everyone is playing by the same rules and the public-at-large is not suffering from the bad actions of a few, we need adequate personnel to inform, educate and, when necessary, enforce agreed-upon solutions.
- In today's world of rapidly improving technologies, many solutions already exist and simply need to be adopted. Improved technology means improved air quality. Replacing old fleet vehicles, buses, lawn care equipment, and other sources of pollution with more fuel-efficient, cleaner technologies will bring immediate improvement. Accelerating the adoption of Tier 3 products (cars and gasoline) will be a significant part of the solution.

Budget Recommendations

The Governor's budget proposes \$20 million to replace outdated buses with clean fuel buses and \$1.5 million to expand the Clean Air Replacement, Retrofit and Off-Road Technology (CARROT) grant program to assist households and businesses with the replacement of pollution-emitting equipment and wood-burning stoves. An additional \$750,000 is recommended to continue research into Utah's unique air quality issues, \$400,000 to monitor air quality, and \$135,000 for attorney support in enforcing air-quality laws.

Table 9 - Recommended Adjustments by Agency: General Fund and Education Fund
Ongoing and One-time Funding

Detail of FY 2015 Recommended Adjustments			
	<u>Adjustment</u>	<u>One-time</u>	<u>Ongoing</u>
Administrative Services			
	State Employee Transit Passes	450,000	0
Board of Bonding Commission			
	Debt Service Payments	69,800	0
Courts			
	Juror/Witness/Interpreter Supplemental for FY 14 and FY 15 Deficits	1,664,200	0
Governor and Lt. Governor			
	Factual Innocence Payments	48,200	0
Health			
	Health Facility State Licensing Staffing	86,900	0
	Healthy Utah Administration Increase	793,500	0
	Reduction in CHIP and Medicaid Caseload	-15,419,900	0
Public Education			
	Enrollment Growth-Educator Salary Adjustments	3,430,000	0
Workforce Services			
	DWS Healthy Utah Administration Costs	138,300	0
	Utah Futures	<u>1,000,000</u>	<u>0</u>
Total of FY 2015 Recommended Adjustments		-7,739,000	0

Detail of FY 2016 Recommended Adjustments			
	<u>Adjustment</u>	<u>One-time</u>	<u>Ongoing</u>
Administrative Services			
	Cyber-Security Insurance	250,000	0
	Internal Auditing	0	300,000
	Jail Reimbursement Rate	0	1,500,000
	State employee transit passes	900,000	0
Agriculture and Food			
	State Fair Park operations	675,000	0
	Unified Labs O&M	-188,800	188,800
	Utah Conservation reorganization	700,000	0
	Utah's Own program	100,000	0
Attorney General			
	IT/Case Management system	200,000	0
	Expand Attorney General Staff	0	438,100
Auditor			
	Shift Funding Source for Audits from General Fund to College and University Billings	0	-712,500
Board of Bonding Commission			
	Debt Service Payments	14,139,000	82,500
Board of Pardons and Parole			
	Justice Reinvestment Initiative-Research/Data Collection	74,000	100,000
Building Board Construction			
	Capital Improvements	40,799,600	24,000,000
	Dixie ATC Building	31,900,000	0
	U of U Huntsman Cancer Institute Building	9,500,000	0
	Prison Relocation Costs	46,000,000	0
	Schools for the Deaf and Blind Building	14,500,000	0
	Snow College Building	19,937,000	0
	U of U Crocker Building	34,000,000	0
	Unified Labs	39,741,000	0
Capitol Preservation Board			
	Capitol Security	3,250,000	0

	<u>Adjustment</u>	<u>One-time</u>	<u>Ongoing</u>
Corrections			
Correctional Staff Compensation		0	2,151,000
Gunnison Prison Operation Costs		-5,100,000	8,000,000
Healthy Utah Program Savings: Transferring Inpatient Service Costs		0	-2,151,000
Jail Contracting Funding		0	1,208,000
Jail Contracting Rate Increase		0	1,000,000
Justice Reinvestment Initiative-Access to Recovery		600,000	0
Justice Reinvestment Initiative-Clinical Therapists		0	1,805,900
Justice Reinvestment Initiative-Jail Treatment for State Inmates		500,000	0
Justice Reinvestment Initiative-Mental Health Services		0	1,045,100
Justice Reinvestment Initiative-Office Specialists		0	604,000
Justice Reinvestment Initiative-Training for APP Agents/Board of Pardons		40,000	100,000
Justice Reinvestment Initiative-Transition Specialists		0	893,000
Justice Reinvestment Initiative-Treatment Agents		0	988,000
Courts			
4th District Juvenile Court Judge and Staff		0	385,000
Ongoing Increase to Eliminate the JWI Line Item Deficits		0	850,000
Replace Trust GFR Account Appropriation with GF		500,000	0
Judge Salary Adjustment		0	1,000,000
Environmental Quality			
Attorney General Support for Air Quality		0	135,000
Air Quality CARROT Grants		1,000,000	0
Air Quality Compliance Officers		43,600	360,300
Enterprise-wide GIS Land Information Initiative		600,000	0
Air Quality Research		0	750,000
Underground Storage Tank Remediation		0	100,000
Gov. Office of Economic Development			
Avenue H operating expenses		750,000	0
Business Resource Centers		125,000	0
Economic Development Tax Credit Compliance Position		110,000	0
Pass-through Sundance Institute and GOED co-branding		1,000,000	0
Rural Outreach Coordinator Position		0	80,000
Your Utah, Your Future		500,000	0
Gov. Office of Energy Development			
Energy Research Triangle		200,000	0
Governor and Lt. Governor			
Pay for Success - Corrections		500,000	0
Doing Business in Utah		100,000	0
Enterprise Performance Fund		400,000	0
Factual Innocence Payments		30,200	0
Governor's Office Operations		0	210,000
Justice Reinvestment Initiative-Victim Advocates		250,000	0
Justice Reinvestment Initiative-County Incentive Grant Program		2,000,000	0
Presidential Primary		3,000,000	0
Privatization Board		150,000	0
Water Pricing Study		100,000	0
Health			
Affordable Care Act (ACA) Provider Tax		1,016,500	0
Baby Watch Early Intervention		220,000	0
Health Facility Certification Staffing		56,000	0
Health Facility State Licensing Staffing		86,900	0
Healthy Utah Administration Increase		200,000	658,500
Healthy Utah Program Savings: Transition of Primary Care Network		0	-4,500,000
Healthy Utah Service Costs		-10,345,400	20,895,400
Medicaid Management Information System (MMIS)		3,500,000	0
Nursing Home Rate Increase		0	2,000,000

<u>Adjustment</u>	<u>One-time</u>	<u>Ongoing</u>
Prescription Drug Abuse, Misuse, and Overdose Prevention	500,000	0
Reduction in CHIP Caseload	-717,100	0
Restore Dental Coverage For Elderly And Persons With Disabilities on Medicaid	0	3,226,000
Technology Dependent Waiver Capacity Expansion	0	366,000
Unified Labs O&M	-191,400	191,400
Heritage and Arts		
State Fine Arts Collection Maintenance And Restoration	0	40,000
Local Library (CLEF) Grant Funding	0	130,000
Local Museum Grants	0	120,000
Olympic Legacy Foundation	750,000	0
Utah Symphony	300,000	0
Higher Education		
U of U Huntsman Cancer Institute Building O&M	-1,850,000	1,850,000
Performance Based Funding	0	15,000,000
Snow College Building O&M	-322,000	322,000
Regents Scholarships	0	3,000,000
U of U Crocker Building O&M	-683,000	683,000
Career Counseling Program For Public Education Students	0	1,500,000
Human Resource Management		
General Fund Shift per Transition to Full DHRM ISF	0	-2,523,500
Human Services		
Adult Protective Services Staffing	229,700	0
Direct Care Staff Salary Increase	2,900,000	0
Federal Medicaid Assistance Percentage (FMAP)	0	537,100
Forensic Competency Restoration - Waiting List Reduction	300,000	0
Healthy Utah Program Savings: Behavioral Health		-6,112,000
Local Caregiver Support Program	0	100,000
Medicaid Match Funds For Local Mental Health Authorities	6,400,000	0
Mental Health Early Intervention	1,500,000	0
Meals on Wheels	150,000	0
Restore Medicaid Funding Loss From Change In Allocation Methods - Utah State Hospital	0	1,200,000
Juvenile Justice Services		
Federal Medicaid Assistance Percentage (FMAP)	0	17,200
Weber Valley Detention	1,140,000	500,000
National Guard		
Military and Family Life Counselors	0	210,000
Natural Resources		
Dam safety	5,000,000	0
Hazards mapping	3,000	184,800
This is the Place Park funding increase	0	200,000
Water Rights Adjudication	0	438,000
Public Education		
Beverly Taylor Elementary Arts	2,500,000	2,500,000
Braille Embossers (USIMAC)	350,000	0
Capital Equalization Program	36,000,000	20,000,000
Schools for the Deaf and Blind Enrollment Growth	0	490,000
Minimum School Program Enrollment Growth	0	54,709,600
Increase in the WPU (6.25%)	0	160,983,400
Schools for the Deaf and Blind Modular Classrooms	347,000	0
Professional Development Principals	5,000,000	0
School Evaluation Support	1,000,000	0
Schools for the Deaf and Blind Building O&M	-45,000	45,000
Steps and Lanes for Utah Schools for the Deaf and the Blind	0	131,000
Student-centered Learning Pilot Program	250,000	0
Teacher Supplies	6,000,000	0
Clean-fuel School Buses	20,000,000	0
Clean-fuel School Buses - - Use of Non-lapsing Balance	-11,000,000	0
USIMAC Specialized Positions	0	240,000

	<u>Adjustment</u>	<u>One-time</u>	<u>Ongoing</u>
Public Lands			
PLPCO operations		0	900,000
Public Safety			
Capitol Security Personnel		0	50,000
Crime Lab's DNA and Sexual Assault Evidence Collection Kit (SAECK) Optimization Project		500,000	1,052,000
Uintah Basin Agent		0	100,000
Unified Labs O&M		-366,800	366,800
State Office of Rehabilitation			
General Assistance to USOR from DWS		0	4,860,700
Independent living - Assistive Technology		500,000	0
Independent Living Services		250,000	0
Tax Commission			
Liquor Profit Distribution to Law Enforcement Agencies		0	5,500
UCAT			
Campus Special Needs		3,181,000	0
Dixie ATC Building O&M		-866,000	866,000
Equity Funding		0	12,576,900
Information Technology		0	250,000
Student Outreach Marketing		0	400,000
Utah Education & Telehealth Network			
UEN - Public Education Technology Infrastructure Expansion		0	2,000,000
UEN IT Capital Equipment Replacement		6,200,000	0
UEN Technology Capacity		0	2,500,000
Veterans' & Military Affairs			
Veterans Information Systems Enhancements		200,000	0
Western Regional Alliance		10,000	0
Workforce Services			
211 - United Way		400,000	0
DWS Healthy Utah Administration Costs		138,300	209,100
General Assistance from DWS to USOR		0	-4,860,700
Permanent Supportive Housing		1,000,000	0
Utah Futures		0	1,400,000
Statewide Adjustments			
DAS Internal Service Fund Adjustments		0	2,287,600
DAS RM Property Valuation Adjustments		0	117,900
DHRM Compensation Adjustments		0	314,200
DHRM Internal Service Fund Adjustments		0	323,700
DTS Compensation Adjustments		0	727,600
DTS Internal Service Fund Adjustments		0	-98,000
State Employee 401k Match		0	4,276,100
State Employee 401k Match - Move from Finance to Agencies		0	-4,276,100
State Employee Compensation Increase		0	31,787,100
State Employee Health Insurance Increase		0	10,377,900
State Employee Retirement Increase		0	5,182,300
State Employee Retirement Rate Change		0	230,100
State Employee Targeted Market Comparability Compensation Increase		0	5,207,200
State Employee Targeted Market Comparability Retirement Increase		0	1,392,400
State Employee Targeted Market Comparability Retirement Rate Change		0	-1,800
State Employee Targeted Market Comparability Unemployment Increase		0	7,800
State Employee Targeted Market Comparability Unemployment Rate Change		0	-54,900
State Employee Unemployment Increase		0	43,200
State Employee Unemployment Rate Change		<u>0</u>	<u>-228,800</u>
Total of FY 2016 Recommended Adjustments		345,567,300	405,035,900

<u>Adjustment</u>	<u>One-time</u>	<u>Ongoing</u>
Restricted Fund Adjustments and Transfers that Impact the General Fund		
Transfers to Restricted Funds and Accounts		
Education Rainy Day Fund Deposit	12,600,001	0
Pamela Atkinson Homeless Account	1,000,000	0
Tourism Marketing Performance Account Earmark	3,000,000	15,000,000
Alcoholic Beverage Control		
Eden Package Agency	0	65,000
Fund Six Liquor Stores On-Going	0	1,500,000
Package Agency Compensation Increase	0	35,000
Natural Resources		
Petroleum Engineer	35,000	168,500
Well Inspection and Permitting	70,000	310,500
Statewide Adjustments to Restricted Funds and Accounts	0	1,975,100
Total of FY 2016 Recommended Transfers and Adjustments impacting the General Fund	16,705,001	19,054,100
Items Already Included in Revenue Consensus		
Statutory Surplus Designated to the Industrial Assistance Fund (Transfer from General Fund)	4,525,000	0
Alcoholic Beverage Control Credit Card Fees Stores (Funded by Restricted Revenue)	<u>0</u>	<u>424,000</u>
Total of FY 2016 Recommended Transfers and Adjustments Included in Revenue Consensus	4,525,000	424,000
Total FY 2016 General Fund and Education Fund Recommended Adjustments	366,797,301	424,514,000

Table 10: Recommended Adjustments Funded from Restricted Funds and Accounts

Ongoing and One-time Funding

Adjustment	Restricted Fund or Account	One-time	Ongoing
Additional Child Welfare Mediator Position	1440 (JUD) Dispute Resolution Account	\$0	\$86,000
Body Cameras	1400 (GOV) Criminal Forfeiture Restricted Account	\$1,000,000	\$0
Calibration of Standards	2361 (DAG) Department Registration Fees	\$102,700	\$0
Capital Budget Reduction	5495 (TLA) Land Grant Management Fund	\$0	-\$3,300,000
Captive Insurance Restricted Account Increase	1423 (INS) Captive Insurance Restricted Acct	\$0	\$300,000
Catastrophic Wildfire Reduction Strategy Implementation	1185 (DNR) Sovereign Lands Management Account	\$2,500,000	\$0
Collection Cost for UI Special Administrative Fund (UISAF)	1281 (DWS) Special Administrative Expense Account	\$1,000,000	\$0
Computer Tablets/Testing Kiosk Annual Maintenance & Connection Fees	2865 (DPS) Department of Public Safety Restricted Account	\$0	\$98,800
Credit Card Fees Stores (Already Included in Revenue Consensus)	5480 (ABC) Alcoholic Beverage Control-Liquor Control Fund	\$0	\$424,000
Dam safety	5275 (FIN) Water Resources Conservation & Development Fund	\$6,200,000	\$0
Debt Service Payments	2900 (DOT) Transportation Investment Fund of 2005	\$14,900	\$0
Drinking Water Program Maintenance	5235 (FIN) Utah Drinking Water Loan Program Subaccount	\$0	\$600,000
Electronic Payment Fee Restricted Account Appropriation	1504 (TAX) Electronic Payment Fee Restricted Account	\$300,000	\$600,000
Equipment Replacement and Public Educational Materials	1254 (DPS) Fire Academy Support Account	\$86,000	\$0
Features Inventory Increase	2900 (DOT) Transportation Investment Fund of 2005	\$0	\$601,400
FFSL Vehicle Purchase	1185 (DNR) Sovereign Lands Management Account	\$65,000	\$0
Freeport Center O&M	1185 (DNR) Sovereign Lands Management Account	\$0	\$56,600
Fuel Laboratory Equipment and Calibration	2361 (DAG) Department Registration Fees	\$128,900	\$0
Funding Correction - Petroleum Storage Tank Trust Fund	7220 (DEQ) Petroleum Storage Tank Trust Fund	-\$595,000	-\$595,000
Grazing Improvement	1035 (DAG) Rangeland Improvement Account	\$1,500,000	\$0
Land Exchange	5495 (TLA) Land Grant Management Fund	\$300,000	\$0
Land Stewardship	5495 (TLA) Land Grant Management Fund	\$0	\$1,613,500
Law Enforcement Services Grants	1408 (GOV) Law Enforcement Services Account	\$200,000	\$0
Licensing Camera Replacements	2865 (DPS) Department of Public Safety Restricted Account	\$250,000	\$0
Maintenance Increase	2800 (DOT) Transportation Fund Unrestricted	\$0	\$6,000,000
Medicaid Restricted Account Balances	1222 (DOH) Medicaid Restricted Account - Transfer	\$6,400,000	\$0
Natural Gas Inspection	2361 (DAG) Department Registration Fees	\$184,300	\$73,900
Office Lease Expenses Increase	1300 (FIN) Financial Institutions	\$0	\$26,000
Parks Capital Development - Jordanelle	1157 (DPR) State Park Fees Restricted Account	\$1,000,000	\$0
PEHP Rebate	9116 (FIN) Public Employees Health Program - Transfer	\$5,259,300	\$0
Petroleum Violation Escrow Fund technical adjustment	1404 (GOV) Stripper Well-Petroleum Violation Escrow	\$330,500	\$0
Postage/Mailing/Printing	2865 (DPS) Department of Public Safety Restricted Account	\$0	\$250,000
Predator Control	1174 (DNR) Predator Control Restricted Account	\$0	\$200,000
Quagga Mussel Containment	1155 (DPR) GF Boating Account - Transfer	\$0	\$700,000
Replace Trust GFR Account Appropriation with GF	1451 (JUD) Trust Account Support	\$0	-\$500,000
Replacement of Credit Card Readers	2865 (DPS) Department of Public Safety Restricted Account	\$208,000	\$0
Richfield Regional Building	1185 (DNR) Sovereign Lands Management Account	\$2,006,300	\$0
Sovereign Lands Management Planning	1185 (DNR) Sovereign Lands Management Account	\$2,780,000	\$572,000
Sovereign Lands Vehicle Lease Payments	1185 (DNR) Sovereign Lands Management Account	\$0	\$9,600
Statutory Increase to Underage Drinking Prevention	GFR - Underage Drinking Prevention	\$0	\$122,400
Title Licensee Enforcement Restricted Account Increase	1424 (INS) Title Licensee Enforcement Res Acct	\$0	\$9,800
Tourism Marketing Earmark	1403 (GOV) Tourism Marketing Performance Account	\$18,000,000	\$0
Trust Lands Auditor	5495 (TLA) Land Grant Management Fund	\$0	\$70,000
Trust Lands Resource Specialist	5495 (TLA) Land Grant Management Fund	\$0	\$140,000
Trust Lands Surface Analyst	5495 (TLA) Land Grant Management Fund	\$46,300	\$0
Unemployment Insurance Special Administrative Fund (UISAF)	1281 (DWS) Special Administrative Expense Account	\$4,000,000	\$0
Utah Conservation reorganization	5460 (DAG) Agriculture Resource Development Fund	\$80,000	\$0
Water Rights Canal Safety Inspection	5275 (FIN) Water Resources Conservation & Development Fund	\$130,000	\$0
Sub-total without Statewide Adjustments		\$53,477,200	\$8,159,000
Statewid Adjustment for Compensation and Internal Service Funds			
DAS Internal Service Fund Adjustments	Various funds and accounts	\$0	\$885,000
DAS RM Property Valuation Adjustments	Various funds and accounts	\$0	\$251,900
DHRM Compensation Adjustments	Various funds and accounts	\$0	\$49,900
DHRM Internal Service Fund Adjustments	Various funds and accounts	\$0	\$1,144,700
DTS Compensation Adjustments	Various funds and accounts	\$0	\$235,600
DTS Internal Service Fund Adjustments	Various funds and accounts	\$0	\$45,300
State Employee 401k Match	Various funds and accounts	\$0	\$1,134,800
State Employee Compensation Increase	Various funds and accounts	\$0	\$2,433,200
State Employee Health Insurance Increase	Various funds and accounts	\$0	\$1,172,800
State Employee Retirement Increase	Various funds and accounts	\$0	\$510,600
State Employee Retirement Rate Change	Various funds and accounts	\$0	\$1,700
State Employee Targeted Market Comparability Compensation Increase	Various funds and accounts	\$0	\$1,480,000
State Employee Targeted Market Comparability Retirement Increase	Various funds and accounts	\$0	\$305,700
State Employee Targeted Market Comparability Retirement Rate Change	Various funds and accounts	\$0	-\$400
State Employee Targeted Market Comparability Unemployment Increase	Various funds and accounts	\$0	\$1,700
State Employee Targeted Market Comparability Unemployment Rate Change	Various funds and accounts	\$0	-\$13,900
State Employee Unemployment Increase	Various funds and accounts	\$0	\$2,600
State Employee Unemployment Rate Change	Various funds and accounts	\$0	-\$54,800
Sub-total Statewide Adjustments		\$0	\$9,586,400
Total Adjustments Funded from Restricted Funds and Accounts		\$53,477,200	\$17,745,400

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