



CULTIVATING UTAH'S ECONOMIC PROSPERITY AND QUALITY OF LIFE



BUDGET RECOMMENDATIONS

FISCAL YEAR 2018 – FISCAL YEAR 2017 SUPPLEMENTALS

GOVERNOR GARY R. HERBERT

CULTIVATING UTAH'S ECONOMIC PROSPERITY AND QUALITY OF LIFE



<< FISCAL RESPONSIBILITY >>

Considering the benefits and challenges of a booming economy and fast growing population, the Herbert administration is focused on continued economic prosperity and enhancing Utah's unsurpassed quality of life. This focus requires making principle-based decisions that consider both short- and long-term needs as well as the best way to maximize scarce taxpayer dollars.

Budget Principles

1. Optimize conditions for a healthy and growing free market economy that empowers the private sector.
2. Strategically invest in the people of Utah.
3. Live within our means.
4. Pay off debt while preparing for contingencies (including no new debt authorization beyond prison relocation needs).
5. Operate government efficiently while delivering quality outcomes for the people of Utah.
6. Focus on the root cause(s) of an issue rather than symptoms.

26.7% improvement

exceeds the Governor's performance goal
(details in Investing in What Works policy brief)

\$550 million

rainy day funds

\$1.7 billion

debt paid down over six years

\$287 million

new ongoing money

\$200 million

lost revenue from remote sales

\$16 billion

balanced budget

Governor recommends a comprehensive review of tax policy to promote an equitable and simple tax system

EDUCATION

\$260 million

public and higher education funding

79%

new revenue going to education

K-12

\$425 million

ongoing revenue (2-year total) toward Governor's K-12 goal of \$1 billion investment over 5 years

\$68 million

FY 2018 enrollment growth

10,100 new students

HIGHER EDUCATION

\$50 million

USHE, UCAT, UETN

2.0 percent

compensation increase

\$4 million

performance incentives

\$12.5 million

scholarships

\$1 million

for engineering programs

Provide resources to become top state for academic performance

4.0% Weighted Pupil Unit (WPU) - increase of \$116 million

What is WPU used for?

local decisions for:

- ✓ professional development
- ✓ teacher salary increase
- ✓ technology development
- ✓ early intervention for at-risk children

UTAH GOVERNOR
GARY R. HERBERT

Investing in the Future of Utah

CULTIVATING UTAH'S ECONOMIC PROSPERITY AND QUALITY OF LIFE



<< PUBLIC SAFETY >>

new funding that supports the attraction and retention of the best and brightest in law enforcement

\$1 million
public safety
equipment

\$750,000
crime lab and evidence
management

\$1.5 million
increase in state trooper and
public safety employee pay

\$7.6 million
for correctional employees
(including career ladder)

\$1.5 million
jail reimbursement
and jail contracting

<< WATER >>

new funding of on-going efforts to improve the efficient use of Utah's water

\$4.5 million
water conservation rebates
and advertising (including
residential smart sprinkler
and agricultural
irrigation controls)

\$500,000
water-saving technology
at state facilities

\$123,000
algal bloom

\$4.5 million
collect water use data
with advanced meters and
improve data reporting

above figures are in addition to about \$40 million already earmarked to water

<< CLEAN AIR >>

new funding of on-going efforts to improve Utah's air quality, monitoring, and research

\$1.4 million
air quality monitoring

\$32 million
air quality efforts
in coming years
(Volkswagen settlement)

\$250,000
air quality research

above figures are in addition to about \$16 million in base budget

UTAH GOVERNOR
GARY R. HERBERT

Investing in the Future of Utah



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BUDGET & POLICY BRIEF

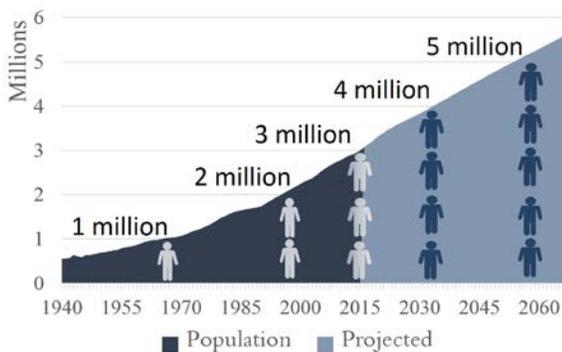
A Vision for the Future



QUALITY OF LIFE

Utah recently surpassed the milestone of three million residents, underscoring a fact that many Utahns take for granted: Utah is a great place to live! While people live in Utah for many reasons, the high quality of life that residents enjoy is a major reason people choose to stay, raise families, pursue careers, and ultimately call Utah home.

FIGURE 1. UTAH'S POPULATION GROWTH



An enviable quality of life and the resulting population growth is not without challenges. Children need to be educated; people, goods, and services need to be moved; businesses and industries require oversight to ensure a level playing field; and services are required to maintain a healthy, safe, and secure state.

While Utah is blessed with natural assets such as iconic scenery and a pleasant four-season climate, the state's high quality of life includes many other attributes. Ultimately, our elevated quality of life involves the unique combination of people with strong character, community values, a diverse culture, economic opportunities, superior amenities, and sound social systems that are found only in Utah.

Every individual, business, and public entity that calls Utah home has the responsibility to contribute to our high quality of life. State government is no exception. Recognizing that limited and efficient government is just one piece of the puzzle, policymakers must facilitate systems that allow businesses to thrive and individuals to pursue their goals—all while maintaining a healthy, safe, and secure environment for the next generation.

Utah's quality of life is no accident. It is the result of a purposeful movement toward well-defined goals that are driven by effective principles and policies.

UTAH'S SUCCESSES

Utahns are fortunate to have inherited a state built upon a heritage of strong values, an industrious work ethic, wise stewardship of natural resources, prudent investments of taxpayer dollars, a spirit of cooperation, and purposeful planning and investments toward the future. It's the "Utah way."

These past measures have yielded invaluable dividends for current residents who benefit from low tax rates, healthy budgetary reserves, a good education system, an envious economic climate, and world-class outdoor recreation. These past actions have resulted in Utah being named the #1 state for business, the best managed state, and numerous other accolades.

These positive attributes and numerous accolades represent more than just bragging rights. Job growth statistics represent the ability for Utah families to enjoy the necessities and comforts of life. Low tax rates mean Utahns get to choose how

to invest more of their own money. A meaningful, yet business-friendly, regulatory framework allows individuals and businesses to chart their own course to prosperity while putting consumers' minds at ease that they'll be treated fairly.

Quality infrastructure and transportation systems ensure residents enjoy a shorter-than-average commute time and have more time to pursue hobbies or spend time with family. The nearly 150 miles of commuter and light rail lines and over 1,000 miles of urban bikeways and trails deliver additional transportation and recreation choices.

Prudent stewardship of Utah's natural resources protects the natural spaces needed to renew body and mind while delivering the affordable energy and mineral resources needed to keep Utah moving. Past practices and paradigms have resulted in the incredible quality of life we have come to enjoy and expect today.

KEEPING MOMENTUM IN THE FACE OF GROWTH CHALLENGES

While Utah has been blessed with an unmatched quality of life, we are not without challenges. A growth rate that is *double* the national average means that it takes significant effort just to keep up. With student populations increasing by thousands of children each year, there is continuous pressure to build new schools and hire bright and committed teachers to instruct the next generation. Strong economic performance brings more people with more vehicles on the road, requiring additional investments in transportation and other infrastructure. An increase in vehicles, homes, and businesses, combined with Utah's unique topography and climate, result in unique air quality challenges. New homes and yards put pressure on existing water resources as Utah enters another year of potential drought.

In spite of these challenges, Utah has created a culture of continuous improvement and the maximization of limited resources. Despite rapid

enrollment growth, high school graduation rates have increased by 16 percent since 2008 (69% to 85%). Even with more cars and miles driven on the road each year, average commute times have remained steady since 2000 and traffic fatalities have decreased by 26 percent. While air quality has received heightened scrutiny in the face of tightening federal regulations, total statewide emissions decreased by 30 percent between 2002 and 2014, even as Utah added over 600,000 residents during the same time frame (resulting in a 46 percent per-capita reduction). In the face of continuing drought conditions, Utahns continue to use water more efficiently and are nearing the expedited goal of a 25 percent improvement in water efficiency while continuing to push for even greater efficiency in the future.

These improvements have required engaged citizens, innovative solutions, wise investments, and strong leadership. However, progress has not required growing state government. In fact, Utah has reduced the number of state employees relative to the state's population by 12 percent over the past six years and, in FY 2016, Utah had fewer FTE employees than it did in the year 2001. A reduced workforce and better outcomes provide greater value for every tax dollar invested and will continue to require meaningful efficiencies from every agency.

COMMITMENT TO THE FUTURE

Just as our current prosperity was not created by accident, the future we create for ourselves and future generations will rely on prudent management and thoughtful investments of limited resources. The Governor's budget recommendations represent a commitment to the principles that ensure Utah will remain in a strong position to welcome the next three million residents and, in so doing, maintains and cultivates the conditions that ensure Utah's future prosperity and unmatched quality of life.

BUDGET & POLICY BRIEF

Governor's Budget Overview



MAXIMIZING UTAH'S STRONG ECONOMY

Today, Utah is widely recognized as a top-performing economy. The unemployment rate is low (3.2% as of October) and the job growth rate is good (3.0% overall as of October). In many ways, Utah seems to have passed an economic threshold and is now on the radar of national and global business decision makers. Moreover, unlike some other states that are highly reliant on a single economic sector such as energy or tourism, Utah has one of the most diverse economies in the United States. With this diverse economy, downturns in any one economic sector do not have an extraordinary impact on the state's overall economy.

BUILDING ON CURRENT SUCCESS AND LOOKING TO THE FUTURE

Although Utah's economy is performing well, we cannot let down our guard. With Utah's population expected to increase over 40 percent by 2040, we must commit to making strategic investments and creating an environment where Utah's citizens can continue to prosper and enjoy the unique benefits Utah offers.

This budget is founded on policy and funding recommendations that support a thriving future economy and quality of life. The decisions made today will have significant impacts on both the short- and long-term—making it critical to have a broader perspective than the immediate future.

The budget begins with using the resources provided by our growing economy to make strategic investments in Utah's future—especially in educating the children and young adults who

represent Utah's future engaged citizens and workforce.

As Utah enters a new era economically, one of the major constraints to future growth will be an educated workforce. High-value firms demand highly skilled labor and educating our young people does not happen instantaneously. Instead, a highly-skilled workforce will come as a result of a consistent and dedicated focus to increasing resources and using those resources wisely to obtain desired outcomes. By educating our future workforce, they will be able to meaningfully respond to whatever challenges the future may hold.

The Utah Legislature should be commended for increasingly investing in education in recent years. Continued sizable investments in the years to come are essential to keep Utah on the path to continued economic success by educating our future workforce.

In addition to funding recommendations for education, this budget highlights the need to create a more equitable and simple tax system that will benefit the overall economy, taxpayers, and our education systems.

In addition to investing in the people of Utah, the state must also consider infrastructure to include a comprehensive and integrated transportation system. A well-functioning transportation system is critical for both a well-functioning economy and to meet the demands of a growing population. Likewise, addressing the policies and demand for water underlies almost every aspect of Utah's future, so promoting conservation and principled

ways to address new water development are key aspects of this budget.

BUDGET PRINCIPLES

Maintaining Utah’s competitive edge and quality of life 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 (as detailed in the taxation and free market economy brief), place an increased demand on everything from education to infrastructure and from the state’s natural resources to our correctional system.

A reactionary approach to new budget demands and changes within the economy, as opposed to 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 yield better results than trying to do too many things and losing focus on what is most important. The Governor’s budget recommendations reflect strategic investments of scarce taxpayer resources to best manage the state’s many demands.

Governor Herbert’s budget proposal is based on six major principles:

1. Optimize the conditions for a healthy and growing free market economy that empowers the private sector.
2. Strategically invest in the people of Utah.
3. Live within our means.
4. Pay off debt while preparing for contingencies (including no new debt authorization beyond prison relocation needs).
5. Operate government efficiently while delivering quality outcomes for the people of Utah.
6. Focus on the root cause(s) of an issue rather than symptoms.

BUDGET TOTALS

The Governor’s total recommended budget for fiscal year 2017-18 (FY 2018) is \$16.1 billion, including state, federal, and certain local sources. The recommended budget financed by state-collected funds (i.e., excluding federal funds, local property tax for schools, and higher education tuition) totals about \$10.1 billion. The recommended budget for the General Fund and the Education Fund, the state’s two largest funds, totals approximately \$6.55 billion.

Major categories of General Fund and Education Fund expenditures include public education (about \$3.4 billion), higher education (about \$1.1 billion), Medicaid and other social services (about \$1 billion), and corrections, public safety, and justice (about \$660 million). In addition, transportation funding from state-collected funds totals about \$1.5 billion (including debt service payments for transportation projects). These expenditures are funded through various transportation funds outside the General Fund.

BUDGET BOOK OUTLINE

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

REVENUE FORECAST

Utah’s growing economy is providing additional resources to invest in the state’s long-term future. Our solid economy and broad-based economic growth is reflected in growing state government revenues. While corporate taxes declined over the past year, job growth continues and state individual income tax revenues have increased. As people feel more confident about the economy

and purchase more goods, sales tax revenue have also increased.

In November 2016, the Governor's Office of Management and Budget (GOMB), the Office of the Legislative Fiscal Analyst (LFA), and the Utah State Tax Commission revised the state's FY 2017 revenue forecast and developed a new consensus revenue forecast for FY 2018. The Governor's budget recommendations are based on this forecast, which yields approximately \$1 million in new one-time funds and nearly \$287 million in new available ongoing unrestricted General Fund and Education Fund revenue. In addition, nearly \$35 million ongoing is automatically allocated for sales tax earmarks.

These revenue increases come from increases in individual income taxes (nearly \$200 million above the February forecast for FY 2016). Sales and use taxes are also projected to increase in FY 2018 (nearly \$109 million, of which about \$74 million is deposited into the General Fund and \$35 million is used for earmarked funds). In FY 2018, under a recent constitutional change, an estimated \$9 million of severance tax revenue that was previously deposited to the General Fund will be automatically allocated to the state's permanent fund.

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 \$552 million in the state's various rainy day funds, including the Education Fund Budget Reserve Account (\$349 million), General Fund Budget Reserve Account (\$144 million), Medicaid Growth Reduction and Budget Stabilization Account (\$26 million), and Wildland Fire Suppression Fund and Disaster Recovery Restricted Account (\$33 million).

In addition, during the 2016 interim, GOMB worked with LFA staff, along with staff from the State Tax Commission on tax issues, to stress test

the state's budget for an adverse and severe economic downturn and for "stagflation" (an economic slowdown with inflation). The exercise examined potential impacts on revenues and expenditures while also examining the formal and informal reserves and other tools available to weather an economic storm.

The stress test review suggests that Utah is generally well positioned for a "typical" recession. Sizable amounts of ongoing revenue are already allocated to transportation and capital improvement projects (including \$85 million in increases to working rainy day funds through earmark revenue increases and debt service payment reductions), even after prison relocation bond costs. The Governor's budget seeks to set aside sufficient funds for an economic downturn while also ensuring that precious taxpayer dollars remain working in the economy and in the pocketbooks of the people of Utah.

Utah is recognized nationally for its prudent fiscal management, including maintaining its AAA bond rating, which creates sizable interest savings relative to states with lower bond ratings. Utah is 1 of only 11 states with this rating. The Governor's budget funds actuarially-estimated, long-term obligations including state employee retirement pensions, bond payments, and various employee benefit programs, including last year's action to reduce the amortization period for certain benefit liabilities from 20 to 10 years. To further reduce the state's debt load and maintain budget flexibility for economic downturns, the Governor recommends no new debt be authorized during the 2017 session beyond debt needed for prison relocation.

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 discourages any further earmarking to protect the General Fund from further erosion, including the further

proliferation of automatic end-of-year surplus transfers.

With these prudent fiscal management practices in place, the Governor’s budget proposes to use growing 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 begins with education, providing about \$260 million for the state’s public and higher education systems (see Table 2), bringing total state education funding to approximately \$4.5 billion. The Governor recommends \$201 million in support of public education (\$185 million ongoing, \$16 million one-time). This amount includes a sizable 4.0 percent increase in the Basic School Program to provide locally controlled funds for education.

The budget also provides over \$55 million (\$43 million ongoing and \$12 million one-time) for the state’s post-secondary institutions.

Overall, the Governor’s total FY 2018 recommended increase in education funding from new ongoing revenue is \$256 million or 79 percent of new ongoing revenue.

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 education policy goals. Just as the Governor advocates for more state rights when it comes to federal government overreach, he also believes that the state should respect the role of local officials. The Governor’s budget proposes a

substantial increase in locally controlled basic school program funding through a 4.0 percent increase in the value of the WPU, estimated at nearly \$116 million.

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 the top state for student achievement.

In the fall of 2017, Utah’s schools are estimated to have nearly 10,100 more students coming through the door. The budget funds this anticipated enrollment growth, at a FY 2018 state cost of over \$68 million (\$64 million ongoing and \$4 million one-time), including a recommendation that four additional programs be provided through enrollment growth funding.

While these increases represent a good-faith effort to increase resources for public education, meaningful accountability must accompany this investment. Over time, improved student outcomes from this 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. In addition, educational agencies should continue to maximize resources and find measurable ways to provide more efficient and effective services.

The Governor’s budget also provides \$9 million in one-time funds for teacher supplies and \$1.2 million for a student counseling pilot project.

HIGHER EDUCATION

Building on the state’s existing efforts to increase funding in recent years, the Governor proposes additional increases in higher education. The budget includes over \$25 million ongoing for compensation, including \$6.4 million to address

health insurance cost increases and \$18.8 million to fund a two percent compensation increase for higher education employees, with the flexibility for institutions to target funds to retain the best and brightest employees.

In addition, \$4.0 million ongoing is recommended for performance-based funding for Utah System of Higher Education (USHE) institutions, \$1 million ongoing for an engineering initiative, \$1.5 million for UCAT (\$500,000 ongoing, \$1 million one-time), and \$1 million one-time for UETN. With rising tuition rates and growing enrollment, it is critical that a meaningful portion of post-secondary funding is tied to outcomes and that post-secondary institutions continually increase efficiencies.

The budget also includes \$3 million for the University of Utah Hospital building.

EDUCATION INVESTMENTS

All of these investments are part of the Governor's goal to be the top state for academic performance. Last year, the Governor set a five-year goal of \$1 billion in new ongoing revenue for public education and \$275 million for higher education. Based on this year's recommendations, the first two years of the five-year goal brings the Governor's budget recommendations to about \$425 million (\$406 million in appropriations and \$19 million statewide basic levy growth) for public education and to about \$108 million for higher education.

INVESTING IN PEOPLE: SOCIAL SERVICE PROGRAMS AND SUPPORT

The Governor's budget recommends \$8 million in ongoing General Fund increases for Medicaid Consensus items, \$6.4 million in combined one-time and ongoing Medicaid matching funds for local mental health authorities, \$4.1 million to fund additional needs for individuals receiving Medicaid disability waiver services, \$1.4 million to restore Medicaid dental services for people with

disabilities, \$1 million to bring 165 individuals off the waiting list and into disability waiver services, \$1 million to increase access to Medicaid preventative care and family planning health services and \$726,000 in higher reimbursement rates for Accountable Care Organizations beyond the statutorily-required \$7.1 million two percent growth factor equivalent.

The Governor's budget also recommends \$3.3 million in ongoing General Fund for forensic competency restoration activities, \$2.67 million for the Baby Watch Early Intervention Program, and \$7.5 million for affordable housing and homelessness reduction initiatives, among other social service recommendations.

INVESTING IN PEOPLE: WATER AND AIR QUALITY

The Governor recommends continued investments in water conservation and water data and that water users increasingly bear the true cost of the water they use. The Governor's budget allocates \$4.5 million to install advanced water meters in selected cities and towns in order to gather better data on actual water use (rather than using estimates). The data will be used to improve water use efficiency. In addition, the budget includes \$2.2 million for rebates for water-efficient sprinkler controllers and other outdoor watering equipment, \$300,000 for conservation education and messaging, \$500,000 for water efficiency at state facilities, and \$2 million for grants and studies related to agricultural water and crop production efficiency. In addition, \$100,000 is recommended for water rights adjudication and \$123,000 is recommended to address algal bloom efforts.

The Governor's budget provides \$1.7 million to address air quality in a number of ways, including \$1.45 million for air quality monitoring, \$250,000 for air quality research, and \$32 million (Volkswagen settlement) will be available over several years to support additional efforts to improve air quality.

The Governor recommends a holistic approach to the use of these funds to ensure achieved outcomes produce the most enduring and effective reduction of emissions for each dollar invested.

INVESTING IN PEOPLE: PUBLIC SAFETY

Those who enter the field of law enforcement put their lives on the line every day to protect the rights and freedoms of Utah's citizens. During a time of increased scrutiny of law enforcement and added threats to our communities, it is critical that we attract and maintain the best and brightest within this field.

The Governor's budget includes \$860,000 to increase salaries for state troopers. With the one percent cost of living adjustment, the \$860,000 for state troopers and \$50,000 in General Fund for increases to the criminal information technician job family, the Governor's budget provides nearly \$1.5 million in General Fund salary increases for public safety in FY 2018.

Over the 2016 interim, GOMB facilitated the creation of a workgroup comprised of leadership from the Department of Corrections, Department of Human Resource Management and a contracted consultant to develop a framework for a competitive and sustainable pay plan for certain classifications in the Department of Corrections. The Governor's budget includes \$7.6 million in funding to provide salary increases and salary range adjustments to employees of the Department of Corrections, of which \$5.8 million will support the implementation of a career ladder for those working in correctional specialist and administrator classifications, the correctional officer job family and the correctional adult probation and parole officer classification, among others.

INVESTING IN PEOPLE: EMPLOYEE COMPENSATION

The Governor's budget proposes an inflationary one percent salary increase for state employees (\$7.5 million) as well as the aforementioned increases for the Department of Public Safety and Department of Corrections, and targeted funding to increase salaries for employees working in specific classifications that are below market wages. In addition, the budget funds ongoing health insurance and 401(k) match program cost increases (\$7.1 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 by looking ahead to anticipated growth, new demands on services, and the opportunities that are possible if we continue with bold vision and fiscal prudence.

BUDGET & POLICY BRIEF

Taxation and a Free Market Economy



UTAH'S ECONOMY AND TAX STRUCTURE

A key factor of Utah's long-term prudent fiscal management is ensuring that sufficient resources are available to meet core government objectives—especially educating the state's future workforce. In addition to providing sufficient revenues, the tax system should be simple; have a broad base with a low and competitive rate; and be equitable for both similarly-situated taxpayers (horizontal equity) and differently-situated taxpayers (vertical equity).

Money is a neutral indicator of the value of a product or service. When government tips the scales through tax policy or incentives, it has the potential of distorting the perceived value of the product or service.

FREE MARKETS AND THE ECONOMY

When functioning properly, a free market is the best way to organize economic activity and maximize the overall wealth of society. In a properly functioning free market, prices motivate the decision-making of buyers and sellers, which efficiently allocates economic resources. Even though individuals are pursuing their own interest, Adam Smith's "invisible hand" metaphor highlights how these countless market transactions create the best environment for society as a whole.

When market failures exist, free markets will fail to achieve economic efficiency and produce the best overall outcomes. Market failures occur when one or more of the underlying free market

conditions are lacking. Examples include monopolies, misunderstanding of the costs and benefits of an economic transaction, public goods, or when market prices do not reflect the full costs or benefits of a market transaction.

In these cases, there is a potential free market rationale for government intervention to improve economic efficiency. By enforcing property rights, government intervention also improves economic efficiency.

Centrally planned economies misallocate economic resources—resulting in lower overall economic wealth than a properly functioning free market.

TAXES AND THE ECONOMY

The primary reason tax systems exist is to generate revenue for needed services (education, transportation, public safety, etc.). Ideally, most government intervention should tie to a core market failure.

Another key feature of a tax system is to send price signals to citizens about the cost of providing government services—allowing citizens to make decisions about the level of service desired based on a cost and benefit comparison. Notably, such price signals may be distorted and lead to increased demand for services by those who do not bear their full share of the tax burden.

A side effect of the tax system is that by altering economic prices (the free market rationing mechanism), economic outcomes are also distorted. With most taxes, this economic distortion makes the economy less efficient. In

very few instances, a tax may fully or partially offset a market failure and result in a more efficient economy.

Public finance economists advocate simple tax systems that have a broad base and a low rate because they tend to minimize the damage to the economy; are economically neutral so that government isn't selecting winners and losers through the tax code; minimize reliance on any particular segment of the economy; and improve compliance and administration.

It is important to take a step back and consider whether or not Utah's tax policies are getting us closer to, or further away from, the ideal and to make appropriate course corrections as needed.

MISMATCH BETWEEN ECONOMY AND TAX STRUCTURE

A mismatch increasingly exists between Utah's economy and tax base that is narrowing relative to the economy over time, especially in the main source of revenue for the General Fund—the sales tax. The mismatch exists for a myriad of reasons, including changes in the economic structure and tax policy.

FIGURE 1. STATE AND LOCAL TAXES AS A PERCENT OF PERSONAL INCOME

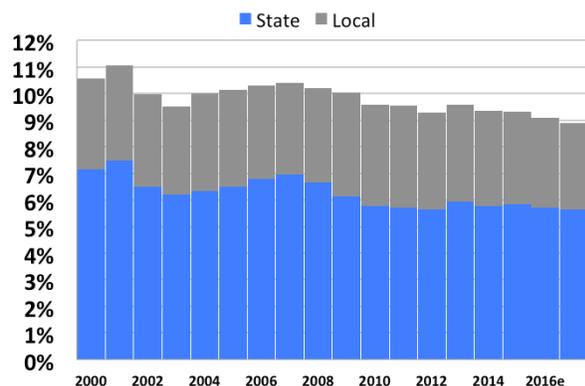


FIGURE 2. SALES TAX BASE AS A PERCENT OF PERSONAL INCOME

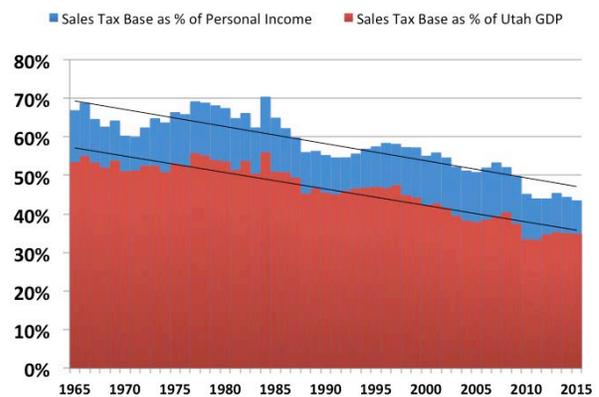


FIGURE 3. U.S. PERSONAL CONSUMPTION EXPENDITURES

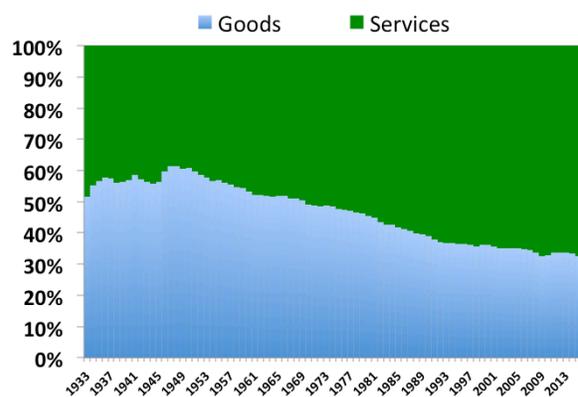
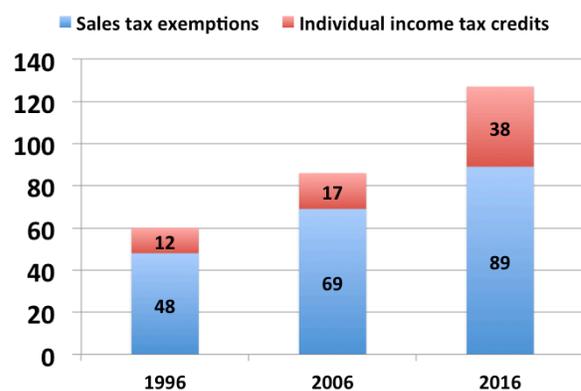


FIGURE 4. GROWTH IN SALES TAX EXEMPTIONS AND INCOME TAX CREDITS



Changing Economic Structure. One core reason for the mismatch between economic growth and tax base growth is that the economy has fundamentally changed and continues to change over time. The sales tax was imposed in 1933,

when the economy was largely goods-based. As shown in Figure 3, the economy has increasingly become more service-based over time. Although some services, such as accommodations and restaurant services are taxed, many services are excluded from the sales tax base. In addition, digitization of goods has eliminated or reduced some segments of the economy that were goods-based and turn them into electronic services, such as compact discs and books changing to digital downloads. Even if these items are taxed, the sales price can be lower than it once was. Finally, even in cases where taxes are currently due, remote sales collection has proven to be a challenge. Over the decades, tax rates have often been increased to compensate for the impact of a tax base not keeping pace with economic growth. Proposals for such actions continue today.

Tax Policy Decisions. In addition to the structural economic issues, the state has also made policy decisions to reduce the tax base over time. This includes a proliferation of tax exemptions, exclusions, credits, and reduced tax rates on specific items. Although many of these are well-intended and a few may even be necessary, some are essentially government programs run through the tax code rather than through the budget. The combined effect of the multiplication of instances of preferential tax treatment is to reduce available revenue for services, such as education, which often leads for a push to increase taxes elsewhere. In addition, there is seldom the degree of scrutiny of the preferential tax treatment like there is of normal budget appropriations—preferential tax arrangements are generally taken as a given rather than being subject to change like other budget items.

Legislative Earmarks. In addition to the major impact of tax policy decisions, the Legislature has also chosen to earmark very large amounts of sales tax revenue for transportation, leading to slow General Fund growth even in the midst of strong economic growth. These earmarks were

likely caused initially, at least in part, by the impact of General Fund revenues not keeping pace with economic growth and not providing sufficient revenues for the transportation services many demanded. The combined effect of all of these shifts is to minimize the available revenue for services, in particular for public education and higher education as education funds are shifted in the budget.

User Fees. Although not always appropriate due to ability-to-pay considerations, when they are feasible, user fees and user-aligned taxes can create a more direct alignment between the cost of government services and paying for those services. This “benefits principle” of taxation more closely aligns to free market transactions, as those who choose to use services pay for them. Examples of appropriate fees to align with the costs of services include water user fees, state park user fees, gas taxes, and even congestion-based pricing for roads.

ECONOMIC IMPACT OF MISMATCH

To the extent that quality public services needed for an efficient and productive economy can continue to be provided with a lower tax burden, the effect on the economy is positive as it minimizes tax-created distortions. The state has undertaken a number of initiatives to improve efficiencies while still providing quality services, thus maximizing value to the taxpayer.

While taxes can create damage in the economy, there is offsetting societal and economic value from the services provided to taxpayers with the tax revenue. To the extent that needed services (such as education and transportation) suffer with reduced taxes or minimal growth in tax revenues, the economy overall will suffer if businesses cannot find sufficient skilled workers or are unable to efficiently move goods to market. When this occurs, the degradation of public services may fully or partially offset the positive effect of the lower tax burden on the economy.

It is time for the people of Utah to seriously consider comparing the benefits of public services with the cost of taxes to pay for them. Many people want services (good schools, roads, public safety) but are reluctant to pay the full cost for them. While government can and should do everything possible to provide more efficient services, it is also essential for the demand for services to align with the tax structure. The bottom line—it takes resources to provide services that maintain our quality of life. We must start asking questions about how to fund such services in a shifting economy.

Another major impact of the mismatch is that government increasingly creates an uneven playing field by selecting winners and losers through tax incentives and exemptions. One obvious example of this is remote sales, where a tax distortion provides benefits to one segment of the market (remote sellers) at the expense of another segment (brick-and-mortar sellers). A similar situation exists between goods-based transactions that are subject to sales tax and services-based transactions—many of which are not subject to sales tax. This tax-created distortion unequally alters prices in the market, which can create economic inefficiency. Notably, this uneven selection of winners and losers through the tax code undermines the primary rationale for taxes with a broad base and low rate, which is to leave more decisions to the market rather than with government.

CRITERIA

As Utahns consider solutions to these challenging issues, a measured and prudent approach should be taken. Potential solutions should be evaluated on at least the following criteria:

- Equitable/level playing field (vertical and horizontal equity)
- Simple
- Low and competitive rate / burden
- Revenue sufficient for efficient services
- Impact of change does not harm the economy overall

- Accountability for any preferential tax treatment

Broadly speaking, Utah needs to modernize its tax structure to broaden the base, lower the rate, and better align the tax structure with the modern economy. Modernization can stabilize and maintain government revenue streams needed to provide high quality and necessary government services. This stable tax structure can help cultivate and sustain economic prosperity and quality of life in Utah.

DIRECTION OF THE SOLUTION

The Governor recommends the following:

- Aggressively pursue collection of the estimated \$200 million in taxes currently due on remote sales.
- Stop further erosion of the tax base by offsetting any narrowing of the tax base with a corresponding expansion of the base elsewhere.
- To maintain control over fiscal impacts, require appropriation of funds on the expenditure side through the budget process rather than running government programs through the tax code.
- Expand the tax base to move toward taxing all final consumption (goods and services) uniformly while maintaining a low and competitive tax rate.

In addition, the Governor will be establishing a task force of business leaders and education stakeholders to develop a comprehensive solution that aligns Utah's tax structure with the modern economy (not just a rate increase), and will request that the Tax Review Commission study and make recommendations regarding the state's current tax structure, including alternatives for aligning the tax structure with the modern economy and identifying and reviewing tax credits, tax exemptions, tax exclusions, and other preferential tax loopholes.

BUDGET & POLICY BRIEF

Investing in What Works



INCREASED VALUE PER TAXPAYER DOLLAR

The U.S. Census Bureau cites several Utah communities among the top in the country for population growth. A robust economy, world-class recreational opportunities, and a family-friendly environment contribute to the growth in Utah's population which is expanding at a rate twice the national average. Growth will continue; specific data is provided in the "A Vision for the Future" and "Governor's Budget Overview" documents.

Population growth is the single most influential driver in the increased demand for public services. Additional and ongoing investments in education, transportation, natural resources, child welfare, homelessness, and other areas of state government must be considered carefully. Taxpayers demand improved outcomes of public services—better, faster, and more effective government is required.

Utah has one of the lowest effective total state and local tax rates in the country. Adjusted for the cost of living, Utah ranks tenth nationally for the lowest effective state and local tax rates. In fact, there are fewer inflation-adjusted tax dollars per Utahn in 2016 than just before the most recent recession (2007).

The Governor's approach to meet the demands for additional and enhanced government services while keeping taxes low is to find and exploit hidden capacity. The emphasis is on leveraging existing resources as much as possible—before recommending additional investments of scarce taxpayer dollars.

This focus creates more value for every tax dollar invested. This strategy, combined with a sound, conservative approach to budgeting and policy, is the bedrock of the Governor's budget recommendations. Government must first be accountable to the public by looking to internal improvements and ways to change how it does business before increasing its spending. Just like individuals and families, government must live within its means—spending only what it can afford.

To align these principles, the Governor charged state agencies to improve performance by at least 25 percent. This goal isn't simply rhetoric. A set of management principles and tools has been implemented across state government designed to boost the quality and efficiency of public services. These tools, known as the SUCCESS Framework, are yielding measurable results and require that agencies answer two fundamental questions prior to requesting new funds for a program or service:

- How has the organization maximized existing resources?
- How does the request for new money demonstrate it will measurably meet increased demand or enhance quality?

The goal of the SUCCESS Framework is to bend the cost curve of government amidst a growing population that demands better and faster public goods and services.

STATE EMPLOYEES PER UTAH CITIZEN

One example of the State of Utah delivering better value for taxpayer investment is a comparison of the number of state full-time equivalent (FTE) employees and Utah citizens. The number of citizens served per state FTE has improved from 134 in FY 2010 to 150 in FY 2016, a nearly 12 percent improvement in six years. The reduction in the number of state employees compared to the population over the last six years is equivalent to approximately \$191 million in cost avoidance in FY 2016 using today's average labor costs and structure.

MEASUREMENT APPROACH

The SUCCESS Framework defines the value of a public good or service by two dimensions: "Throughput" is the quantity or number of measured units that pass through the system (program or process) during a defined period (a unit may be a thing or person); and "Quality" is the percentage of throughputs that meet defined criteria for successful performance during a defined period. Quality throughputs (QT) are divided by the operating expenses (OE) agencies incur to generate them.

QT/OE is a quotient that measures the value purchased with each associated tax dollar. The change in QT/OE over time is the state's common metric. The Governor's 25 percent improvement in state performance is measured by the change in QT/OE. This is a key indicator that definitively determines if citizens have better outcomes and/or more service given current operating expenses—as compared to before the agency introduced improvement strategies. The relationship between value and cost is fundamental in determining where and how much to invest in a given program or system.

Systems must be able to articulate how new investments will impact quality or capacity to meet growing demand. Likewise, if the demand for a service declines, the system must justify

why operating expenses should not decrease as well. The SUCCESS approach gives decision makers greater insights into the need for new and ongoing investments.

RESULTS

There are currently 106 systems and 26 agencies, offices, commissions, and boards reporting results through the SUCCESS Management Information System (SMIS). Systems range from Agriculture's eradication of invasive weed species to outreach services to Utah Veterans; and from Workforce Services' assistance to help employed workers find jobs to Environmental Quality's efforts to ensure Utah has clean water. The Governor's Office of Management and Budget (GOMB) is working with agencies to finalize another nine systems for reporting by December 31, 2016. Another 21 systems are in the queue to identify measures and begin improvements. In all, GOMB is presently engaged with 136 systems to improve operations throughout state government.

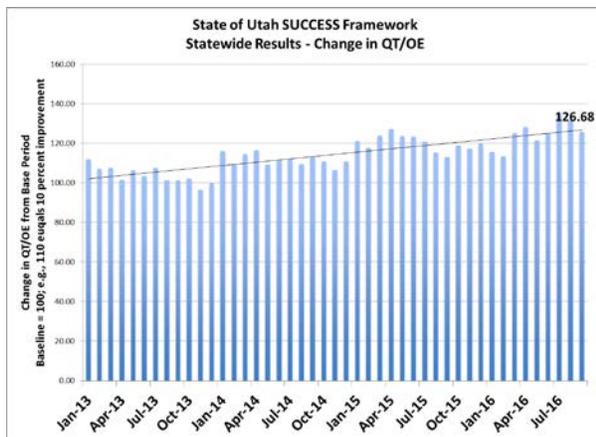
The following are a few agencies with exceptional results that have not previously been highlighted:

Agency	Change from Baseline (Percent)
Agriculture and Food	25.7
Environmental Quality	39.7
Health	14.8
Natural Resources	62.2
Transportation	23.2
Veterans' Affairs	73.2
Tax Commission	20.3

As of September 30, 2016, the aggregate statewide results for all systems reporting have improved by 26.7 percent—meaning that each dollar allocated to these systems is purchasing better, faster, and/or cheaper services. Improvements are observed in virtually all agencies. As new systems are added to the statewide total, this trend will continue to

observe minor fluctuations. Nevertheless, the trend is solidly above the Governor’s target.

FIGURE 1. STATE OF UTAH SUCCESS FRAMEWORK STATEWIDE RESULTS: CHANGE IN QT/OE



The value realized through the SUCCESS Framework is the equivalent of additional monetary worth that was made possible through improvements in efficiency, productivity, quality and/or leadership in the months following the improvement as compared to the baseline period. In other words, the value realized is the difference between the actual costs for the quality throughput (QT) in FY 2016 as compared with what it would have cost for the same QT without the improvements (known from the baseline). The term “value realized” is used in lieu of “cost avoidance” because the label better describes the SUCCESS Framework’s emphases on value creation, increased productivity, and improved quality. The estimated total value realized in just FY 2016 alone was over \$106 million.

With ongoing systems reporting at different intervals (monthly, quarterly, annually, and fiscally) and new systems coming online, the statewide result is constantly tweaking. A few systems are still working to submit results through September 2016. While all systems are in various states of improvement, specific results include:

- Utah’s growth in population directly affects the workload in the Office of Vital Records and

Statistics at the Department of Health. The annual increase in the demand for birth and death records is about 6 percent. Vital records are held to a very high standard for issuing and recording these important documents—10 days for birth records and only 5 days for death records. Strategies were implemented and partnerships established to increase compliance with these standards. Despite increased volume, death records improved performance by 13 percent.

- Utah currently has 54 species of highly invasive noxious weeds that out-compete native vegetation, reduce crop yields, degrade infrastructure, reduce land values, and can destroy equipment used for construction and recreation. These invasive weed species impact farming and ranching, recreation, wildlife, transportation, private land interests, real estate values, and the health of Utah’s ecosystem. The Department of Agriculture and Food applied the principles of the SUCCESS Framework resulting in prioritization of projects leading to 59 percent improved performance.

- Every day at the Department of Human Resource Management’s (DHRM) Employee Resource Information Center (ERIC), 26 technicians process around 2,000 employee transactions—everything from new employee on-boarding, to retirement estimates, time sheets, salary actions, terminations, and name changes. By applying the tools and principles of the SUCCESS Framework, the ERIC team has improved performance and value by 94 percent for employees, managers, the enterprise, and taxpayers.

- The Department of Heritage & Arts holds the most comprehensive set of archaeological site data in Utah. Three years ago, more than 110,000 archaeological site forms (including more than 1 million total pages) were housed at the UDSH office in Salt Lake City. For government and private users, the location of the records often forced hours of travel to access the physical records required by law for cultural

resource compliance. In 2013, the USDH antiquities section saw an opportunity to greatly enhance record access through digitization. By providing digital access in the field, consultants working on transportation, oil and gas, and other development and land management projects greatly improved their ability to move projects forward. Through digitization and by using tools associated with the SUCCESS Framework, consultants' access to digital records increased from 19 percent to 97 percent by project end in December 2015.

Through deliberate efforts to improve operations, many state agencies are returning funds for reprioritization during the FY 2018 budget cycle. They include the Department of Human Resource Management (\$62,000), Financial Institutions (\$114,000), Tax Commission (\$2.5 million), Veterans and Military Affairs (\$85,000), and Juvenile Justice Services (\$1 million) just to name a few. Most other agencies have been able to absorb additional demands for services without asking for new money.

RIGOROUS REVIEW AND EVALUATION

GOMB spends multiple months each year reviewing justifications for new money, analyzing non-lapsing balances, and assessing performance and outcomes. The SUCCESS Framework effort helps to inform the process as to whether or not programs have excess capacity that could be redirected or if a greater focus should be given to process improvement. As part of the budget evaluation process, GOMB developed a business case template whereby agencies provide detailed information in the following areas:

- program or system background, legislative mandates, and justification;
- capacity and quality of existing system;
- new program, service, or activity needs;
- the use of evidence-based practice;
- outcomes and results; and
- data measures.

As government agencies continue to improve performance and existing resources are maximized, the cost curve for existing programs can bend—allowing for new revenue to more easily be diverted to critical areas, including education.

BUDGET & POLICY BRIEF

Prudent Fiscal Management



HIGHLIGHTS

- **\$552 million** in combined rainy day fund balances
- **\$1.7 billion** in debt paid off since 2012
- **\$289 million** of debt paid off in FY 2018
- **1 of only 11** states with a AAA bond rating from all three major rating agencies

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

UTAH MAINTAINS AAA BOND RATING

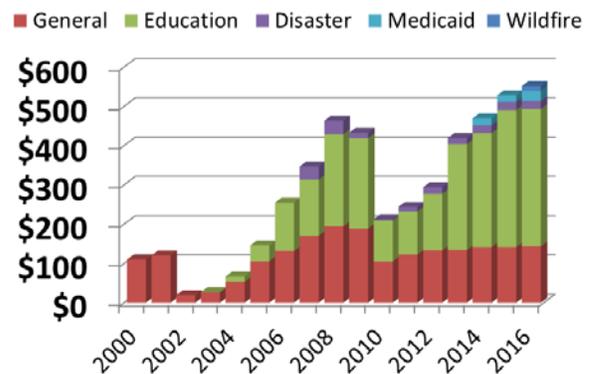
Through sound and fundamental budgeting practices, the state has prudently managed its financial resources, allowing the private sector to flourish. Utah's longstanding AAA bond rating and ability to attract financial capital reflect the private market's confidence in the state's budget management practices. As 1 of only 11 states with a triple AAA bond rating, this market confidence allows Utah to enjoy sizable interest savings relative to states with lower bond ratings.

UTAH'S RAINY DAY FUNDS ARE AT HEALTHY LEVELS

As shown in Figure 1, the State of Utah's rainy day fund balances have been restored and

exceed pre-recession totals. Including \$13 million in deposits made at the end of FY 2016, the state's combined formal rainy day fund balances total approximately \$552 million. This figure includes the Education Fund Budget Reserve Account (\$349 million), General Fund Budget Reserve Account (\$144 million), Medicaid Growth Reduction and Budget Stabilization Account (\$26 million), and the Disaster Recovery and Wildland Fire Suppression accounts (\$33 million).

FIGURE 1. RAINY DAY FUND BALANCES (IN MILLIONS)



STRESS TESTING: BUDGET MANAGEMENT OVER THE ECONOMIC CYCLE

During the 2016 interim and for a second time, the Governor's Office of Management and Budget (GOMB) and the Office of Legislative Fiscal Analyst (LFA) conducted a comprehensive budget stress testing exercise to assess the state's ability to respond to an economic downturn (revenue data analysis was also provided by the Tax Commission). The stress testing exercise used three hypothetical recession scenarios, including a stagflation scenario and an adverse and severe economic

downturn scenario employed by the Federal Reserve to assess the capital strength of banks. The stress test applied the economic scenarios to the state budget by examining hypothetical recessionary impacts on revenues, expenditures, and both formal and informal reserves. The state's revenue trends were also analyzed.

STRESS TESTING

Budget Management over the Economic Cycle

Recent budget stress testing...



...results demonstrate the state's approach ensures sufficient reserves to weather a recession...



Rainy Day Fund



...while also being mindful of the pocketbooks of Utah taxpayers.

The results demonstrate that the State of Utah has a number of budget tools at its disposal, including formal rainy day funds at healthy levels and other informal reserves such as budget allocations for capital expenditures that are not bonded against.

As a result of this exercise, the Governor's budget recommends not bonding beyond the amount needed for the prison relocation project. The State of Utah currently puts aside about \$400 million in ongoing funding for cash-funded capital projects (including transportation projects, buildings, and capital improvement funding),

including a \$50 million reduction in debt service in FY 2018. In addition to the budget reserve of bonding capacity itself, if these "working rainy day funds" were bonded against they would cease to serve as actual working rainy day funds.

An additional \$9 million is also allocated to the state's permanent fund (higher legislative vote threshold to access suggests should be viewed as an extreme need rainy day fund, not a standard rainy day fund), bringing the total balance to an estimated \$188 million.

Based on stress testing results, GOMB believes the state's approach ensures that sufficient reserves exist to weather a typical recession while also being mindful of the pocketbooks of Utah taxpayers. GOMB recommends a continued and refined joint comprehensive review of tools for managing the budget over the economic cycle.

AUTOPILOT BUDGETING REDUCES BUDGET FLEXIBILITY

One concerning trend that has emerged over the past decade is the advancement of what could be termed "autopilot budgeting," including revenue earmarks and other automatic funding allocations. Rather than allowing policymakers to make annual budget decisions, statutes passed during previous legislative sessions have established automatic spending priorities. While statutes can be changed, automatic funding has a higher priority, sometimes with no vote needed, than funds appropriated through the normal process and which require an affirmative action.

Although an autopilot decision may seem to be a good idea at the time, with less and less budget flexibility available over time, prudent budget management becomes more difficult. Revenue earmarks and automatic funding cause a great deal of effort to be spent identifying ways to get around rigid budget mechanisms in order to respond to current issues and meet the state's core needs.

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

TAX REFORM

Over the next year and as outlined in the “Taxation and a Free Market Economy” budget and policy brief the Governor will bring together multiple stakeholders to conduct a comprehensive review of the state’s current tax structure.

IMPROVING STATE GOVERNMENT EFFICIENCY

IMPROVING STATE GOVERNMENT EFFICIENCY



S U C C E S S

— F R A M E W O R K —

Cabinet agencies are making significant progress to improve government performance by creating more value for every taxpayer dollar invested.

As detailed in the “Investing in What Works” budget and policy brief on investing in what works, cabinet agencies are making significant

progress to improve government performance by creating more value for every taxpayer dollar invested. This added value often comes by improving the quality of services provided by reconfiguring how work is done without adding resources. Examples of these improvements include shorter wait times for driver license renewal, faster processing of various business applications, and a more productive prison system.

MEETING FINANCIAL OBLIGATIONS

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

LONG-TERM INVESTMENTS IN THE PEOPLE OF UTAH

With these fundamental fiscal management practices in place, the Governor’s budget recommends using revenues provided through Utah’s economy to strategically invest in the people of Utah—a prudent budget philosophy.

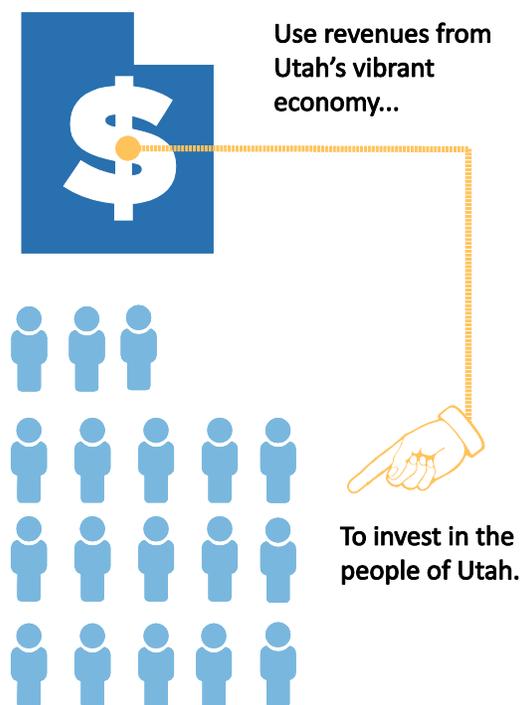
Wise budget management includes taking into consideration the long-term implications of current budget decisions. This long view includes not only ensuring financial basics such as balancing revenues and expenditures over annual or short-term economic cycles, but also providing the necessary structural stepping stones for Utah’s long-term prosperity. Such

budget decisions involve considering what government should do and what government should refrain from doing.

Utah must continually strive to find the right balance between taxing and spending, look for ways to improve operations to create more value for every tax dollar invested, and to focus on those investments that pay off in the long-term—even when doing so sometimes creates a higher upfront cost to save significant dollars long-term. Prudent budget management and a long-term perspective create a positive impact on current and future generations.

PRUDENT BUDGET PHILOSOPHY

Long-Term Investments in the People of Utah



One essential challenge that the state must immediately begin to address is to ensure an adequately educated workforce. In recent years, Utah has attained enough national and international recognition that it has crossed an important economic threshold. A growing number of major firms now view Utah as a good

place to invest and do business. As more and more businesses originate and locate within the state, a key constraint to future economic growth is the ability to supply the skilled labor force required. Educating this skilled workforce does not happen overnight and requires an investment of financial resources. The effects of failing to invest in a skilled and educated workforce may not manifest for a decade or two; however, as the world economy becomes increasingly more knowledge-based, a workforce whose education has been neglected will create major economic consequences.

While ensuring that Utah has an educated workforce ready to compete in today's global economy may cost more in the near term, the long term investment will more than pay for itself through future economic growth and societal impacts. An important part of prudent fiscal management is not just balancing the books and saving for a rainy day, but also taking proper care to plant seeds that will enhance Utah's future economic prosperity.

BUDGET & POLICY BRIEF

Revenue Earmarks



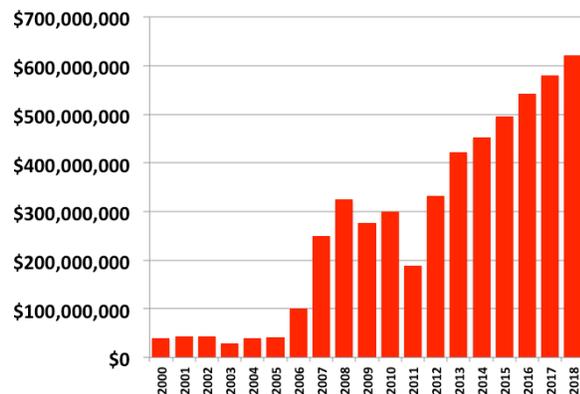
HIGHLIGHTS

- **32 percent** of state sales and use tax growth is earmarked under current law for FY 2018
- **\$706 million** in General Fund earmarks and set asides
- **1500% increase** in earmarks since the year 2000

SALES TAX EARMARKS

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

FIGURE 1. EARMARKS OF SALES TAX



Under current law, 32 percent of sales and use tax revenue growth for FY 2018 is earmarked—primarily for transportation and water.

EARMARKS ARE PROBLEMATIC

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

When considering the impact of previous legislative actions to current budgeting decisions, it should be noted that references to “new revenue” have historically included only Education Fund and General Fund increases, even though the actual growth in state 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 general state tax revenues outside of the General Fund are somehow not fully available state funds subject to policy determination even though they are generated by a general state tax.

GROWTH IN GENERAL FUND & SALES TAX EARMARKS

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

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

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

FIGURE 2. SALES TAX EARMARKS AND GENERAL FUND REVENUES

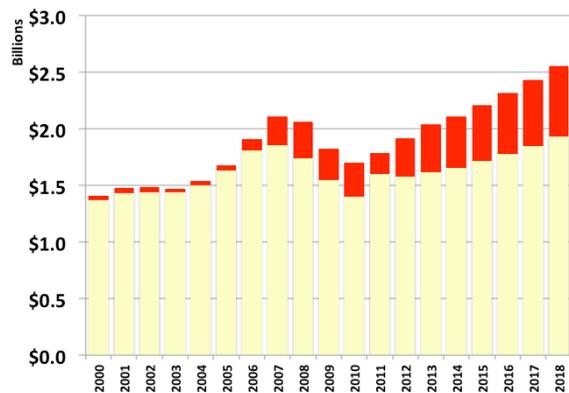


Table 1 - General Fund Earmarks and Set-Asides FY 2018

Earmarks are revenues set aside for a certain purpose. This table includes earmarks and set-asides from revenue sources that have historically been deposited primarily into the General Fund. As shown in the table, General Fund earmarks and set-asides total about \$706 million in FY 2018, including about \$621 million in sales tax earmarks. All numbers are in thousands of dollars.

Earmark/Set-aside Item	Statute	Actual FY 2016	Authorized FY 2017	Nov 2016 Estimate FY 2017	% Chg. FY 16 - FY 17	Nov 2016 Estimate FY 2018	% Chg. FY 17 - FY 18
Sales and Use Tax							
Transportation:							
Transportation Investment Fund of 2005 (8.3% of sales tax)	59-12-103(8)	192,693	202,881	201,707	4.7%	211,892	5.0%
Transportation Investment Fund of 2005 (30% of growth above FY 11)	59-12-103(8)	159,425	196,248	192,004	20.4%	222,103	15.7%
Transportation Investment Fund of 2005 (\$90M)	59-12-103(9)	90,000	64,000	64,000	-28.9%	63,000	-1.6%
Transportation Investment Fund of 2005 (1/16%)	59-12-103(6)	33,969	35,706	35,586	4.8%	29,876	-16.0%
Transportation Investment Fund of 2005 (0.025% non-food)	59-12-103(11)	23,995	25,268	25,130	4.7%	22,003	-12.4%
Transportation Investment Fund of 2005 (1/64%)	59-12-103(7)	8,492	0	0	-100.0%	0	
Subtotal - Sales and Use Tax Transportation		508,574	524,102	518,426	1.9%	548,874	5.9%
Water:							
Water development (94% of \$ over \$18.5M gen. by 1/16%)	59-12-103(5)(d)	14,870	16,503	16,390	10.2%	18,044	10.1%
Water Infrastructure Account	59-12-103(6)	0	0	0		7,469	
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)	949	1,078	1,046	10.2%	1,152	10.1%
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	150	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		33,969	35,706	35,586	4.8%	44,814	25.9%
Other:							
Qualified Emergency Food Agency Fund	59-12-103(10)	534	534	534	0.0%	534	0.0%
Throughput Infrastructure (FY 2017 & FY 2018 Only)	59-12-103(12)	0	26,000	26,000		27,000	3.8%
Subtotal - Sales and Use Tax Other		534	26,534	26,534		27,534	3.8%
Subtotal - All Sales and Use Tax Earmarks		543,077	586,342	580,546	6.9%	621,222	7.0%
Severance Tax:							
Permanent State Trust Fund (begins FY 2016-17)**	Article XIII, Sec. 5	0	9,557	7,559	0.0%	8,866	0.0%
Subtotal - Severance Tax		0	9,557	7,559	0.0%	8,866	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	5,392	5,406	5,406	0.3%	5,597	3.5%
Subtotal - Beer Tax		5,392	5,406	5,406	0.3%	5,597	3.5%
Insurance Premium Tax:							
Fire Academy Support Account	53-7-204(2)	4,447	7,829	4,504	1.3%	4,604	2.2%
Relative Value Study Restricted Account	59-9-105	121	112	123	1.3%	125	2.2%
Workplace Safety Account	34A-2-701	1,493	1,457	1,512	1.3%	1,546	2.2%
Employers' Reinsurance Fund	34A-2-702	17,805	17,050	18,035	1.3%	18,434	2.2%
Uninsured Employers' Fund	34A-2-704	2,183	1,903	2,211	1.3%	2,260	2.2%
Firefighters' Retirement Trust & Agency Fund	49-11-901(5)	8,895	15,658	9,010	1.3%	9,209	2.2%
Subtotal - Insurance Premium Tax		34,944	44,009	35,395	1.3%	36,178	2.2%
General Fund Set-Asides							
Economic Development - Tax Increment Financing	63N-2-109	2,316	3,100	3,100	33.9%	3,255	5.0%
Economic Development - Tourism Marketing Performance Account	63N-7-301	18,000	21,000	21,000	16.7%	23,000	9.5%
Subtotal - General Fund Set-Asides		20,316	24,100	24,100	18.6%	26,255	8.9%
Total - General Fund Earmarks and Set-asides		611,678	677,364	660,956	8.1%	706,068	6.8%

Table 2 - Governor’s Budget Recommendations for Education

Public Education	One-time	Ongoing	Total
A. New EF/GF/TANF Funding			
Consensus Enrollment Growth of 10,089 Students (new <u>state</u> portion)	\$3,995,000	\$64,012,600	\$68,007,600
FY 2018 Enrollment Growth for Four Additional MSP Programs (Guarantee Transportation Levy, Title I Paraeducators, K-3 Reading Improvement, Early Intervention)	\$0	\$365,900	\$365,900
USDB Steps & Lanes	\$0	\$490,000	\$490,000
4% Basic School Program (WPU) Increase	\$0	\$115,665,500	\$115,665,500
USDB Interpreters and Educators	\$0	\$700,000	\$700,000
Teacher Supplies	\$9,000,000	\$0	\$9,000,000
ACT Testing – Replace SAGE in High School with ACT	\$0	\$1,400,000	\$1,400,000
Special Education Compliance Officer	\$0	\$125,000	\$125,000
State Employee Compensation Increase (EF/GF portion only)	\$179,700	\$608,500	\$788,200
Electronic High School Reinstatement	\$0	\$1,000,000	\$1,000,000
Counseling Pilot – Elementary School	\$1,200,000	\$0	\$1,200,000
Expand Learning Opportunities for Kindergartners (TANF funds)	\$2,000,000	\$0	\$2,000,000
Weber School District – Roy Cone Program	\$191,000	0	\$191,000
Estimated Internal Service Fund Cost to Remove State Board of Education	\$0	\$225,000	\$225,000
<i>New Funding Subtotal</i>	<i>\$16,565,700</i>	<i>\$184,592,500</i>	<i>\$201,158,200</i>
B. Existing Funding			
FY 2017 Enrollment Underestimate – Estimated Use of Existing MSP Balance	\$2,300,000	\$0	\$2,300,000
Regional Service Centers – Reallocation of USBE Funding	\$0	\$1,600,000	\$1,600,000
SafeUT Suicide Prevention App – Reallocation of USBE Funding	\$0	\$450,000	\$450,000
<i>Existing Funding Subtotal</i>	<i>\$2,300,000</i>	<i>\$2,050,000</i>	<i>\$4,350,000</i>
Higher Education			
C. New EF/GF Funding			
2% Compensation Increase (USHE, UCAT, UETN)	\$0	\$18,783,300	\$18,783,300
Health Insurance Increase (USHE, UCAT, UETN)	\$0	\$6,443,700	\$6,443,700
USHE Needs-based Matching Scholarships	\$1,000,000	\$500,000	\$1,500,000
USHE Performance Funding	\$0	\$4,000,000	\$4,000,000
USHE Engineering Initiative	\$0	\$1,000,000	\$1,000,000
USHE Regents’ Scholarship	\$9,000,000	\$2,000,000	\$11,000,000
University of Utah Huntsman Cancer Institute Operations	\$0	\$2,240,000	\$2,240,000
University of Utah Hospital Building	\$3,000,000	\$0	\$3,000,000
UCAT Equipment	\$1,000,000	\$0	\$1,000,000
UCAT Program Expansion	\$0	\$500,000	\$500,000
Utah Education and Telehealth Network	\$1,000,000	\$0	\$1,000,000
Utah Futures	\$2,000,000	\$0	\$2,000,000
Capital Improvement ¹	\$0	\$750,000	\$750,000
Operations & Maintenance Savings (construction not yet completed)	-\$2,371,100	\$0	-\$2,371,100
<i>New Funding Subtotal</i>	<i>\$14,628,900</i>	<i>\$36,217,000</i>	<i>\$50,845,900</i>
D. Funding to Backfill Decline in Earmarked Funds			
Utah Valley University Fire Academy (through Dept. of Public Safety)	-\$3,100,000	\$3,100,000	\$0
University of Utah Huntsman Cancer Institute	\$0	\$4,000,000	\$4,000,000
<i>Backfill Subtotal</i>	<i>-\$3,100,000</i>	<i>\$7,100,000</i>	<i>\$4,000,000</i>
<i>Total of All Recommendations (A, B, C, D)</i>	<i>\$30,394,600</i>	<i>\$229,959,500</i>	<i>\$260,354,100</i>
<i>Total of Recommendations from New Revenue (A, C, D)</i>	<i>\$28,094,600</i>	<i>\$227,909,500</i>	<i>\$256,004,100</i>
<i>Total of New Funding for Education (A, C)</i>	<i>\$31,194,600</i>	<i>\$220,809,500</i>	<i>\$252,004,100</i>

MSP – Minimum School Program; USDB - Utah Schools for the Deaf and the Blind; WPU – Weighted Pupil Unit; USBE – Utah State Board of Education; USHE – Utah System of Higher Education; UCAT – Utah College of Applied Technology; UETN – Utah Education and Telehealth Network

¹An estimated 60 percent of the total recommended increase in state capital improvement funding (\$1,244,500)

BUDGET & POLICY BRIEF

Public Education Priorities



HIGHLIGHTS

- **4.0% WPU increase** (\$116 million)
- **\$68 million** (\$64 million ongoing and \$4 million one-time) state portion of enrollment growth
- **\$9 million** teacher supplies
- **\$1.4 million** to replace SAGE with ACT
- **\$1.2 million** for school counseling pilot
- **\$1.0 million** for Utah's electronic high school

OBJECTIVE

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

- significant investments in public education facilitate Utah's goal to be the number one state for student achievement (in last year's budget, the Governor recommended \$1 billion in new ongoing funding over five years and with this budget recommendation, \$425 million will have been allocated over two years)
- meaningful local control over funding that provides 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;
- an increased number of teacher preparation program graduates who teach in Utah and an increased rate of teacher retention;
- local school board accountability allowing constituents and the state to clearly understand the use of state taxpayer dollars, including transparency of costs as well as student achievement on key metrics; and
- targeted early intervention support for students who lack economic opportunities.

GUIDING PRINCIPLES

- The state should work together with local school boards to invest sufficient funding to ensure that Utah meets the goal to be the top state in the nation for student achievement.
- The public education system should not be micromanaged at the state level. Instead, the state should provide local schools with flexible resources in concert with a sensible accountability system and allow local school boards to prioritize expenditures based on local needs to meet the expected outcomes. To ensure the \$3.4 billion in state tax revenues (estimated at over \$6.2 billion in total revenues) allocated to public education continues to translate into positive student outcomes, student achievement should continue to be reported to state policymakers and the public. In addition, further efforts should be taken to add visibility into the relationship between spending and educational outcomes so that the public and state policymakers can better understand the outcomes existing investments purchase and how additional investments would be needed to improve those outcomes.
- Significant data on school performance already exists. Policymakers should take time to understand the existing data, including how socioeconomic factors influence student outcomes, while continuing discussions on how to enhance accountability.
- Recruiting and retaining quality teachers is key to Utah's long-term success. Providing local school boards with resources to invest in teachers, not only through compensation but through professional development, was a

key factor in recommending that funding go to a WPU increase. This approach enables local boards to build upon strategies they already have in place while also balancing other critical needs.

BACKGROUND

Utah's future economic prosperity relies on an educated population. Utah's economy continues to gain the attention of major national and international firms that demand highly skilled workers. Educating Utah's young people to meet employer's needs does not happen overnight and will take a consistent and sizable investment over time. Failure to invest in education will hamper Utah's economic growth both now and in the long term.

Appropriate education investments will help ensure that firms offering high-paying jobs will continue to be attracted to Utah. While continuing to make progress in education outcomes is not all about the money, it is some about the money. Adequate resources are needed.

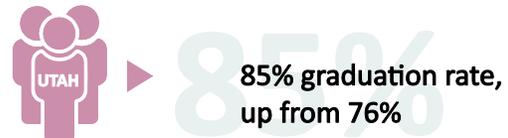
CELEBRATING UTAH'S EDUCATION SUCCESSES

For years, headlines have noted Utah's low per-student expenditures and each year calls for increased K-12 funding have focused primarily on spending. However, it is instructive to examine what Utah's taxpayers are purchasing with their investment in K-12 education. Utah's public education system is doing an admirable job with the limited resources currently available and runs an efficient system, with the second lowest per pupil administrative expenditure in the nation. Moving forward, it will be essential to ensure that additional resources do not harm this efficiency, but instead build on improving student outcomes even more as additional resources are provided.

One example of Utah's education success is the recently-released results of the 2015 National

Assessment of Educational Progress (NAEP) science assessment which revealed that Utah's 8th grade students ranked 1st in the nation and the state's 4th grade students ranked 6th. In mathematics Utah's 4th and 8th grade students ranked 19th and 15th, respectively. In reading Utah's 4th and 8th grade students ranked 13th and 9th, respectively. Additionally, according to an independent analysis of 18 distinct achievement measures of the 2015 NAEP scores Utah ranks 14th overall. A simple comparison of the average combined 2015 NAEP reading and mathematics scores and the amount of per-student expenditures is a simple efficiency measure showing the level of student performance states purchase with K-12 expenditures. An analysis of both the 4th and 8th grade NAEP points earned per \$1,000 of per-student expenditures illustrates that Utah receives the best return on investment of any state in the nation.

EXAMPLES OF EDUCATION SUCCESS IN UTAH



The ACT is a common measure of high school students' performance. Nationally, Utah's students are tied for 34th place. However, a simple ACT ranking does not provide an accurate assessment of how Utah's high school students compare to their peers across the nation because only 18 states require 100 percent of their

students to take the ACT (as Utah does). In the 15 states with the highest average composite scores a mere one-quarter, on average, of the students take the ACT and only eight states that outrank Utah require all their students to take the test. Among the states that require all students to take the ACT, Utah's students rank 8th with an average composite score of 20.2 compared to the group's average of 19.8.

In addition to nationally-normed NAEP and ACT measures, graduation rates are another measure of educational outcomes. Over the years that consistent reporting has been in place, graduation rates have increased from 76 percent in 2011 to 85 percent in 2016.

While Utah's students outperform many of their peers, the NAEP, ACT, and graduation rate measures show room for improvement. The Governor is committed to providing resources for Utah's students to achieve these improvements and for Utah to become the top state for educational outcomes in the nation.

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

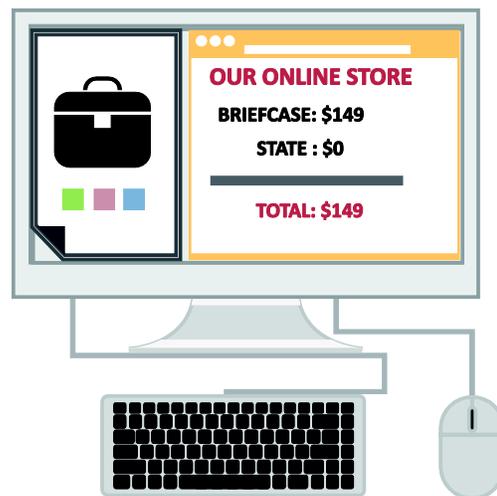
CURRENT ISSUES

Utah's Tax Structure. As explained more in detail in the "Taxation and A Free Market Economy" budget brief, tax revenue growth is not pacing with economic growth because Utah's tax structure is not aligned with the current economy, especially the sales tax. This creates significant funding challenges for the state and for local governments dealing with the very real and immediate impacts of population and economic growth, including in the costs of educating more children from both internal population growth and in-migration.

One major issue that needs to be addressed is collecting the tax currently due on remote sales. While people may enjoy not paying the tax that is currently due on internet and catalog purchases, the estimated \$200 million (and growing) in state tax revenue losses creates a very real impact on the state's ability to fund education in Utah. Education stakeholders both locally and nationally should engage on this issue and actively support a solution, so that all, or a significant portion, of this revenue can be used to enhance the education system.

REMOTE SALES TAXES

Potential Source of Uncollected Revenue



In addition, the Governor requests that education stakeholders engage on the issue of narrowing of the tax base through policy decisions in the form of tax exemptions and tax credits. Even if a new tax exemption or tax credit that further narrows the tax base could potentially improve long-term economic competitiveness, the short-term revenue losses which reduce funds available for education should be covered through a counterbalancing, base-broadening of the tax structure elsewhere. This counterbalancing principle should include not only legislation that impact the Education Fund, such as income tax credits, but also bills

that impact the General Fund, such as sales tax exemptions, which not only impacts higher education but also public education as education funds are shifted.

Finally, the state should comprehensively examine its entire tax structure. It is not clear that simply increasing a tax rate on the more volatile income tax is the best approach when a fundamental component of the ongoing funding challenge is an underlying structural issue with the narrowing of the tax base, particularly the sales tax base, relative to the economy. The Governor calls upon education stakeholders to work with the broader business community to determine a path forward in grappling with the issue of an antiquated tax structure aligned with a goods-based economy while much of the economic growth is occurring in the service sector of the economy. Utah needs to maintain its workplace competitiveness not only nationally but internationally, which includes not only maintaining a competitive tax structure but also ensuring a highly educated workforce capable of benefitting businesses.

Teacher Shortage: A Solvable Challenge. A shortage of qualified teachers is a challenge to the structural integrity of Utah’s K-12 educational infrastructure. Effective teaching is key to learning. Much has been written of the decline in the number of students enrolling in teacher preparation programs since 2010. Although challenges clearly exist, they appear to be solvable.

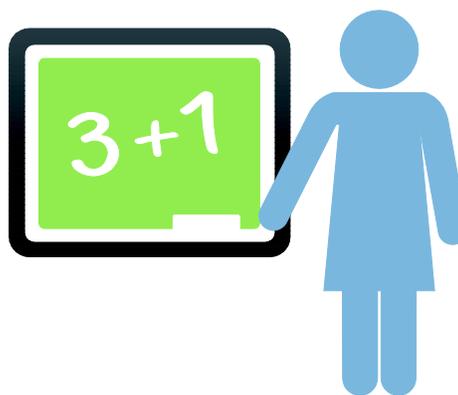
While Utah’s enrollments in teacher preparation programs did drop 25 percent, the number of students graduating from teacher preparation programs has remained essentially constant since 2010. However, approximately 40 percent of the graduates recommended for licensure each year do not teach in Utah’s public education system. This represents an annual average loss of approximately 1,000 potential teachers. It is reasonable to assume that some number of these opt to teach in other states while others,

for myriad reasons, opt not to teach upon graduation or at all.

Much has been written about the approximately 40 percent five-year cohort attrition rate of new teachers. When this attrition is viewed on an annual basis inclusive of all relevant cohorts, the average attrition rate is 3.7 percent of all classroom teachers, or an average of approximately 1,000 teachers. The average annual turnover rate for all Utah’s K-12 teachers is over 9 percent. Analysis of State of Utah employee turnover data and U.S. Census Bureau turnover data show that turnover in public education is generally lower than in other occupations requiring a bachelor’s degree.

TEACHER SHORTAGE

A Solvable Challenge



From 2007 to 2016 the number of licensed teachers increased by 19 percent. During the same period, public K-12 student enrollment increased by 21 percent. Relatively similar growth in both populations has resulted in basically flat student-per-teacher ratio and grade-level class sizes.

Quantitative data that clearly define the magnitude of the teacher shortage are scant and not centrally aggregated. However, extrapolation of the results of a survey by the Governor’s Office of Management and Budget (GOMB) to

which 22 school districts responded suggests a statewide shortfall of more than 400 teachers in 2016. When viewed in the context of more than 1,000 annual teacher preparation program graduates choosing not to teach in Utah and more than 1,000 first- to fifth-year teachers leaving their positions, the teacher shortage challenge does not appear insurmountable.

Although the reasons some choose not to teach may be beyond what public policy can influence, it is reasonable to assume that some of the reasons teachers opt not to begin teaching in Utah's classrooms or opt to leave teaching early in their careers relate to specific environmental factors that policymakers and stakeholder groups may influence or change. GOMB contacted the human resources directors for each of Utah's 41 school districts to inquire about the reasons teachers give for leaving. Twenty-three districts, representing 59 percent of total K-12 enrollment, responded. The top five reasons given were retirement (28%), moving (18%), unknown (14%), personal reasons (12%), and family (8%). Salary also made the list at 0.3 percent, although it may have factored into a number of the other stated reasons.

One other aspect of teacher turnover that the state should consider is the level of public discourse relative to public education in general and educators specifically. As public policy is vigorously debated from multiple viewpoints, as it should be, those engaged in the debate should consider the impact of repeatedly denigrating those who educate Utah's children. Turnover and low employee morale is expensive in the public sector, just as it is in the private sector. The vast majority of educators are dedicated and spend countless hours to teach and guide Utah's future leaders. As we see in multiple facets of public service, such as law enforcement and teaching, when public service is denigrated and looked down upon by society, there is not only a personal impact, but also a fiscal impact as people who may be well suited for those

activities decide they are better off pursuing other alternatives.

Early Intervention. Early childhood experiences lay the foundation for success throughout both school and life and early childhood education is recognized as a cornerstone of lifelong learning. Educational activities and interventions for children as young as birth and through age five result in academic and intellectual gains as they improve both the cognitive and social development of students. Research has shown that children who lag behind early are likely to continue doing so throughout their schooling and beyond.

EARLY CHILDHOOD EDUCATION

Cornerstone for Lifelong Learning



Parents and guardians are a child's first teachers and as such they necessarily bear, on behalf of their child and society at large, the significant responsibility for ensuring that their children are prepared to enter school. When parents and guardians lack understanding or are unable to take on this responsibility both the children and society bear the consequences. Therefore, society has an interest in providing them with the information and resources necessary to successfully bear the responsibility.

While there is momentum both nationally and among states and cities to provide government-funded preschool for all four-year-olds, Utah's limited public dollars should be used first to provide support and resources to parents and guardians in order to assist them in providing quality early learning experiences for their children. The next priority should be to fund high-quality preschool services for disadvantaged students and those at risk of academic failure. The state should conduct an in-depth study to compare the various taxpayer funded pre-school programs currently in place, including arriving at a common metric to better compare the benefits and costs of each program so that informed policy decisions can be made moving forward.

At-Risk Students. Many scholars have recognized that it costs more to achieve any given level of student performance when the student is disadvantaged. Eligibility for the free and reduced-price school lunch program (FRPL) is the most commonly used proxy for determining whether a student qualifies as disadvantaged or at-risk. Approximately 35 percent of Utah's K-12 population is eligible for FRPL. However, this does not include those students whose families do not apply for FRPL or those students who attend a school that does not participate in the school lunch program.

AT-RISK STUDENTS

Are Additional Resources Needed to Improve Outcomes?

Through the Minimum School Program, Utah currently provides an additional 4 percent, or **\$114 per at-risk student.**



Thirty-four states provide some level of supplemental state funding for at-risk students, with the majority using some form of pupil weighting to calculate the amount. The weights range from an additional 5 percent of base funding in Mississippi to 97 percent in Maryland, and the average is 20-25 percent. Through the Enhancement for At-Risk Students program in the Minimum School Program Utah currently provides an additional 4 percent, or \$114 per at-risk student. Utah also receives approximately \$90 million in Federal Title I funding that school districts and charter schools use to support at-risk students. The state should study the funding needs of at-risk students and determine the appropriate funding level needed to improve educational outcomes.

RECOMMENDATIONS

Taxes. The public education community should be engaged in discussing tax issues, including aligning Utah's tax structure with the modern economy.

Teacher Shortage

- Provide locally-controlled funds through an increase in the WPU to allow local school boards to allocate funds to the highest priority needs.
- The Utah State Board of Education (USBE) and policymakers should work closely with all local education agencies (LEAs) to determine the precise magnitude of the teacher shortage from the perspectives of vacant positions, and under-qualified teachers (including long-term substitutes and temporary license holders).
- USBE should work with all LEAs to develop a uniform survey instrument appropriate for clearly identifying the causes of teacher attrition. USBE should collect and publish a summary of all survey responses for state and local policymakers.
- USBE and policymakers should work with the deans of Utah's teacher preparation programs to identify specific actions that should be taken to increase the number of Utah-educated teachers

who choose to teach upon graduation and choose to teach in Utah.

- USBE and policymakers should work with all LEAs to identify specific actions to increase teacher retention.

Early Intervention. Policymakers should evaluate the intended recipients of all current publicly-funded preschool programs in Utah to ensure that taxpayer dollars are being spent appropriately on the intended target populations without unnecessary duplication of services and to conduct a comprehensive cost-benefit analysis.

At-Risk Students

- USBE should work with all LEAs to evaluate the current programs and practices employed to ensure that at-risk students receive an equitable opportunity to excel. USBE should then report on the costs and effectiveness of these programs and practices.
- USBE should work with all LEAs to calculate the amount of funding required to provide the programs and support the practices that show the most promise for ensuring that at-risk students are performing at or above grade level. USBE should then work to identify opportunities to secure the required funding.

Skilled Workforce. With limited resources, it is imperative that Utah have clear and strategic criteria in place when it comes to investing in K-12 academic programs—to include an alignment with post-secondary education. Over the next year, the Governor will be collaborating with key stakeholders and education officials in order to develop a more robust and transparent approach to public education investments that measurably align with market demands.

BUDGET & POLICY BRIEF

Public Education Funding in Utah



HIGHLIGHTS

- **4.0% WPU** (\$116 million)
- **\$3.4 billion** in total state spending on public education (including the 4.0% increase in the WPU)
- **\$64 million** new state spending for FY 2018 enrollment growth of nearly 10,100 new students (a total of \$107 million in state and local enrollment growth costs)
- **\$4 million** new state spending for FY 2017 enrollment growth
- **\$760 million** in unused local property tax available for operations and capital

OVERVIEW

The number of students enrolled in public education is a major driver of public education costs. October 2016 enrollment in Utah's schools slightly exceeded previous estimates and appears to be tied to the in-migration of families attracted to the state by Utah's strong economy.

Funding Utah's education needs can be complex; however, the overarching structure of the education funding system is conceptually simple. State and local funding are combined in the Minimum School Program to provide similar educational opportunities to students throughout the state through equalization programs including the statewide Basic School Program and the Voted and Board Levy Guarantee Program. The number and characteristics of students impact funding levels in the various equalization programs. School districts also have the authority to impose property taxes to provide additional funding.

Enrollment Increases. The number of children in Utah's public schools continues to grow. The state's student population reached nearly 644,500 in FY 2017, roughly 850 more students than anticipated. This level of enrollment growth suggests an increasing level of in-migration to the state, driven by Utah's strong economy. Nearly 10,100 additional students are anticipated to enroll in schools in FY 2018, bringing total estimated enrollment to over 654,500.

PUBLIC EDUCATION ENROLLMENT GROWTH FUNDING

The Governor's budget fully funds enrollment growth recommending \$68 million in new revenue.

\$6.2 MILLION
State Funding
(Base Budget)

\$68 MILLION
State Funding
(New Revenue)

\$32.5 MILLION
Local Funding



TOTAL: \$106.7 MILLION

Combining the increased costs for students in FY 2017 with anticipated FY 2018 enrollment increases results in an anticipated net cost from new state revenue of \$68 million (\$64 million ongoing and \$4 million one-time). In addition, \$32.5 million in local revenue offsets and \$6

million of base budget funding combine for a total cost of nearly \$107 million. Existing Minimum School Program nonlapsing balances are expected to be sufficient to cover the FY 2017 underestimate.

As illustrated in Figures 1 and 2, enrollment has increased significantly over the past decade. While enrollment growth is anticipated to continue for the foreseeable future, the change in internal school-age population is expected to grow at a slower pace. However, as was the case in FY 2017, strong increases to Utah’s in-migration may offset the slowing rate of internal growth.

FIGURE 1. PUBLIC EDUCATION TOTAL ENROLLMENT

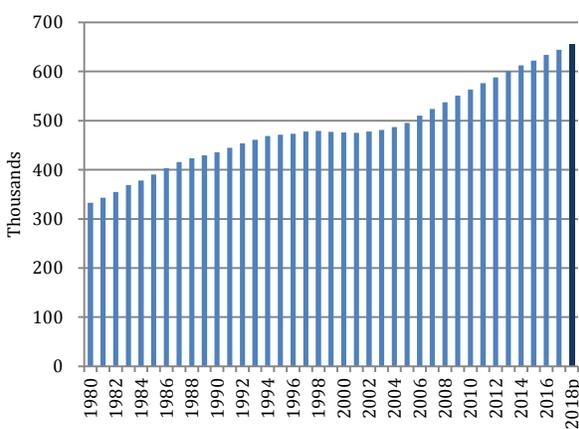
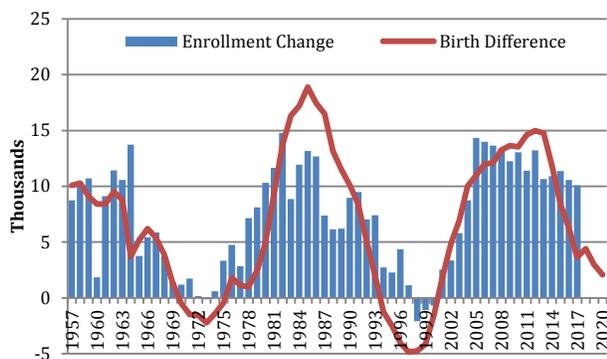


FIGURE 2. PUBLIC EDUCATION ENROLLMENT GROWTH AND DIFFERENCE IN BIRTHS 5 & 17



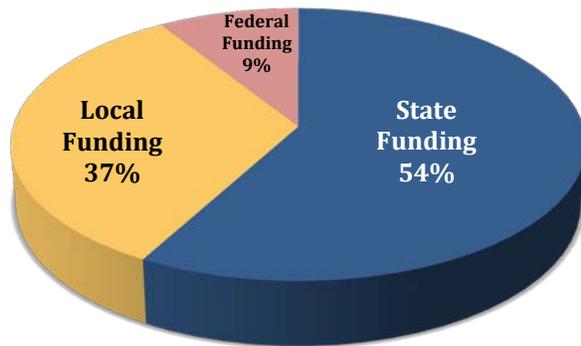
YEARS PREVIOUS

Funding new enrollment growth is a major budget driver for the state. The costs associated with annual enrollment growth alone exceed the entire budget of many state agencies. The Governor’s budget fully funds enrollment growth as historically defined. In addition, the budget recommends enrollment for four additional programs.

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 \$6.2 billion in FY 2018 or about \$9,500 per student. This includes over \$3.36 billion in state funds (generally income tax), about \$2.29 billion in local funds (generally property tax), and about \$550 million in federal funds. Based on these estimates, state funds constitute approximately 54 percent of total school funding (the exact percentage will vary slightly depending on local funding decisions). About \$3.26 billion of the \$3.36 billion in state funds flow through the Minimum School Program, with the remainder in other programs.

FIGURE 3. STATE, LOCAL, AND FEDERAL FUNDING



WHAT IS THE MINIMUM SCHOOL PROGRAM?

Of the estimated \$6.2 billion total in public education funding for FY 2018, approximately \$4.1 billion (nearly 66%) falls within the Minimum School Program. The Minimum School Program is comprised of the following three major sub-programs: (1) the Basic School Program, (2) the Voted and Board Levy Program, and (3) the Related-to-Basic Programs. Of the \$4.1 billion in Minimum School Program funding, about \$800 million comes from a portion of local school property taxes, with the remaining \$3.3 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 \$2.85 billion. These funds are spent by local school boards on local priorities. The Basic School Program, which is a statewide equalization program, comprises about half of all K-12 school funding.

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 (WPU) 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 (K=0.55, Grades 1-6=0.90, 7-8=0.99, 9-12=1.2 WPUs). 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.

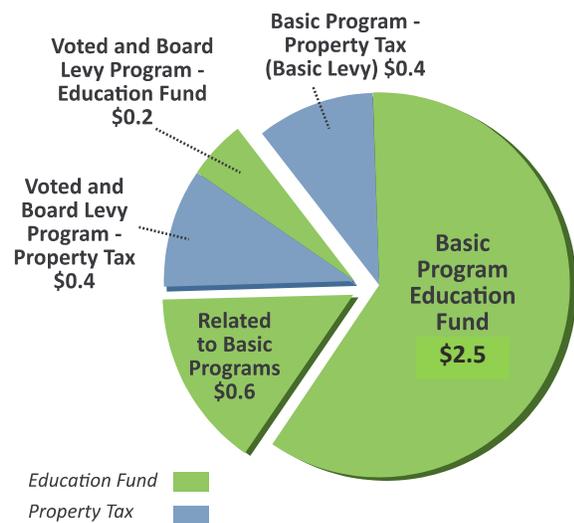
As a result of increased enrollment growth, the Governor’s budget funds an increase in the number of WPUs. Increases are also proposed in the Basic School Program as explained in detail in the budget and policy brief on public education priorities.

Voted and Board Levy Program: A Partially Equalized Program. Under the voted and board levy program, the state provides about \$180 million of Education Fund revenue to school districts with a comparatively low property tax base per student based on the district’s tax effort as measured by the local property tax rate. About \$415 million in local property taxes figure in the voted and board local levy program and are considered in the state budget. However, school districts 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 about \$3.4 billion in state funds recommended in FY 2018. This amount equals about half of the state’s combined Education Fund / General Fund budget. The Minimum School Program (\$4.1 billion in state and local funding) provides a substantially equalized funding structure through the Basic School Program (\$2.45 billion state / \$400 million local) and the partially equalized Voted and Board Levy Guarantee Program (\$180 million state / \$415 million local). In addition, the Governor’s budget recommends nearly \$630 million through the Related to Basic School Program for specific items such as transportation, charter school local property tax replacement, and educator salary adjustments.

FIGURE 4. MINIMUM SCHOOL PROGRAM FUNDS (\$ IN BILLIONS) CHART NEEDS UPDATE



As Utah’s largest state-funded program, changes affecting education funding that may appear small have major budget implications. For example, it costs a total of \$68 million in FY 2017 and 2018 to fund the anticipated growth in the projected number of new public education enrollments (approximately 10,100 in FY 2018).

Local Funding Effort. School districts are authorized to impose five discretionary property

tax levies, subject to certain limits, to provide services above the levels possible with state funding. Local school boards have political accountability to local voters for the use of additional local funds. Charter schools cannot impose property taxes but do receive allocations based on the amount of property tax imposed by local school districts.

It is estimated that in FY 2018, school districts will generate about \$2.3 billion in local funding, consisting of about \$400 million in the mandatory basic school levy and about \$1.9 billion in discretionary local taxes and other local sources. Over \$760 million in local discretionary property tax authority remains available under existing statutory property tax rate caps. This total includes over \$315 million in levies for school operations (\$145 million board levy and over \$170 million voted levy) and over \$445 million of taxing authority 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 per-pupil average of certain 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 2018, about \$33.2 million is provided to equalize funding for capital infrastructure.

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

	Fiscal Year 2016 Actual	Fiscal Year 2017 Revised	Fiscal Year 2018 Recommended
Section 1: Total Minimum School Program Revenue			
Revenue Sources	Amount	Amount	Amount
A. State Revenue			
1. Education Fund	\$2,713,360,000	\$2,927,743,600	\$3,107,787,600
2. Education Fund, One-time	12,033,400	9,200,000	9,000,000
3. Uniform School Fund	27,000,000	23,000,000	23,000,000
4. Uniform School Fund, One-time	5,000,000	0	0
5. USF Restricted - Interest & Dividends Account	45,728,238	45,000,000	62,000,000
6. EFR - Minimum Basic Growth Account	56,250,000	56,250,000	56,250,000
B. Transfers to Education Fund, One-time ⁽¹⁾	(8,000,000)	0	0
C. Beginning Nonlapsing Balances ⁽²⁾	45,982,319	31,368,800	26,937,500
D. Closing Lapsing Balances	(28,142)	0	0
E. Closing Nonlapsing Balances	(31,368,736)	(31,368,800)	(26,937,500)
Subtotal State Revenue:	\$2,865,957,079	\$3,061,193,600	\$3,258,037,600
F. Local Property Tax Revenue			
1. Basic Levy	\$380,172,300	\$392,266,800	\$399,041,300
2. Voted Local Levy	269,043,500	282,607,700	299,360,200
3. Board Local Levy	83,768,600	93,391,000	100,416,300
4. Board Local Levy - Reading Levy	15,000,000	15,000,000	15,235,500
Subtotal Local Revenue:	\$747,984,400	\$783,265,500	\$814,053,300
Total Revenue:	\$3,613,941,479	\$3,844,459,100	\$4,072,090,900

Section 2: Revenue & Expenditure Details by Program

Part A: Basic School Program (Weighted Pupil Unit Programs)					
<i>Primary WPU Value :</i>	\$3,092		\$3,184		\$3,311
<i>Add-on WPU Value⁽³⁾ :</i>	\$2,837		\$3,184		\$3,311
<i>Basic Tax Rate:</i>	0.001736		0.001675		0.001596
Revenue Sources	Amount		Amount		Amount
A. State Revenue					
1. Education Fund ⁽⁴⁾	\$2,108,177,989		\$2,273,000,500		\$2,426,310,900
2. Education Fund, One-time	(5,000,000)		0		0
3. Uniform School Fund	27,000,000		23,000,000		23,000,000
4. Uniform School Fund, One-time	5,000,000		0		0
B. Local Property Tax Revenue - Basic Levy	380,172,300		392,266,800		399,041,300
C. Beginning Nonlapsing Balances ⁽²⁾	22,228,119		15,505,100		11,073,800
D. Closing Nonlapsing Balances	(11,073,793)		(15,505,100)		(11,073,800)
Total Revenue:	\$2,526,504,615		\$2,688,267,300		\$2,848,352,200
Expenditures by Program	Amount	WPU	Amount	WPU	Amount
A. Regular Basic School Program					
1. Kindergarten	\$66,539,185	27,529	\$87,652,300	27,099	\$89,734,500
2. Grades 1-12	1,756,328,562	576,394	\$1,835,238,500	587,693	1,946,063,100
3. Foreign Exchange Students	0	328	\$1,044,400	328	1,086,100
4. Necessarily Existent Small Schools	29,306,380	9,514	\$30,292,600	9,514	31,504,300
5. Professional Staff	165,623,703	55,577	\$176,957,200	55,808	184,800,400
6. Administrative Costs	4,471,647	1,490	4,744,200	1,565	5,182,300
Subtotal:	\$2,022,269,477	670,832	\$2,135,929,200	682,007	\$2,258,370,700
B. Restricted Basic School Program					
1. Special Education - Regular - Add-on WPU	\$212,169,385	77,514	246,804,600	80,250	\$265,736,600
2. Special Education - Regular - Self-Contained	42,899,624	13,940	44,385,000	13,944	46,173,600
3. Special Education - Pre-School	31,257,616	10,238	32,597,800	10,777	35,686,500
4. Special Education - Extended Year Program	1,315,682	429	1,365,900	439	1,453,700
5. Special Education - Impact Aid	0	2,016	6,418,900	2,055	6,804,800
6. Special Education - Intensive Services	0	397	1,264,000	406	1,344,400
7. Special Education - Extended Year for Special Educators	0	909	2,894,300	909	3,010,000
8. Special Education - State Programs	10,886,183	0	0	0	0
Subtotal:	\$298,528,490	105,443	\$335,730,500	108,780	\$360,209,600
9. Career & Technical Education - District Add-on	\$84,591,189	28,040	\$89,279,400	28,480	\$94,307,500
10. Class Size Reduction	\$121,115,459	39,990	\$127,328,200	40,909	\$135,464,400
Subtotal:	\$205,706,648	68,030	\$216,607,600	69,389	\$229,771,900
Total Expenditures:	\$2,526,504,615	844,305	\$2,688,267,300	860,176	\$2,848,352,200

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

	Fiscal Year 2016 Actual		Fiscal Year 2017 Revised		Fiscal Year 2018 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	\$505,662,611		\$531,326,900		\$557,686,600
2. Education Fund, One-time	17,033,400		9,200,000		9,000,000
3. USF Restricted - Interest & Dividends Account	45,728,238		45,000,000		62,000,000
B. Transfers to Education Fund, One-time ⁽¹⁾	(8,000,000)		0		0
C. Beginning Nonlapsing Balances ⁽²⁾	23,754,200		14,044,700		14,044,700
D. Closing Lapsing Balances	(28,142)		0		0
E. Closing Nonlapsing Balances	(17,765,398)		(14,044,700)		(14,044,700)
Total Revenue:	\$566,384,909		\$585,526,900		\$628,686,600
Expenditures by Program	Amount	Changes	Amount	Changes	Amount
A. Related to Basic Programs					
1. To and From School Pupil Transportation	75,830,200		79,265,300	4,415,100	83,680,400
2. Pupil Transportation - Grants for Unsafe Routes	0		500,000	0	500,000
3. Guarantee Transportation Levy	500,000		500,000	7,900	507,900
4. Flexible Allocation - WPU Distribution	23,106,600		7,788,000	0	7,788,000
Subtotal:	\$99,436,800	\$0	\$88,053,300	\$4,423,000	\$92,476,300
B. Special Populations					
1. Enhancement for At-Risk Students	25,068,553		26,539,500	1,478,300	28,017,800
2. Youth-in-Custody	21,066,282		21,505,000	1,197,800	22,702,800
3. Adult Education	10,467,747		10,563,900	588,400	11,152,300
4. Enhancement for Accelerated Students	4,555,358		4,764,000	265,400	5,029,400
5. Centennial Scholarship Program	0		250,000	0	250,000
6. Concurrent Enrollment	9,766,700		10,209,200	568,700	10,777,900
7. Title I Schools in Improvement - Paraeducators	300,000		300,000	4,700	304,700
Subtotal:	\$71,224,640	\$0	\$74,131,600	\$4,103,300	\$78,234,900
C. Other Programs					
1. School LAND Trust Program	45,700,096		45,000,000	17,000,000	62,000,000
2. Charter School Local Replacement ⁽⁴⁾	118,013,014		129,156,000	19,323,200	148,479,200
3. Charter School Administrative Costs	6,759,050		7,463,700	361,900	7,825,600
4. K-3 Reading Improvement Program	15,000,000		15,000,000	235,500	15,235,500
5. Educator Salary Adjustments ⁽⁵⁾	166,411,744	3,995,000	171,089,400	3,995,000	171,089,400
6. Teacher Salary Supplement Restricted Account	6,451,938		6,799,900	0	6,799,900
7. Library Books & Electronic Resources	850,000		850,000	0	850,000
8. Matching Fund for School Nurses	993,334		1,002,000	0	1,002,000
9. Critical Languages & Dual Immersion	2,933,851		2,956,000	0	2,956,000
10. Year-Round Math & Science (USTAR Centers)	9,486,750		6,200,000	0	6,200,000
11. Early Intervention	7,500,000		7,500,000	117,800	7,617,800
12. Beverley Taylor Sorenson Arts Learning Program	4,000,000		8,880,000	0	8,880,000
13. Public Education Job Enhancement	69,886		0	0	0
14. Digital Teaching & Learning Program	0		10,040,000	0	10,040,000
Subtotal⁽⁵⁾:	\$384,169,663	\$3,995,000	\$411,937,000	\$41,033,400	\$448,975,400
D. One-time Funding Items					
1. Teacher Supplies & Materials	6,000,000		6,000,000	9,000,000	9,000,000
2. Beverley Taylor Sorenson Arts Learning Program	2,729,891		750,000	0	0
3. Civics Education - State Capitol Field Trips	77,656		75,000	0	0
4. School Library Books & Electronic Resources	744,171		0	0	0
5. Special Education - Intensive Services	2,000,000		1,000,000	0	0
6. K-12 Digital Literacy ⁽⁶⁾	0		0	0	0
7. Digital Teaching & Learning Program	2,088		3,580,000	0	0
Subtotal:	\$11,553,806	\$0	\$11,405,000	\$9,000,000	\$9,000,000
Total Expenditures⁽⁵⁾:	\$566,384,909	\$3,995,000	\$585,526,900	\$58,559,700	\$628,686,600

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

	Fiscal Year 2016 Actual	Fiscal Year 2017 Revised	Fiscal Year 2018 Recommended
Part C: Voted & Board Local Levy Programs			
Revenue Sources	Amount	Changes	Amount
A. State Revenue			
1. Education Fund	99,519,400		\$123,416,200
2. EFR - Minimum Basic Growth Account	56,250,000		\$56,250,000
B. Local Property Tax Revenue			
1. Voted Local Levy	269,043,500		282,607,700
2. Board Local Levy	83,768,600		93,391,000
3. Board Local Levy - Reading Improvement Program	15,000,000		15,000,000
C. Beginning Nonlapsing Balances ⁽²⁾	0		1,819,000
E. Closing Nonlapsing Balances	(2,529,545)		(1,819,000)
Total Revenue:	\$521,051,955	\$0	\$570,664,900
			\$0
			\$595,052,100
Expenditures by Program			Amount
			Changes
			Amount
Guarantee Rate (per 0.0001 Tax Rate per WPU):	\$35.55		\$38.54
			\$39.68
A. Voted and Board Local Levy Programs			
1. Voted Local Levy Program	393,288,588		\$427,474,400
2. Board Local Levy Program	112,763,367		128,190,500
3. Board Local Levy - Reading Improvement Program	15,000,000		15,000,000
Total Expenditures:	\$521,051,955		\$570,664,900
			\$24,387,200
			\$595,052,100
Total Minimum School Program Expenditures:	\$3,613,941,479		\$3,844,459,100
			\$4,072,090,900

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

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

Governor's Office of Management & Budget

Date Modified: 12/6/2016

Notes:

- (1) The Legislature transferred \$8.0 million in nonlapsing balances from various MSP programs to the Education Fund in FY 2016 (2015 GS).
- (2) The State Board of Education (USBE) was given authority in FY 2017 to use up to \$4,431,300 in nonlapsing balances from the Related-to-Basic and Voted & Board Local Levy Programs (a) as contingency funding in the event that student enrollments are higher than expected or local property tax revenue contributions are lower than expected, and (b) to begin implementing a financial management system at USBE. The intent language is found in item 177 of HB 3 (2016 GS). Balances in the following programs were transferred into the Basic School Program: Charter School Local Replacement (\$3,098,200), Charter School Administrative Costs (\$622,600), and Voted & Board Local Levy Programs (\$710,500).
- (3) During the 2016 GS the Legislature increased funding for the add-on programs in order to move to a single WPU value.
- (4) \$6.2 million was backed out on a one-time basis in FY 2017--that funding is available in FY 2018 to offset the increased cost. Additionally, the FY 2016 expenditures reflect the transfer of the required local contribution (\$17,753,511) from Grades 1-12 into Charter School Local Replacement.
- (5) The new appropriation for the Educator Salary Adjustment includes an FY 2017 one-time supplemental and an FY 2018 ongoing appropriation. The supplemental appropriation increases the FY 2017 program total to the same level as FY 2018 and thereby masks the increase from the FY 2017 ongoing appropriation when comparing the difference between the FY 2017 and FY 2018 subtotals of programs 1-14 (or the RTB total expenditures) and the total of FY 2018 changes.
- (6) The Legislature appropriated \$5M for K-12 Digital Literacy for FY 2016 (HB 2, 2015 GS). However, the State Board of Education did not expend the funding; so, the \$5M is present in the FY 2016 nonlapsing balance and the FY 2017 beginning balance.

BUDGET & POLICY BRIEF

Post-Secondary Education and a Skilled Workforce



HIGHLIGHTS

- **\$25 million** for compensation, including a 2% merit-based salary increase
- **\$11 million** for Regents' Scholarship
- **\$4 million** for performance-based funding
- **\$1 million** for engineering programs
- **\$1.5 million** for UCAT expansion and equipment
- **\$1.5 million** for needs-based completion scholarship in a state and private partnership for first generation college students
- **\$1 million** for UETN equipment
- **\$2 million** for Utah Futures

OBJECTIVE

To support the state goal of 66 percent of Utah's workforce attaining a post-secondary degree or certificate by:

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

BACKGROUND

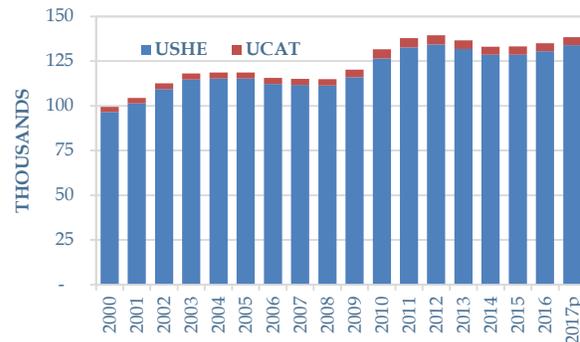
In the 21st century, a dynamic economy requires an educated population. Education drives innovation, attracts employers looking to fill high-skilled jobs, and provides for a higher quality of life. Higher education levels correspond to higher average income and lower levels of government dependence.

Post-secondary education is one of the largest programs funded in the state budget,

constituting about 17 percent of the combined Education Fund and General Fund budget.

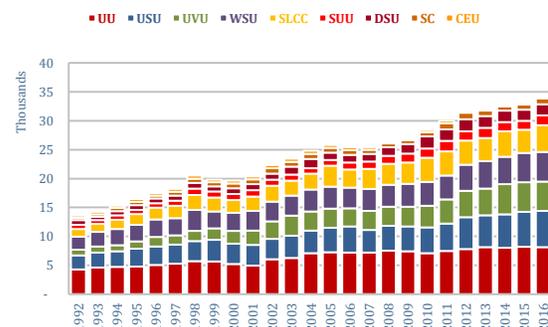
Utah has two major post-secondary education systems—the Utah System of Higher Education (USHE) and the Utah Colleges of Applied Technology (UCAT).

FIGURE 1. HIGHER EDUCATION FTE ENROLLMENT



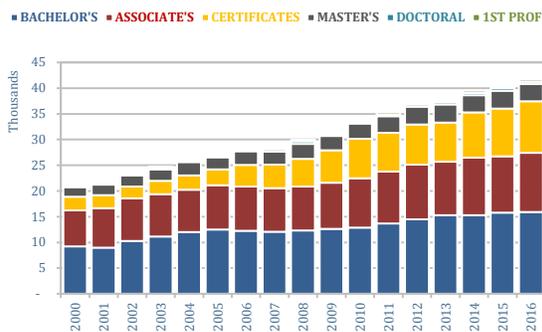
The eight USHE institutions include the University of Utah, Utah State University (including USU Eastern), Weber State University, Southern Utah University, Utah Valley University, Dixie State University, Salt Lake Community College, and Snow College.

FIGURE 2. NUMBER OF DEGREES BY INSTITUTION



After a slight decline in recent years, USHE projects a continued increase in total enrollment to about 180,000 in FY 2017, or about 134,000 annualized full-time equivalent students. USHE granted approximately 32,000 degrees in FY 2016, an increase of roughly 5,400 from FY 2010 (see Figure 2). This represents a 16 percent increase in the number of degrees granted per 100 FTE students.

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 34,000 students, including high school, occupational upgrade, certificate seeking, and other post-secondary training students. UCAT awarded approximately 8,200 certificates in FY 2016, including approximately 6,100 full program certificates and approximately 300 occupational skills certificates. UCAT also awarded approximately 1,600 certificates to secondary students. As detailed in a recent audit, care should be taken to distinguish the various types of certificates issued by UCAT, as well as USHE institutions, to ensure clarity about the skill levels students are achieving.

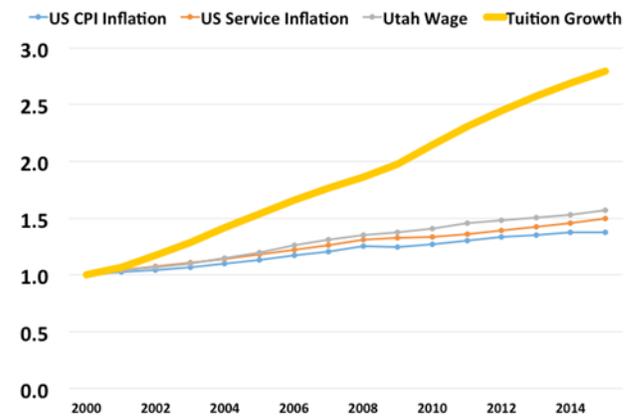
The Utah Education and Telehealth Network provides the technology infrastructure to connect education and health care entities statewide.

ACCESS AND AFFORDABILITY

Access and affordability are key issues for post-secondary education. Although Utah has some of the lowest tuition nationally, tuition has been increasing at a much higher rate than overall inflation.

Along with the challenges associated with a changing demographic that includes a higher proportion of first-generation and lower-income college students, tuition increases create challenges for students who struggle to pay for college or who may not be aware of the educational and financial aid options available.

FIGURE 4. UTAH'S 4-YEAR INSTITUTION TUITION COMPARISONS



Funding for post-secondary education comes from state and federal funds, endowment funds, and tuition. Tuition payments can be paid directly by the student or through scholarships, grants, and student loans. Between 2008 and 2016 the number of students awarded federal Pell Grants nearly doubled from approximately 57,000 to 112,000 and the total amount awarded increased 187 percent. The Governor's budget includes \$11 million the Regents' scholarship and a \$1.5 million needs-based scholarship for first-generation students, providing seed money to leverage private donations.

Increasing tuition costs have also led many students to increasingly turn to student loans. In FY 2016, federal student loans and Pell Grants in

Utah totaled \$1.2 billion, with student loans comprising nearly \$800 million of that total. Student loans represent an increasing source of household debt that, if not kept in check, could create a long-term drag on the economy.

While the state clearly has a role in funding higher education, higher education leaders also have a responsibility to actively seek internal efficiencies to avoid pricing students out of higher education opportunities. For example, the higher education system should seek to maximize the efficient use of existing facilities, including during the summer months and at night.

HIGHER EDUCATION GUIDING PRINCIPLES

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

PROPOSED SOLUTIONS

- Provide \$25.2 million for employee compensation, including \$18.8 million in flexible merit-based compensation funding to USHE, UCAT, and UEN to help in retaining highly qualified employees
- Provide \$11 million for the Regents' Scholarship and \$1.5 million for a needs-based completion scholarship that leverages private funds
- \$4 million for performance-based funding
- \$3 million toward the University of Utah Hospital building
- \$1 million for engineering programs
- \$1.5 million for UCAT expansion and equipment

- \$1.5 for UETN equipment
- Continue to work with USHE and individual institutions to explore more detailed levels of data to better understand the net out-of-pocket cost of higher education for students (after scholarships and grants), ensure that post-secondary education remains affordable, and assist policy makers in gaining a better understanding of how to best fund the system.
- Look for opportunities for shared resources to improve system-wide efficiency.

SKILLED WORKFORCE INITIATIVE

With limited resources, it is imperative that Utah have clear and strategic criteria in place when it comes to investing in academic programs. Over the next year, the Governor will be collaborating with key stakeholders and education officials in order to develop a more robust and transparent approach to post-secondary investments that measurably align with market demands.

Additionally, the Governor is committed to increasing the return on each taxpayer dollar invested in Utah's post-secondary institutions. During the next four years, the Governor will collaborate with key stakeholders and education officials to identify and seize opportunities to more efficiently deliver post-secondary services.

BUDGET & POLICY BRIEF

Social Service Programs and Support



HIGHLIGHTS

- **\$9.7 million** one-time savings for supplemental Medicaid Consensus items in FY 2017
- **\$8 million** ongoing for Medicaid Consensus items in FY 2018
- **\$6.4 million** (\$2 million ongoing and \$4.4 million one-time) for local mental health authorities in FY 2018
- **\$2.67 million** in combined one-time and ongoing funds to support caseload increases in the Baby Watch Early Intervention program for infants and toddlers with developmental delays
- **\$7.5 million** one-time for affordable housing and homelessness reduction
- **\$3.3 million** ongoing to expand jail-based forensic competency restoration activities
- **\$1.4 million** ongoing to restore Medicaid dental services for people with disabilities
- **\$1 million** ongoing to enhance Medicaid services for prevention and family planning

OBJECTIVE

For vulnerable populations to achieve sustainable positive outcomes, appropriate workforce participation and self-sufficiency through efficient investment and effective programs and services.

BACKGROUND

The provision of social service programs in the United States is an important role of government as the public entity responsible for creating laws, collecting taxes and correcting market failures. These social service programs can be funded and administered by all levels of government, but the state holds a unique position as both a large-scale policy originator and fiscal intermediary for

some high-dollar federal programs. In Utah, the state agencies most involved in the administration of social services are the Department of Health, the Department of Human Services and the Department of Workforce Services (including the Utah State Office of Rehabilitation).

The Department of Health (DOH) serves as the state's public health authority and state Medicaid agency. Medicaid is a cooperative state and federal program that funds health care services for an estimated 339,400 low-income Utahns in FY 2017. Medicaid has the largest budget of all social programs in Utah, of which federal funds comprise roughly 70 percent. The state share of Medicaid contributions come from the General Fund, provider assessments, dedicated credit revenue and restricted accounts, among other sources. In FY 2017 and 2018, Medicaid spending is projected to approximate 26.5 percent of all general fund appropriations. With rising costs in health care and long-term support services, the Herbert Administration will undertake efforts over the next four years to build upon existing strategies and identify new opportunities for improving the quality of services delivered while bending the long-run cost curve for healthcare-related social programs.

The purpose of the Department of Human Services (DHS) is to strengthen lives by providing children, families and adults individualized services to thrive safely in their homes, schools and communities. A diverse array of Utahns are served by DHS agencies including child and family services (child protective services, in-home, foster care), juvenile justice services, services for people with disabilities, as well as, substance abuse and mental health prevention and service

coordination through Local Area Authorities. DHS also provides adult protective services, administers aging and adult services (through Local Aging Agencies), licensing, child support and insurance collections, public guardianship and is responsible for the Utah State Developmental Center and Utah State Hospital.

The Department of Workforce Services (DWS) is the state workforce agency charged with connecting jobseekers with employers across its nine economic service areas. Beyond job placement services, DWS oversees several of the most noteworthy social safety net programs such as the Supplemental Nutritional Assistance Program (SNAP - Food Stamps), Temporary Assistance for Needy Families (TANF), Unemployment Insurance (UI), Child Care subsidies, affordable housing and homeless reduction initiatives through its Housing and Community Development Division and vocational rehabilitation services through the Utah State Office of Rehabilitation (USOR).

FIGURE 1. FY 2018 TOTAL BUDGET FOR SELECT SOCIAL SERVICE PROGRAMS

Program	Total Funds
Medicaid (DOH Line Items)	\$2,879 Million
Supplemental Nutrition Assistance Program (SNAP)	\$327 Million
Temporary Assistance for Needy Families (TANF)	\$102 Million
Women, Infants and Children (WIC)	\$45 Million
Vocational Rehabilitation (USOR)	\$49 Million
Child and Family Services (DHS Line Item)	\$176 Million

Utah’s top performing economy and longstanding social fabric of self-determination contributes to the state’s position as having some of the lowest public benefit utilization rates in the country. In calendar year 2015, Utah’s poverty rate of 11.3 percent ranked 39th among all states. Likewise, the prevalence of public benefit utilization across major programs such as TANF, SNAP and Medicaid (including the Children’s Health Insurance Program - CHIP) ranked 43, 48, and 50 in the nation in 2015.

FIGURE 2. RATE OF POVERTY AND SOCIAL SERVICE PROGRAM UTILIZATION IN UTAH IN 2015

	Percent of Utahns	Rank Among All States (low to high)
Poverty Rate	11.3%	39
TANF	0.29%	43
SNAP	7.5%	48
Medicaid & CHIP*	10.3%	50

*Medicaid & CHIP enrollment taken from the November 2016 Centers for Medicare & Medicaid Services Monthly Applications, Eligibility Determinations Enrollment Report and represents August 2016 one-month totals. Non Medicaid expansion states generally post lower rankings by this measure.

GUIDING PRINCIPLES

Despite Utah’s relatively low public benefit utilization rates, there are always challenges and needs for improvement in the realm of social service program design and delivery as well as the broader underlying social dynamics that contribute to the needs for these services. Issues like medical inflation outpacing available budget, the insufficient accessibility of affordable housing, the waiting list for services for people with disabilities, the growing demand for forensic competency restoration, the persistence of intergenerational poverty and a lack of work opportunities for people with disabilities are just a few examples of areas that warrant the attention of policymakers and the Utah citizenry. As specific efforts and policies are put forth to address these challenges and others, the following guiding principles should be considered:

- Public benefits and social program interventions should lead to the sustainable positive outcomes of recipients. While some federal entitlement programs are not tied to the measurable outcomes of beneficiaries, state social service programs should be evaluated on the merits of costs and efficacy. Moreover, the state should develop, implement and evaluate programs with respect to the transitional or permanent needs of the populations served. For individuals with permanent and progressive disabilities who are in need of long-term care, services should be as accessible and reliable as possible while focusing on outcomes that

improve client well-being and promote the most efficient delivery of care and benefits. For individuals in need of short-term transitional support, programs should facilitate the resolution of barriers to workforce participation, employment and other contributions to self-reliance and community benefit. In general, the most effective programs, in terms of both quality outcomes and costs, prioritize preventative service delivery that keeps individuals with family in their own homes and communities.

- To the extent possible, services should be coordinated across funding, administrative and service-delivery dimensions with the focus on whole-person care and meeting the continuum of individual and family needs. Likewise, a similar integration of efforts should occur to ensure that programs are not just properly designed but are operating efficiently and being implemented with fidelity. While policy-design is critical to the success of any program, too often a solid understanding of how to efficiently deliver a program or service can be overlooked. For example, the policy of wraparound services can only be fully realized by creating an operational model that improves the flow, quality and reliability of services. With so many significant needs for support services, it is essential that every dollar is maximized by combining solid policy-design with unparalleled operations.

- In fulfilling the proper role of government by administering social service programs and enforcing laws that protect the health and safety of vulnerable populations, it should be explicitly recognized that our citizens and communities ultimately determine the quality of life we all share in Utah. As such, the first objective of most social programs should be to identify the conditions necessary for empowering individuals to address their own needs, better their communities, and work toward a path of sustainable personal and collective self-sufficiency. This principle is exemplified by many of the issues and proposed interventions herein, such as affordable housing initiatives where government alone cannot address all of the factors contributing to deficient access and long-

run solutions will ultimately be driven by individual and community-level decision making.

CURRENT PILOT PROJECTS & AGENCY INITIATIVES

Coordinated Case Management. One of the challenges in social service programs is that families often have multiple needs requiring involvement with multiple programs or agencies. They often find their situation extended and/or exacerbated while trying to navigate multiple government programs and agencies that may inadvertently work at cross-purposes or duplicate services due to a lack of coordination. These programs have each been attempting to address the financial, organizational, and technological barriers to coordination for years.

The Governor's Office of Management and Budget has brought DWS, DOH, and DHS together to begin work on a three-phase pilot to better coordinate services across programs and agencies for concurrently-served individuals and families. The goals of this pilot are to improve quality outcomes, efficiency, and value by better coordinating programs and service delivery. This effort will differ from other efforts occurring across the country by focusing on logistical solutions used in improving operations and flow as a key part of the solution. The first phase will begin in early calendar year 2017 serving families in DWS' Family Employment Program (FEP). The second phase will then focus on families being served by both FEP and another DWS program. The third phase will focus on families being served by these programs and a program in DOH or DHS. The pilot will be evaluated and it's anticipated it will be scaled up across social service and correctional programs.

Intergenerational Poverty (IGP). Over the past several years, the Intergenerational Poverty Commission (Chaired by the Lieutenant Governor and comprised of DWS, DHS and DOH executives) has been researching and monitoring the dynamics and trends of intergenerational

poverty in Utah. According to the most recent annual report, over 57,000 Utah children are caught in the cycle of intergenerational poverty. In cooperation with IGP-Commission agencies, the Governor’s Office of Economic Development and representatives of the local education community, the Governor’s Office of Management and Budget is working to design and implement a pilot project with the ultimate goal of placing thousands of Utahns between the ages of 14-17 who are experiencing or are at-risk of experiencing intergenerational poverty on a path to self-reliance through a mentorship/career development program that will allow participants to earn living wages as adults. Since poverty by definition is a status associated with low earnings relative to household size, as more of Utah’s IGP youth secure career trajectories with living-wage opportunities, the cycle of intergenerational poverty in Utah will be disrupted.

Other Agency Priorities and Initiatives. Beyond the aforementioned pilot programs, our state’s social service agencies continue to work diligently in pursuing their respective missions through a variety of ongoing initiatives, such as opioid overdose prevention efforts by DOH, DWS’s family focused case management strategy and system of care approach to customized service delivery from DHS.

STATE FUNDS BUDGET RECOMMENDATIONS FOR SELECT SOCIAL SERVICES ITEMS

In FY 2017, the Governor recommends \$9.7 million in Medicaid savings as current appropriations exceed Consensus-projected costs. For FY 2018, the Governor recommends \$8 million in ongoing funds for Medicaid, which includes \$7.8 million in increased costs associated with higher reimbursement rates for Accountable Care Organizations equaling a 2.6 percent General Fund growth factor in FY 2018.

The Governor also recommends \$6.4 million (\$2 million ongoing, \$4.4 million one-time) for Medicaid matching funds for local mental health authorities, \$4.1 million in Medicaid matching funds to meet increased service needs for people receiving disability waiver services, \$2.67 million in combined one-time and ongoing funds to support Baby Watch early intervention services for infants and toddlers with developmental delays or disabilities, \$3.3 million in ongoing funds to expand jail-based forensic competency restoration activities, \$7.5 million in one-time funding for affordable housing and homelessness reduction initiatives for which clear performance measures should be established and funding should be accessible to all localities across the state, \$1.4 million for the restoration of Medicaid dental services for people with disabilities and \$1 million in ongoing funds for the coverage of additional Medicaid treatment codes for preventative health services and family planning health services, among other social service recommendations.

STATE FUNDS BUDGET RECOMMENDATIONS

The Governor’s recommendations for select social services

\$2.7 MILLION

Baby Watch early intervention services for infants and toddlers with developmental delays or disabilities



\$7.5 MILLION

in one-time funding for affordable housing and homelessness reduction initiatives



\$1.4 MILLION

for the restoration of Medicaid dental services for people with disabilities



BUDGET & POLICY BRIEF

Corrections, Public Safety, and Recidivism



HIGHLIGHTS

- **Up to \$100 million** additional bonding required to fund prison relocation
- **\$1 million** for jail reimbursement, bringing the total to 87 percent of the statutory rate
- **\$500,000** for jail contracting at 84 percent of the statutory rate
- **\$1.5 million** increase in state trooper and public safety employee pay
- **\$7.6 million** increase for correctional employees, including a career ladder
- **\$1 million** for public safety equipment
- **\$750,000** for crime lab evidence management

BACKGROUND

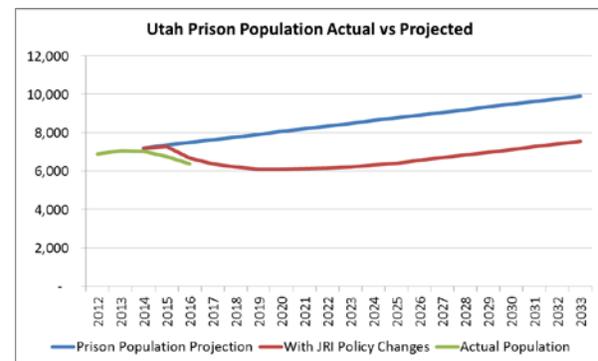
A strong criminal justice system ensures the protection of Utah's citizens, helps victims feel justice has been served, and allows released offenders to become contributing members of society rather than return to prison. Like the nation as a whole, Utah struggles with persistently high recidivism rates. Today, about 65 percent 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

Utah currently incarcerates around 6,200 state inmates. Between 2014 and 2015, the average daily incarcerated population decreased by 5 percent. It should be noted that in the past 30 years, there have only been two years where the yearly population experienced a decline. Though no causal relationship has been determined, this unusually large drop is likely the result of the early planning and implementation stages of the Justice Reinvestment Initiative (JRI).

The decline continued as JRI went into effect. As of June 2016, the actual prison population was significantly below its projections absent any reform, and also below its projections given HB348 (seen in Figure 1).

FIGURE 1. PRISON POPULATION: ACTUAL VS. PROJECTED



The Governor proposes \$1 million for jail reimbursement, bringing the total to 87 percent of the statutory target rate for county jail reimbursement.

SUPERVISION OF OFFENDERS IN THE COMMUNITY

Over 70 percent of the offenders under the jurisdiction of Department of Corrections are supervised in the community either on probation or on parole. Currently, there are around 17,800 offenders under the supervision of Adult Probation and Parole (AP&P). AP&P saw a significant increase in the offender population between October 2013 and October 2015, with a net growth of 1,600 offenders (a 10% increase). Since the implementation of JRI there has been a 1.7 percent decrease in the number of offenders under community supervision.

The implementation of the JRI (H.B. 348 of the 2015 General Session) directs the Department of Corrections to implement new evidence-based supervision procedures (as developed by the Utah Sentencing Commission). Consistent with the 2015 Adult Sentencing and Release Guidelines effective October 2015, AP&P has expanded supervision services to include high and moderate Class A offenders (in addition to felony offenders).

H.B. 348 directs agents to reward offenders who display progress towards completing their conditions of probation/parole agreement. It is the agent’s responsibility to report the offenders’ accomplishments to the Court or to the Board of Pardons and Parole, which may then terminate an offender’s probation or parole agreement earlier than originally planned. The bill also directs the agents to give sanctions to offenders that violate their conditions of probation/parole according to the swift, certain, and proportionality principle.

PRISON RELOCATION

Building a new prison facilities improved inmate treatment options and is key to the state’s goal to reduce recidivism while ensuring public safety.

During the 2015 General Legislative Session, a \$470 million general obligation bond and an \$80 million one-time General Fund allocation were authorized for the purchase of the property and the construction of the facilities that would replace the current Utah State Corrections Facility in Draper. The Prison Relocation Commission voted unanimously to relocate the Draper Prison to a site near I-80 and 7200 West in Salt Lake City. A resolution supporting this move was approved by the Legislature and signed into law by the Governor in August 2015. The new prison is being designed to contain between 3,600 and 4,000 beds, taking into consideration factors such as the needs of the Department of Corrections, cost escalation, and

the necessary contingency budget expected during construction.

There were areas of the original estimate, such as the cost associated with the mitigation of the soil that came in higher than anticipated. At one time, all prison-related infrastructure development and construction costs were estimated to be as high as \$850 million. Since then, DFCM has worked to arrive at a realistic estimate that represents the best value for the state. Through a combination of estimate negotiations, in-depth look at the project scope, and design maturation, the total on-site costs including land acquisition are now estimated at approximately \$550 million, which aligns with original funded amount. In addition, the costs for securing roads and utilities at the selected prison site are estimated at approximately \$100 million; the development of the infrastructure will become a key factor in spurring the economic development of the Northwest Quadrant of Salt Lake City.

FIGURE 2. ESTIMATED PRISON RELOCATION COSTS

Onsite Costs	
Facility Costs (Bricks and Mortar)	\$368.2
Site Development	\$87.8
Property Acquisition	\$13.0
Soft Costs: design, contingency, inspections, FF&E, commissioning, IT, moving, transition, insurance, legal	\$80.8
Onsite Total	\$549.8
Offsite Costs	
Road and Utility Infrastructure	\$91.8
Soft Costs: design, contingency, inspections, commissioning, insurance	\$8.0
Offsite Total	\$99.8
Total Project Cost	\$649.6
Paybacks	
Short-term (4 year) payback from SLC	-\$12.9
Pioneering Agreement – 20-year estimated return	-\$22.5
Total Payback	-\$35.4

The Governor’s budget recommends up to an additional \$100 million in bonding authority (with the expectation that the full amount may not be needed) to cover current development

and construction estimates. Over time, and with the needed infrastructure in place, some of these costs will likely be offset as private development occurs in the northwest quadrant of Salt Lake City. Current estimates place the payback amount to be approximately \$35 million over 20 years. In addition, to the extent the Legislature appropriates funds for this purpose. In the future, these bonding costs could be mitigated.

JRI ANNUAL REPORTING

The efforts to track the implementation and progress of H.B. 348 (JRI) are comprehensive. The bill directs CCJJ to submit an annual report to three interim committees starting fall of 2016. CCJJ released the first annual JRI report in October 2016. The main findings were as follow:

1. Overall prison population has continued to decrease, and the decline is almost fully accounted for by nonviolent offenders
2. Probation-focused policies are progressing as expected (see Figure 2)
3. Criminal history scoring revisions have resulted in fewer prison recommendations
4. The reclassification of drug-possession-only penalties reduced the percent of felony drug offenses (see Figure 3)
5. Treatment numbers pre- and post-reform remain fairly constant

As seen in Figure 3, probation-focused policies are positively impacting the probation population. Prior to the reform, 54 percent of probationers were successfully discharged from supervision compared to 65 percent in the average FY 2016 quarter. The successful discharge rate from probation depicted an upward trend prior to the depicted reform. These improved results were under-girded by AP&P's implementation of the SUCCESS Framework and their focus on "quality terminations" or discharging probationers with a 15 percent or greater risk reduction. The rate of successful discharge from probation continued at a higher rate as JRI went into effect.

FIGURE 3. FY14-FY16 SUCCESSFUL DISCHARGES FROM PROBATION

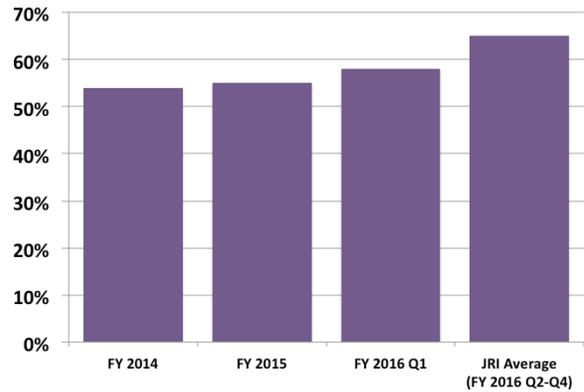
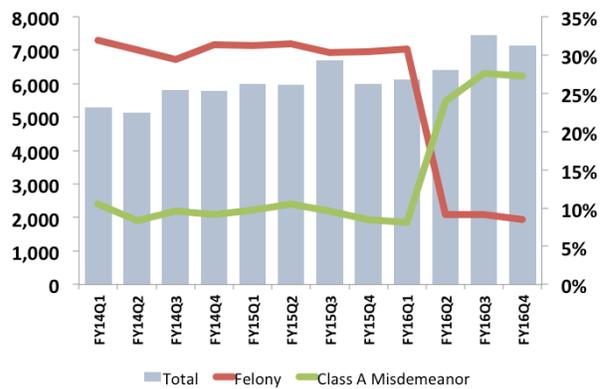


FIGURE 4. DRUG POSSESSION ONLY COURT CASES FILED: PERCENTAGE OF THIRD DEGREE FELONY VS. CLASS A MISDEMEANOR



Another outcome measure worth highlighting concerns drug-possession-only offenders. As a result of HB 348 and as expected, the percent of drug-possession-only cases filed as a 3rd Degree felony has significantly declined while the percent filed as a Class A Misdemeanor has significantly increased. The percentage point decrease/increase was similar across the two offense severities.

CCJJ will continue to track the performance of JRI, including evaluating recidivism rates once data is available to ensure Utah's recidivism and public safety goals are being met.

SUCCESS INITIATIVE

AP&P is conducting an 18-month "Path to Success" pilot in Cache County. The goal of the pilot is to enhance public safety and support the

overall Corrections' goal to reduce recidivism by 25 percent. The pilot includes an ambitious target to improve quality terminations by reaching a 15 percent risk reduction in 85 percent of all AP&P cases. A 15 percent reduction in risk score has been estimated to reduce recidivism by 33 percent.

The pilot will test a series of concepts to include:

- completing the offender case action and treatment plan, clinical assessment, and orientation session within five days from jail or prison release;
- delivering 80 to 100 hours of evidence-based treatment dosage to an offender within the first 90 to 120 days of release in order to significantly reduce criminogenic risk factors;
- replacing offender idle time with positive treatment in order to disrupt negative behavior;
- maximizing offender participation and buy-in of the case action plan;
- maximizing agent time to manage cases; and
- obtaining buy-in from stakeholders to include district judges, the county attorney, county sheriff, jail commander, defense attorneys and service providers.

The key measures used to determine the success of the pilot include:

- the number of terminations with a 15 percent risk reduction of total terminations;
- the percentage of offenders who successfully complete the pilot;
- admissions back to prison for new crimes or technical violations based on supervision type and level of risk; and
- the number of offenders receiving earned compliance credits.

In order to determine the success or failure of the solution design, the Cache County pilot will be compared against a Washington County control group.

The department-wide performance improvement over baseline is 9.4 percent for the period July 2013 through September 2016.

PUBLIC SAFETY

Utah's state troopers put their life on the line every day. The Governor's budget recommends \$1.5 million to increase state trooper and public safety employee pay, \$1 million for equipment to help troopers better do their jobs, and \$750,000 for the state crime lab and evidence management.

CORRECTIONAL OFFICER COMPENSATION

Within law enforcement entities at state and local levels, career ladders exist as a common framework for determining compensation and progression opportunities for officers. However, the Utah Department of Corrections has not had a functioning career ladder system in years and, as a result, has been at a competitive disadvantage when it comes to recruiting and retaining officers and other employees. The Governor's budget recommends \$7.6 million in funding to provide salary increases and salary range adjustments to employees of the department, of which \$5.8 million will support the implementation of a career ladder for those working in correctional specialist and administrator classification, the correctional officer job family, and the correctional adult probation and parole officer classifications, among others.

BUDGET & POLICY BRIEF

Air Quality



HIGHLIGHTS

- **\$1.45 million** (\$1.3 million one-time and \$150,000 ongoing) for air quality monitoring
- **\$250,000** for air quality research
- **\$32.4 million** over ten years from the Volkswagen settlement to be used in support of solutions that provide the most positive air quality improvements
- **\$5 million** in federal grant funds to remove dirty vehicles, including school buses, from Utah's roadways

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

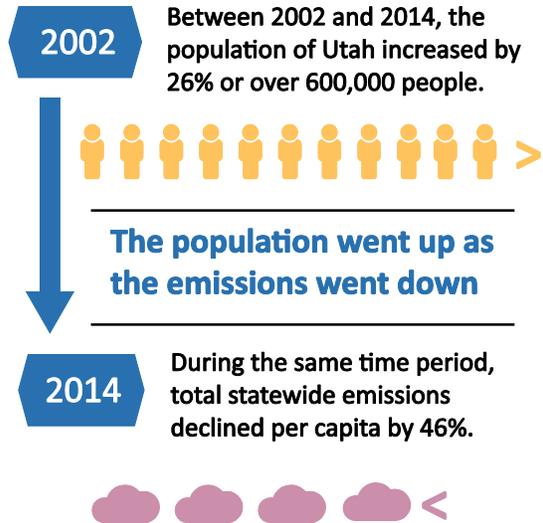
Overall, Utah's air quality continues a trend of significant improvement, even with a growing population and economy. Between 2002 and 2014, the population of Utah increased by over 600,000 people (a 26% increase). During the same period of time, total statewide emissions declined from 2.5 million tons to just over 1.8 million tons—a 30 percent total reduction and a 46 percent per capita reduction.

Despite these improvements, there are several days each year when the more stringent air quality standards established by the Environmental Protection Agency (EPA) push Utah out of compliance. These stronger standards, coupled with expanding media

attention, have augmented awareness and concern among Utah citizens. The increased focus has been instrumental in educating Utah 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.

POPULATION VS. EMISSIONS

2002 to 2014



Utah has taken significant action over the past few years to improve air quality. The state has required industrial sources to install stringent new control technology, passed nearly 30 new rules addressing large categories of emission sources, launched public education campaigns, created incentives for consumers to purchase cleaner vehicles, implemented travel-reduction plans, obtained grants to help build clean fuel infrastructure, and much more. The Governor's Clean Air Action Team has identified meaningful additional strategies to clean Utah's air.

While great strides have been made, there is more to be accomplished. 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 the state's air quality. The Governor's budget includes \$250,000 for research.

UTAH'S WINTER AIR POLLUTION

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



We must all reduce emissions

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



REDUCING VEHICLE EMISSIONS THROUGH MITIGATION PROJECTS

In FY 2018, the Division of Air Quality will begin to implement new programs that reduce the emissions from motor vehicles.

Under the terms of a settlement entered in U.S. District Court, Volkswagen will mitigate the air quality impacts from diesel vehicles that fail to achieve emissions standards. According to the terms of the settlement, Utah will receive nearly \$32.4 million over a 10-year period for projects

that replace or re-power eligible diesel vehicles with engines that produce fewer emissions. A holistic approach should be taken as funding plans are developed to ensure outcomes achieve the most enduring and effective reduction of emissions for each dollar invested.

In addition, cleaner school buses and a program to repair vehicles that fail emissions tests will be provided through Targeted Airshed Grants from EPA. The total grant funding of \$5 million will be available over a three-year program to remove dirty vehicles from Utah's roadways and improve air quality.

GUIDING PRINCIPLES

- All sources of air pollution, from large industry to individual residents, must reduce emissions. An estimated 85 percent of Utah's winter air pollution comes from mobile and local area sources (such as vehicles, homes, consumer products, and small businesses).
- Most of our problem, therefore, is the result of the myriad decisions made 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. As people's private market decisions can negatively impact others, 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 common resource and public health priority.
- Utah's unique challenges require unique solutions that complement Utah's values, lifestyle, and economy. While air quality decisions should be informed by broad research, such decisions should ultimately be tailor-made for Utah and not simply comprise the one-size-

fits-most solutions borrowed from or imposed by others.

- Education will play a key role in arming citizens with the knowledge necessary to become part of the solution. Utahns generally want to do the right thing. The state 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 are 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

- Problems cannot be solved if not fully understood. There must be an 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, adequate personnel are needed 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:

- \$1.45 million (\$1.3 million one-time and \$150,000 ongoing) for air quality monitoring
- \$250,000 for air quality research
- \$32.4 million over ten years from the Volkswagen settlement to be used in support of solutions that provide the most positive air quality improvements
- \$5 million in federal grant funds to remove dirty vehicles, including school buses, from Utah's roadways

BUDGET & POLICY BRIEF

Water



HIGHLIGHTS

- **\$5 million** toward more efficient water use, including rebates to improve outdoor watering efficiency (\$2.2 million), advertising (\$300,000), state facility efficiency (\$500,000), and agricultural water efficiency incentives (\$2 million)
- **\$4.5 million** to collect data and study water use throughout the state
- **\$100,000** for water rights adjudication
- **\$90,000** for dam safety
- **\$500,000** to remediate phragmites, an invasive species that consume large amounts of water
- **\$123,000** for algal bloom costs

OBJECTIVE

To develop water funding policies and mechanisms that ensure:

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

- policymakers to make informed financial decisions regarding water based on accurate and reliable data.

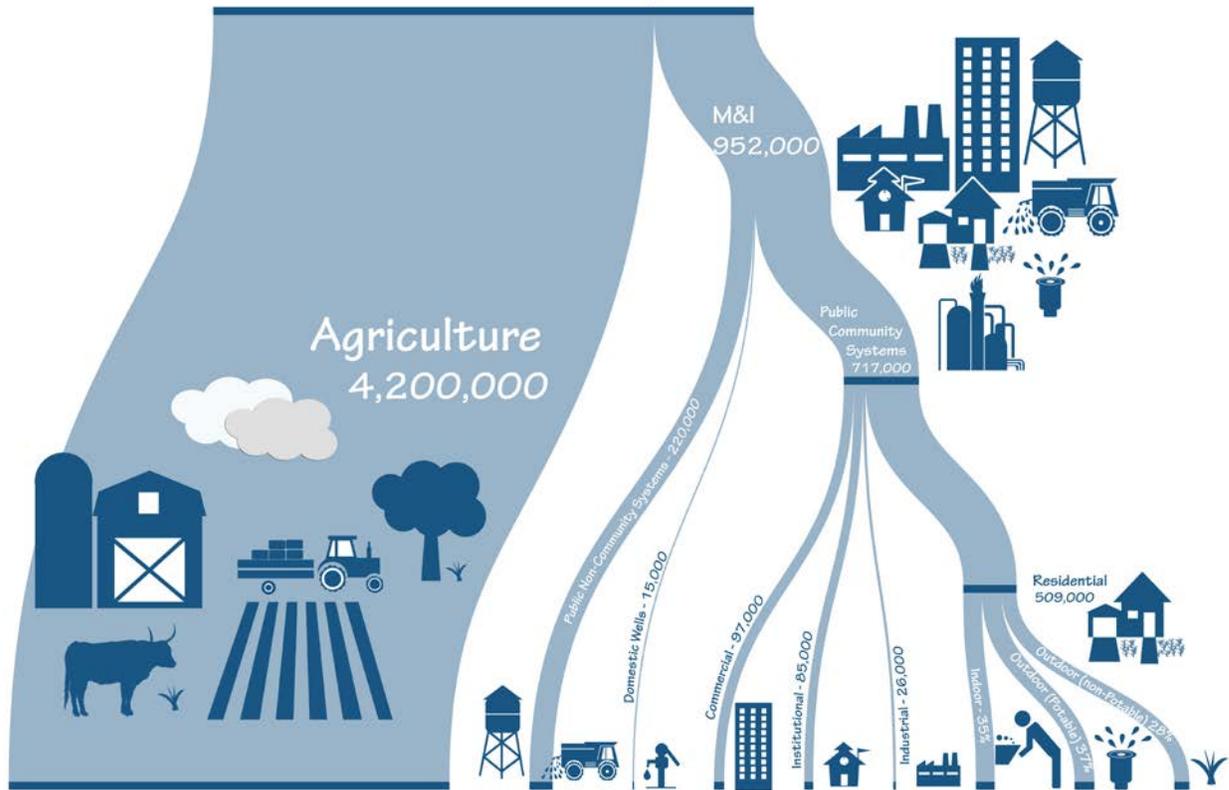
BACKGROUND

As one of the driest states in the country, water is always a topic of concern within Utah. Although the state as a whole is very dry, most of Utah's major population centers enjoy favorable circumstances with higher precipitation rates than the statewide average and close proximity to mountains and their even higher precipitation and snowpack. Snowpack offers a clean, annually renewed water source that is largely delivered by gravity to the state's major population centers. However, some projections suggest future changes in weather patterns and precipitation could affect snowpack.

WATER USE

Figure 1 shows the distribution of diverted water in Utah. Diverted water is generally categorized into agricultural water (estimated at 82 percent) and municipal and industrial (M&I) water (estimated at 18 percent). Of the 18 percent statewide total diverted M&I water use, an estimated 3.5 percent is residential indoor use; 6.5 percent is residential outdoor use; 2.5 percent is commercial and industrial use; 1.5 percent is institutional use (such as governments and schools); and 4 percent is public non-community use, which includes specific industrial uses.

FIGURE 1. WATER DISTRIBUTION IN ACRE FEET PER YEAR



M&I WATER USE

Looking to the future, policymakers should take a comprehensive view of water and seek to improve the efficient use of water across the board.

Recognizing that water use data reporting among states is imperfect and sometimes based on inconsistent methodologies, the U.S. Geological Survey indicates that Utah has the highest per capita M&I water use in the nation. Whatever the state’s exact ranking in per capita water use, the State of Utah should continue to push for more efficient use of water and better data that provides more meaningful water use comparisons within Utah and among other states.

Much emphasis is rightly placed on more efficient M&I water use. The emphasis should continue, in particular for outdoor water use that is often excessive. The Governor’s budget

recommends \$2.2 million to improve efficiency in outdoor watering, including rebates for high-efficiency sprinkler control systems, as well as \$300,000 to inform the public of the rebates and of ways to enhance outdoor water efficiency. In addition, the budget recommends \$500,000 to improve water efficiency at state facilities.

AGRICULTURAL WATER USE

As the single largest water use, it is also important to review and better understand agricultural water use. Recognizing that any changes should protect existing water rights and include proper economic incentives, relatively minor increases in true agricultural efficiency (accounting for return flow) could have a sizeable impact on water use overall.

The Governor’s budget includes \$2 million to study, develop, and implement strategies that provide incentives for agricultural producers to

voluntarily improve water efficiency without reducing food production or undermining water rights. Potential strategies could include grants to convert from water-inefficient irrigation equipment, adopt smart meter technology to avoid over-irrigating, lining or enclosing canals, and modernizing irrigation infrastructure. This effort should be collaborative in an effort to seek ideas on how to implement solutions that are both beneficial to agriculture and to the state's long-term water future.

In addition, the state should determine if there are feasible options that both respect water rights and allow agricultural water uses to financially benefit from more efficient water use, such as by leasing water rights for M&I use.

STATE AND LOCAL ROLES IN WATER INFRASTRUCTURE

The State of Utah itself does not own major water delivery infrastructure. Rather, water has historically been a local responsibility, generally through local government entities and some private providers. Local water wholesalers and water retailers develop water sources and deliver water to the end user. In some cases, local water providers have neglected to build sufficient revenues into their water prices to cover the repair and replacement of infrastructure—one of the several reasons for Utah's low water rates. Another reason is the practice of using property taxes (rather than user fees) to pay for a portion of water costs.

Future population growth and local repair and replacement costs will likely result in increased future water costs. The easiest and least expensive water development projects have already been completed. Future projects will be very costly due to the nature of the projects themselves, as well as increased environmental review and permitting processes.

With Utah's projected population growth in mind, policymakers, water providers, and water users must work together toward solutions that

lead to much greater conservation of existing developed water; use existing infrastructure more efficiently; and develop future water in ways that are fiscally and environmentally sustainable.

CHOICES ABOUT WATER USE

Assuming current water usage levels continue as-is or only minor additional conservation occurs, the demand for M&I water is projected to exceed supply over the coming decades as Utah's population continues to grow. Utahns have an important choice to make about water use. If Utah's population continues to grow at current rates, the need for additional water supply at some point is a given; however, the timing of water system development can vary dramatically depending on water use levels. More judicious use of existing water could delay major development projects for decades while the failure to conserve water will lead to accelerated building schedules and their associated increased costs sooner.

As previously mentioned, the U.S. Geological Survey indicates that Utah has the highest per capita M&I water use in the nation, even though Utah's water use has been estimated to be 18 percent lower than the reported water use in a 2000 report commonly used as a benchmark. Some existing projections assume little to no improvement in the efficient use of water after 2025. Costly water development projects could be postponed for decades if Utah's water sources were used more efficiently. However, if water use continues at existing levels or only minor additional conservation efforts are made, the state will face the need to develop costly water supply systems sooner.

Although no one wants to pay more for water, existing funding levels are inadequate to pay for costly new development projects. For example, debt service on just one of the proposed infrastructure projects could range from about \$100 million to \$250 million in ongoing revenue

annually, depending on the term of the bond. While local water user fees are unpopular, so are state tax increases. Depending on the level of costs incurred by the state, Utahns may soon face a real choice between state tax increases or increases in local water user rates.

Currently, about \$45 million is earmarked from state sales tax for water—an amount that automatically increases with an increase in sales tax revenues. Of this, about \$7.5 million is earmarked for a recently-created water infrastructure account. The Governor recommends that about \$3.5 million from this new earmark (and about \$9.6 million in total from various water funds) be used for water efficiency incentives for both M&I and agricultural water, large-scale metering and data study, and water rights adjudication.

WATER INFRASTRUCTURE FUNDING REQUEST

Considering current per-capita usage, projected population growth, and the condition of existing infrastructure, a group representing some large water conservancy districts has identified \$33 billion in water projects they believe should be built in the state over the next 45 years (\$18 billion in repair and replacement projects and \$15 billion in new projects). In some cases, a fair amount of detail has been provided on the projects while in other cases minimal detail is available. Given the very long time period for these estimates, the dollar amounts provided should be considered only a very rough approximation of future water project costs if the proposed projects are built.

Under the proposal, existing local revenues would cover some of the projects and new local revenues in the form of property taxes or water user fees would also be required to cover all future water projects identified. The proposal also suggests that state taxpayers pay for roughly \$12 billion of the estimated \$33 billion.

The proposal also assumes that the State of Utah use state bonding capacity to construct major water development projects costing billions of dollars. The State of Utah would cover all project costs up front, with repayments to the state delayed to begin from one to ten years after completion of construction, depending on when water is supplied. This means that state taxpayers would pay for much of the proposed project costs prior to repayment beginning.

Under both the Lake Powell Pipeline Act (enacted in 2006) and the Bear River Development Act (enacted in 1991), projects are subject to future funding decisions. Under the acts, after the projects are built and repayments to the State of Utah begin; full repayment would not be reached for over 50 years. Repayments for 70 percent of the project costs would be made within 50 years after local entities take water that was contracted for prior to construction. However, the remaining 30 percent of project costs are completely open-ended, meaning no set time period is in place for repayment to the state, although this portion of the water must be repaid within 50 years after the water is taken. Under current statute, repayments to the state would be made at an indeterminate interest rate, which could be less than the state's borrowing costs. Under the proposal, the State of Utah's General Fund would never be repaid and the ongoing allocation of tax revenues would create a permanent sizable state taxpayer subsidy for water development.

Some advocate for the State of Utah to assume a role of financing water projects previously filled by the federal government. It should be recognized that allocating state tax revenues for major water development projects constitutes a massive expansion of the state's role. Unlike the federal government, the State of Utah balances its budget. This means that this type of major funding expansion would ultimately affect other state-funded programs (in particular education) or lead to future tax increases.

Out of respect to the taxpayer, it is recommended that the State of Utah only allocate very scarce resources to financing major water projects after all other alternatives are exhausted and the significant concerns raised in the recent legislative audits on water are resolved. Of particular concern is the current pressure on the General Fund to meet meeting core existing state government functions.

	<p>Better water data and data reporting</p>
	<p>New and meaningful water conservation targets</p>
	<p>Independent validation</p>
	<p>Local funding effort and increased emphasis on user fees</p>
	<p>Transparency and local voter engagement</p>
	<p>Appropriate financing and repayment terms</p>

Depending on the actual cost and bonding terms, annual bonding costs for a project such as the

Lake Powell pipeline could range from \$100 to \$250 million of ongoing revenue.

Prior to undertaking a major expansion of the state’s role in water project financing, the following minimum conditions should be met:

- The need for better water data and data reporting prior to any state financing, including universal metering of water in all areas that would receive state-funded water and a minimum of three years of data reporting of water usage under new state water reporting standards.
- Building upon previous efforts, the implementation of new and meaningful water efficiency targets that strongly emphasize more efficient use of existing developed water, including reductions of government water use.
- Independent validation, including a comprehensive price elasticity and repayment feasibility study, verified accurate reporting of water use data, and independent validation of project costs.
- Strong local funding effort and an increased emphasis on user fees, including local conservancy districts paying up front for a meaningful portion of any project (for example, the federal government required a 35 percent local contribution on recent projects); water user fees that (a) reflect a local water user effort demonstrating a strong local commitment when compared with the water rates of other state taxpayers that will be paying to finance the projects and (b) fund needed local repair and replacement projects; and movement away from property taxes in favor of user fees for water (which will enhance economic incentives for conservation).
- Transparency and local voter engagement through public processes, including public hearings disclosing projected water user fee increases and a local vote agreeing to the project and full state repayment, including any needed water user fee increases.

- Appropriate financing and repayment terms, including all interest capitalized into the loan; an interest rate set in statute that reflects the state’s borrowing costs (given the long repayment period, either adjusting for inflation or adjusting over time to reflect the state’s latest borrowing rate); a fixed repayment period for 100 percent of the project costs; payments that at least partially begin concurrently with the state’s bond repayment; and repayment directly to the state General Fund rather than a revolving loan fund so that the legislature has the ability to prioritize each water project against other competing state priorities.

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

GUIDING PRINCIPLES

- Utah should take a more comprehensive view of water management. Policies and strategies must be developed or better implemented to encourage all water users (residential, commercial, agricultural, and government) to more efficiently use water. Strategies include meaningful price signals, enhanced public education, use of existing and emerging water-saving technologies, increasing wastewater reuse, encouraging water-wise landscaping, and the elimination of conservation barriers in local and state laws. Solutions should recognize the increasing value of limited water resources as growing demands stress existing supply and maximize the efficient use of existing water infrastructure and supplies.
- Better data and greater transparency into water usage and funding sources to help policymakers and consumers make informed decisions on how best to use and conserve

water. Better information, including thorough water metering, and market price signals such as user fees will allow market forces to influence the efficient use of water.

- Local governments should implement plans to locally fund the repair and replacement of local infrastructure, in particular when receiving any state taxpayer funding. The State of Utah should adjust its policies to remove any obstacles, real or perceived, to local entities setting aside funds to repair and replace their water infrastructure.
- Funding responsibility should increasingly shift to end users. Any state involvement should be prudent and fiscally sustainable. Further earmarks should not be used. When state funds are provided to assist water development, local recipients should meet basic criteria such as planning, maintenance, appropriate rate structuring, and conservation to advance the state’s overall water goals. The state should continue to support strategies and education that encourage the judicious use of water.
- The state water engineer must have the administrative and legal tools sufficient to efficiently enforce water rights law. The state should improve its water right adjudication process to clarify which water rights are valid and bring more certainty and speed to water transactions.
- Increased use of private financing sources for water development projects should be encouraged.

BUDGET RECOMMENDATIONS

- \$5 million toward more efficient water use, including rebates to improve outdoor watering efficiency (\$2.2 million), state facility efficiency (\$500,000), advertising (\$300,000), and agricultural water efficiency incentives (\$2 million)
- \$4.5 million to collect data and study water use throughout the state
- \$100,000 for water rights adjudication
- \$90,000 for dam safety

- \$500,000 to remediate phragmites (an invasive species that consume large amounts of water) on sovereign lands
- \$123,000 to address algal blooms

BUDGET & POLICY BRIEF

Capital Infrastructure and Bonding



HIGHLIGHTS

- **No new debt** besides prison relocation needs
- **\$1.7 billion** of general obligation debt paid off from FY 2012 to FY 2018
- **\$289 million** of general obligation bond debt paid off in FY 2018
- **\$1.2 million** in new capital improvement funding
- **\$3 million** for University of Utah Hospital

BACKGROUND

Sometimes taken for granted, reliable infrastructure is essential to a well-functioning economy. Transportation systems and state buildings account for a significant portion of the infrastructure budget for the State of Utah.

Infrastructure projects typically take a significant amount of planning time and have a long life cycle that allows the state to bond for new projects. Ensuring an appropriate mix of bonding and cash financing for new infrastructure, along with adequate funding to maintain existing buildings and roads, fulfills the state's critical infrastructure needs and adds significant value to the economy.

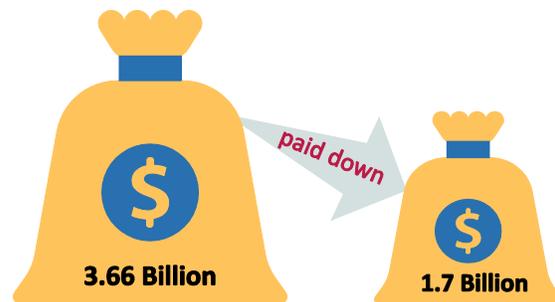
After issuing bonds during the Great Recession, the State of Utah will have paid down \$1.7 billion in debt since FY 2012, including \$289 million in general obligation bond debt during FY 2018. Bonding for prison relocation is anticipated to begin in FY 2018.

Responding to a need to replace the outdated Draper prison and improve inmate programming to reduce recidivism, the Prison Relocation Commission recently selected and purchased the

Salt Lake City west parcel site to construct a new prison facility. Through a combination of estimate negotiations, in-depth review of project scope, and design maturation, the total on-site costs including land acquisition are now estimated at approximately \$550 million, which aligns with the original funded amount. In addition, the costs for securing roads and utilities to the selected prison site are estimated at approximately \$100 million; the development of the infrastructure will become a key factor in spurring the economic development of the Northwest Quadrant of Salt Lake City. Bonds can be issued in FY 2018 and the project is currently on track for completion in the fall of 2020.

DEBT PAID OFF

By 2012 the State of Utah had incurred \$3.66 billion in general obligation debt.



The state will have paid down \$1.7 billion in general obligation debt, including \$289 million in FY 2018.

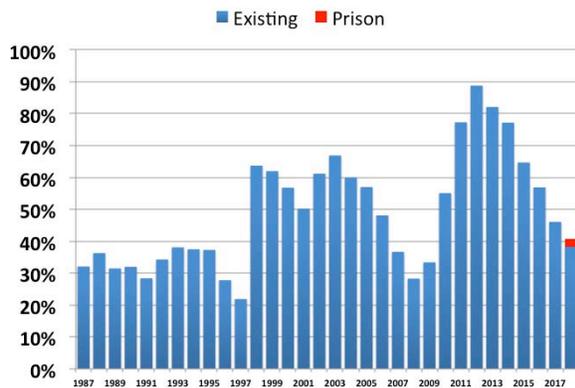
MANAGING DEBT

Utah's longstanding "triple-triple" status—a AAA rating from all three bond-rating agencies—is the result of conservative and responsible debt

management (Utah is one of only eleven with this status).

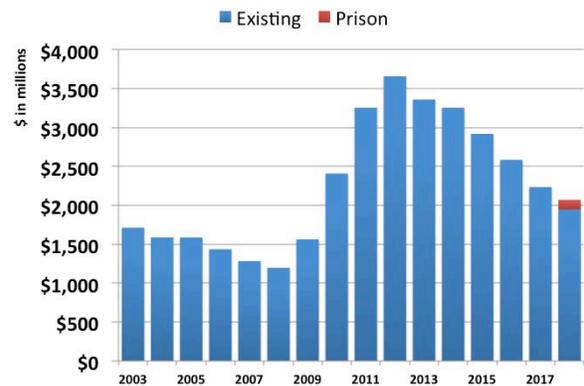
The Utah Constitution limits the state’s general obligation debt for buildings and roads to an amount equal to 1.5 percent of the value of the state’s taxable property. As shown in Figure 1, the total general obligation debt for FY 2017 is approximately 46 percent of the constitutional debt limit and is expected to drop to approximately 41 percent with the anticipated prison issuance and based on expected increases in property values and retired debt. The state treasurer recommends that the state strive to remain in the range of 25-50 percent of the constitutional debt limit at this stage of the business cycle.

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



Utah’s FY 2018 general obligation debt for roads and buildings is approximately \$2.07 billion with expected prison issuance (see Figure 2). Total debt service payments are expected to total about \$338 million.

FIGURE 2. OUTSTANDING GENERAL OBLIGATION DEBT



DEBT AFFORDABILITY MEASURES

Comparing debt levels to population and the economy can provide context to total debt numbers.

General obligation debt per capita reached a high of \$1,280 in FY 2012. For FY 2018, the figure is estimated to drop to an estimated \$650 after prison issuance, which is dramatically lower than the peak but still above the pre-Recession levels (see Figure 3).

General obligation debt as a percentage of personal income reached a high of 3.86 percent in FY 2012. For FY 2018, the figure is estimated to be about 1.61 percent (see Figure 4).

FIGURE 3. OUTSTANDING GENERAL OBLIGATION DEBT PER CAPITA

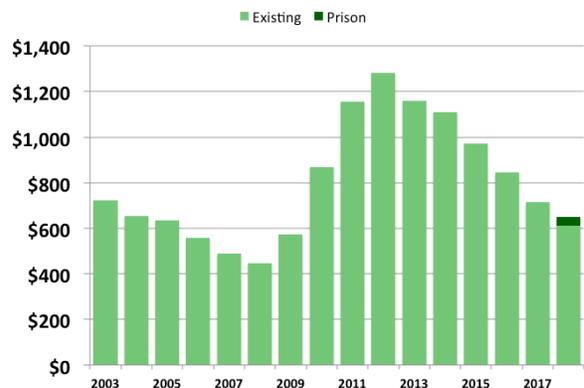
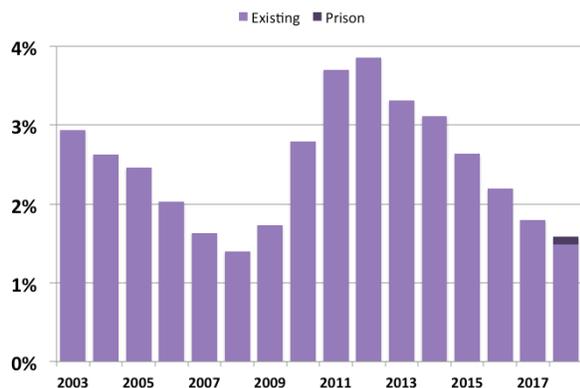


FIGURE 4. OUTSTANDING GENERAL OBLIGATION DEBT AS A PERCENT OF PERSONAL INCOME



Although debt ratios have improved, there will be large prison debt issuances in coming years. As of the most recent data, Utah’s debt as a percent of personal income remains elevated compared to the median of other AAA states.

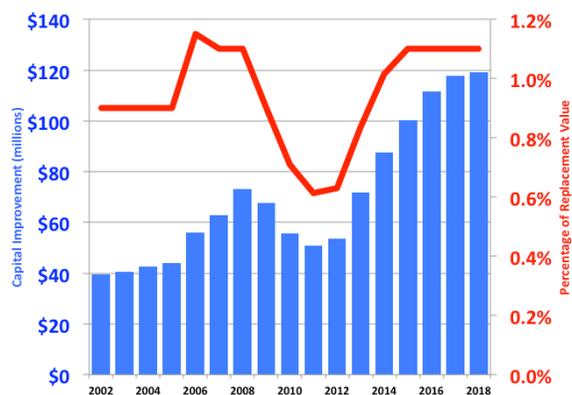
The State Treasurer and the Governor’s Office of Management and Budget will conduct a debt management study in 2017 that identifies and examines key debt measures, including comparisons with other AAA states, as well as best practices related to debt to ensure that the state maintains its AAA bond rating going forward.

CAPITAL IMPROVEMENTS & OPERATIONS AND MAINTENANCE FOR STATE BUILDINGS

The Governor’s budget includes \$1.2 million in additional funding for capital improvements—defined in state statute as remodeling, alteration, replacement, or repairs of less than \$3.5 million or the construction of a new facility of less than \$500,000. Capital improvement funds are used to replace worn equipment and facilities to include repairs to electrical and plumbing systems, roofs, and parking lots. Together with the base budget amount of \$117.8 million, the total capital improvement budget recommended by the Governor meets the statutory level of 1.10 percent of the replacement value of all state buildings.

Figure 5 depicts the recent history of capital improvement funding. While significant new capital development projects have been funded over the past decade, infrastructure maintenance did not keep pace through the economic downturn. Although the need to fund infrastructure maintenance may not receive a lot of attention, significant dollars can be saved over time with the proper upkeep and maintenance of existing infrastructure. Maintenance costs are substantially less over the long-term as compared to funding costly repairs or reconstruction when buildings and roads are not properly maintained.

FIGURE 5. CAPITAL IMPROVEMENT FUNDING



The Governor’s Office of Management and Budget (GOMB) recommends establishing baseline measures and performance to ensure that existing capital improvement funds are maximized before increasing the 1.1 percent statutory amount. The State Building Board and the Division of Facility and Construction Management are also making changes to better track operation and maintenance funding to ensure proper preventative maintenance is taking place.

GOMB will continue working with the Division of Facilities Construction and Management in applying the SUCCESS Framework, an operational excellence methodology, to ensure the maximum use of capital improvement dollars while also

ensuring that projects are completed on time and within budget.

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

CAPITAL DEVELOPMENT

The Governor's budget recommends \$3 million be allocated toward construction of the University of Utah Hospital building.

Table 4: General Obligation and Revenue Bonds**General Obligation Bonds Payable (Thousands)**

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2016
2004 A Refunding Issue	3/2/2004	2010-2016	4-5%	\$314,775	\$57,405
2009 A Highway Issue	3/17/2009	2010-2018	2-5%	\$394,360	\$75,795
2009 C Highway/Capital Facility Issue	9/29/2009	2011-2018	2-5%	\$490,410	\$207,525
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	\$120,040
2010 B Highway Issue	9/30/2010	2019-2025	3.19-3.54%	\$621,980	\$621,980
2010 C Refunding Issue	10/21/2010	2016-2019	4-5%	\$172,055	\$172,055
2011 A Highway/Capital Facility Issue	7/6/2011	2012-2021	2-5%	\$609,920	\$295,585
2012 A Capital Facility/Refunding Issue	10/3/2012	2014-2017	4-5%	\$37,350	\$31,195
2013 Highway Issue	7/30/2013	2015-2028	3-5%	\$226,175	\$204,575
2015 Refunding Issue	4/29/2015	2019-2026	3.5%-5%	\$220,980	\$220,980
Total General Obligation Bonds Outstanding					\$2,498,895
Unamortized Bond Premium					\$86,329
Total General Obligation Bonds Payable					\$2,585,224

State Building Ownership Authority Lease Revenue Bonds Payable (Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2016
Government Activities					
Series 1998 C	8/15/1998	2000-2019	3.8-5.5%	\$101,557	\$18,815
Series 2009 D	9/9/2009	2014-2017	5%	\$12,125	\$3,795
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	\$16,739
Series 2011	10/25/2011	2012-2031	2.13-4%	\$5,250	\$3,560
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	\$5,142
Series 2015	4/29/2015	2016-2030	3%-5%	\$785	\$75
Series 2016	4/5/2016	2016-2038	2.5%-5%	\$98,150	\$93,625
Total Lease Revenue Bonds Outstanding					\$242,976
Unamortized Bond Premium					\$6,498
Total Lease Revenue Bonds Payable					\$249,474
Business-Type Activities					
Series 1998 C	8/15/1998	2000-2019	3.8-5.5%	\$3,543	\$720
Series 2007 A	7/10/2007	2009-2028	4.25-5%	\$15,380	\$695
Series 2009 A	3/25/2009	2011-2030	3-5%	\$25,505	\$3,225
Series 2009 B	9/9/2009	2012-2019	3-5%	\$8,455	\$3,550
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	\$8,841
Series 2012 A	11/20/2012	2017-2027	1.5-5%	\$3,855	\$3,855
Series 2012 B	11/20/2012	2013-2022	1.5-2.25%	\$2,600	\$1,414
Series 2015	4/29/2015	2016-2030	3%-5%	\$29,230	\$29,135
Series 2016	4/5/2016	2016-2038	2.25%-5%	\$4,525	\$4,525
Total Lease Revenue Bonds Outstanding					\$72,675
Unamortized Bond Premium					\$6,048
Total Lease Revenue Bonds Payable					\$78,723

Legal Debt Margin (Millions)

	2012	2013	2014	2015	2016
Taxable Value	\$201,473	\$201,294	\$207,211	\$221,650	\$235,273
Fair Market Value	\$274,806	\$272,954	\$282,489	\$303,725	\$323,367
Debt Limit Amount (1.5%)	\$4,122	\$4,094	\$4,237	\$4,556	\$4,851
Net General Obligation Bonded Debt	\$3,660	\$3,361	\$3,271	\$2,950	\$2,585
Legal Debt Margin	\$462	\$733	\$966	\$1,606	\$2,266
Net General Obligation Bonded Debt Percent of Limit	88.79%	82.09%	77.19%	64.75%	53.29%

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)

	2012	2013	2014	2015	2016
Appropriations Limitation Amount	\$3,034	\$3,142	\$3,250	\$3,315	\$3,469
Statutory Debt Limit (45%)	\$1,365	\$1,414	\$1,463	\$1,492	\$1,561
Net General Obligation Bonded Debt	\$3,660	\$3,361	\$3,271	\$2,950	\$2,585
Exempt Highway Construction Bonds	\$3,132	\$2,869	\$2,860	\$2,622	\$2,402
Net General Obligation Bonded Debt Subject to Limit	\$528	\$492	\$411	\$328	\$183
Additional General Obligation Debt Incurring Capacity	\$837	\$922	\$1,052	\$1,164	\$1,378

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

BUDGET & POLICY BRIEF

Transportation



HIGHLIGHTS

- **\$1.9 billion** total transportation budget from all funding sources
- **\$549 million** in state sales tax earmarks for transportation
- **21.5%** of state sales tax earmarked for transportation
- **\$502 million** from gas taxes

BACKGROUND

A well-functioning transportation system is critical to a well-performing economy. Utah's public roads currently expand over 46,000 miles. In addition, Utah's transportation system also includes a sizable mass transit system with both rail and bus operations. With Utah's population projected to increase over 40 percent by 2040, there will be a significant need not only for new roads, highways, and bridges, but also mass transit and other methods of transportation.

The transportation system should integrate a broad range of reliable and accessible transportation options and ensure access to economic opportunity for both urban and rural residents. The Governors' Office of Management and Budget, the Department of Transportation and other stakeholders are actively working to develop a transportation system that minimizes travel times, reduces congestion, and improves air quality in the long run. A convenient, reliable and viable transportation system is a necessary component in promoting economic development and improving the quality of life of Utah residents.

The Unified Transportation Plan provides a road map for potential future needs within the transportation system, including projected costs. While the plan is a useful tool for thinking about

future needs, it assumes current and past behaviors, technology, and models for future construction. New and better tools and strategies will help to maximize capacity and create structures with potentially longer life cycles. As a result, the Unified Transportation Plan should be viewed as a rough approximation, not a definitive statement of future need.

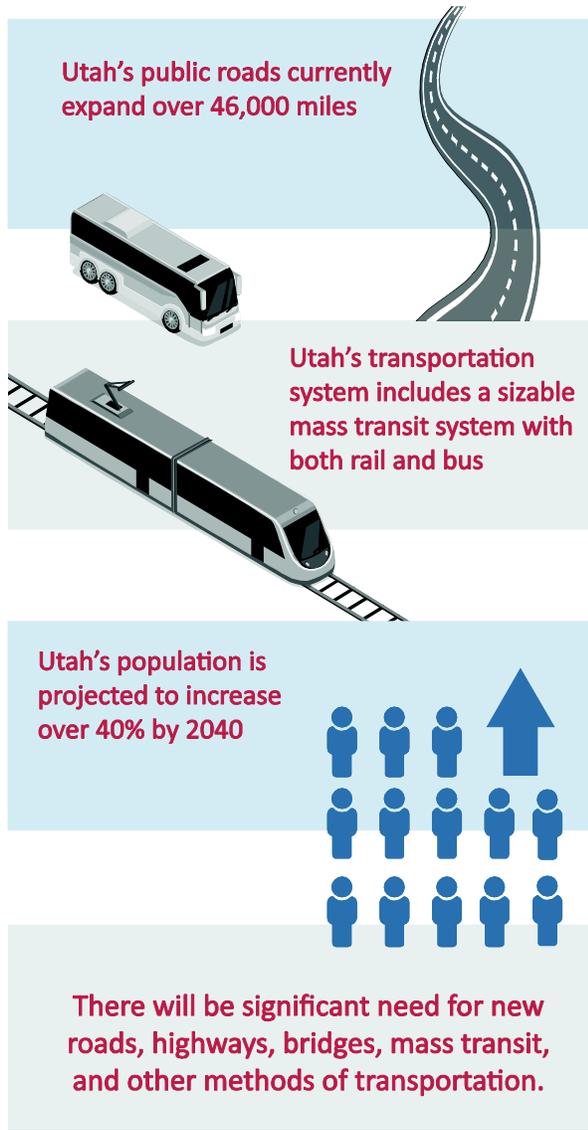
Transportation funding comes from several sources: sales and use tax earmarks, fuel taxes, federal funds, licenses, permits and fees, and various additional sources. Generally speaking, fuel tax revenues currently fund road maintenance and sales tax currently funds new construction.

Fuel Taxes. A portion of motor and special fuel tax revenue is allocated to local road spending, while the state portion is spent on state road and bridge maintenance. FY 2018 revenues are projected to be \$502 million, which will eliminate the funding gap for state level two road and bridge maintenance.

Sales and Use Tax Earmarks. In recent years, significant resources have been diverted from the General Fund through sales and use tax earmarks. General Fund transportation earmarks are projected to reach nearly \$550 million in FY 2018, which constitutes 21.5 percent of all sales tax. These automatic funding earmarks reduce available funding for other priorities, including public and higher education.

Federal Funds. Historically, the Federal Highway Trust Fund was a relatively stable transportation revenue source; however, the federal fiscal situation and issues with the fund have increased--despite 2015 federal legislation that did improve the funds certainty for several years.

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



Bonds. The Governor's budget recommends no additional bonding for roads and that the state continue to pay down transportation debt (\$239 million in FY 2018), rather than accelerate projects. As the sales tax earmarks serve as a working rainy day fund, bonding against these funds in good economic times would inhibit use of the rainy day funds during an economic storm. Rather than experiencing volatile swings, maintaining the current project schedule allows

for more predictability and certainty over time for both the state and its construction partners.

GUIDING PRINCIPLES

- Prioritize existing infrastructure maintenance by developing new roads, highways, and bridges only after appropriately preserving the existing infrastructure and enacting feasible solutions that optimize mobility.
- Focus on continuous improvement by ensuring 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, including air quality impacts.
- Increase public awareness by encouraging individuals to make sustainable and responsible transportation decisions.
- Seek ways to improve and achieve more efficiency and use in local mass transit systems.
- Balance the transportation needs of urban and rural Utah.

PROPOSED SOLUTIONS

- Implement additional project management techniques such as Critical Chain Project Management to complete new transportation projects faster and more cost effectively.
- Explore intelligent highway systems, congestion pricing, and other innovative methods to meet Utah's future transportation needs.
- Identify road usage policies that encourage people throughput.
- Encourage bus-based transit development and identify "last mile" Uber-type services that support bus service.
- Identify potential approaches for improved reliability and increased use of buses, which may include local investment, federal funds, and/or modification of Transportation Investment Fund eligibility.

- Identify ways to promote and fund increased amounts of transportation investment in rural Utah.

CONTINUOUS PROCESS IMPROVEMENT

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

The Governor’s Office of Management and Budget is currently working with the Utah Department of Transportation (UDOT) to finish measures for UDOT’s three strategic goals:

- optimize mobility;
- zero crashes, injuries and fatalities; and
- preserve infrastructure.

UDOT recently added a measure to optimize mobility, which was up almost five percent in the last year. All the systems supporting these three goals will soon be reporting into the Success Management Information System (SMIS) to ensure the best use of taxpayer dollars.

UDOT currently has six of its systems defined and reporting to SMIS including heavy equipment, snow and ice removal, ports of entry, access permits, procurement, and preconstruction. These six systems account for nearly \$60 million in operating expense.

Using the tools and strategies of the SUCCESS Framework, the Access Management system is approving permits faster and has increased the percentage of applications approved within 45 days. Similarly, the procurement system has significantly increased the percent of completed contracts that meet associated reliability standards; the heavy equipment management system has increased the percentage of trucks

available during the snow season; and the ports of entry system has increased the percentage of trucks that use the bypass system and the percent of trucks that pass through the ports of entry within established time standards. Overall, the six UDOT systems currently reporting in SMIS have experienced a 23 percent improvement from the January 2013 baseline through October 2016.

BUDGET & POLICY BRIEF

Major Revenue Sources and Federal Funds



HIGHLIGHTS

- **\$3.73 billion** individual income tax
- **\$2.55 billion** state sales and use tax
- **32 percent** of sales tax growth is earmarked
- **\$340 million** corporate tax
- **\$500 million** gas tax
- **\$20.2 billion** in Utah taxes paid to the federal government
- **\$4.2 billion** in federal funds that flow through the state budget

STATE TAXES AND FEES

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

Sales and Use Tax. The sales and use tax is the largest revenue source for state government operations, generating an estimated \$2.55 billion in revenue for FY 2018. A large portion of sales and use tax revenues (\$1.93 billion) is deposited into the General Fund. The remaining funds are earmarked. Of the nearly \$621 million in sales tax earmarks, about \$549 million is for transportation, with nearly \$72 million for water and other purposes. In addition to sales tax earmarks, additional revenues are also set aside

for economic development and other purposes after being deposited into the General Fund.

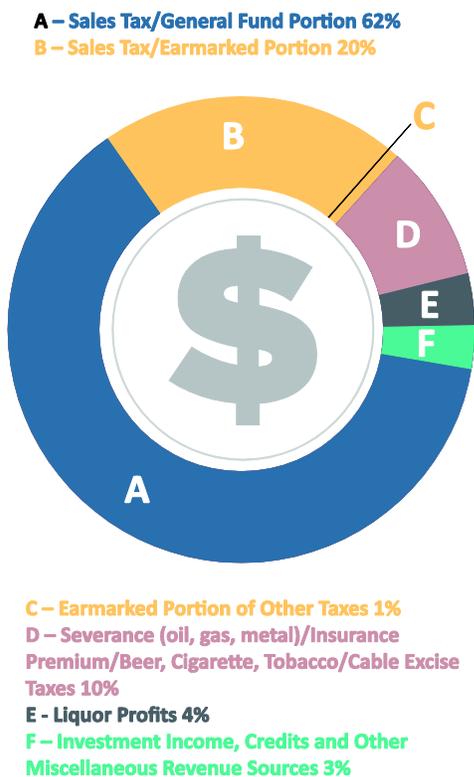
Individual Income and Corporate Income Tax. The Utah Constitution requires that income taxes support public and higher education. Based on this constitutional directive, revenues from both individual income taxes (\$3.73 billion) and corporate franchise and income taxes (\$340 million) are not deposited into the General Fund. Rather, these revenues are segregated into the Education Fund so they are only used to support the state's public and higher education systems.

Gas Tax. The Utah Constitution also requires that "proceeds from fees, taxes, and other charges related to the operation of motor vehicles on public highways and proceeds from an excise tax on liquid motor fuel" be used for transportation purposes. Consequently, motor and special fuel taxes or "gas taxes" (\$500 million) are deposited into a separate Transportation Fund to be used for transportation purposes.

General Fund Revenue Sources. As shown in Figure 1, state sales and use taxes are the primary revenue source for the General Fund (\$1.93 billion). Other taxes deposited into the General Fund include severance taxes on oil, gas, and mineral extraction (\$27 million); beer, cigarette, and tobacco taxes (\$120 million); insurance premium taxes (\$116 million); and cable and satellite excise taxes (\$30 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 (\$120 million), investment income (\$9 million), and other sources including legal settlements, and transfers of certain fee

revenues and credits (net \$74 million). In FY 2018, \$9 million of severance tax revenue that has historically gone to the General Fund will instead be deposited to the state Permanent Fund.

FIGURE 1. GENERAL FUND REVENUE SOURCES



Earmarked Sales Tax. As the “Revenue Earmarks” budget and policy brief highlights in greater detail, over the past decade the legislature has significantly increased earmarks of sales and use tax revenues to other funds, restricting the revenue in the General Fund. For FY 2018, total earmarks and set-asides are estimated at about \$705 million, including \$621 million in sales tax earmarks. Absent the earmark, this sales tax 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.

State-Imposed Fees. In addition to tax revenues, the state collects about \$1 billion in fees each year. This figure excludes higher education tuition and fees, which total an additional \$730

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 insurance company fees imposed by the Department of Insurance).

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 2016 consensus forecast. This forecast anticipates new FY 2018 General Fund, Education Fund, and earmarked revenues above the February 2016 session forecast. After adjusting for sales tax earmarks (\$35 million), new constitutionally-mandated severance tax deposits, and the structural surplus, \$287 million in ongoing and \$1 million in one-time General Fund and Education Fund revenue remains available for appropriation during the 2017 General Legislative Session.

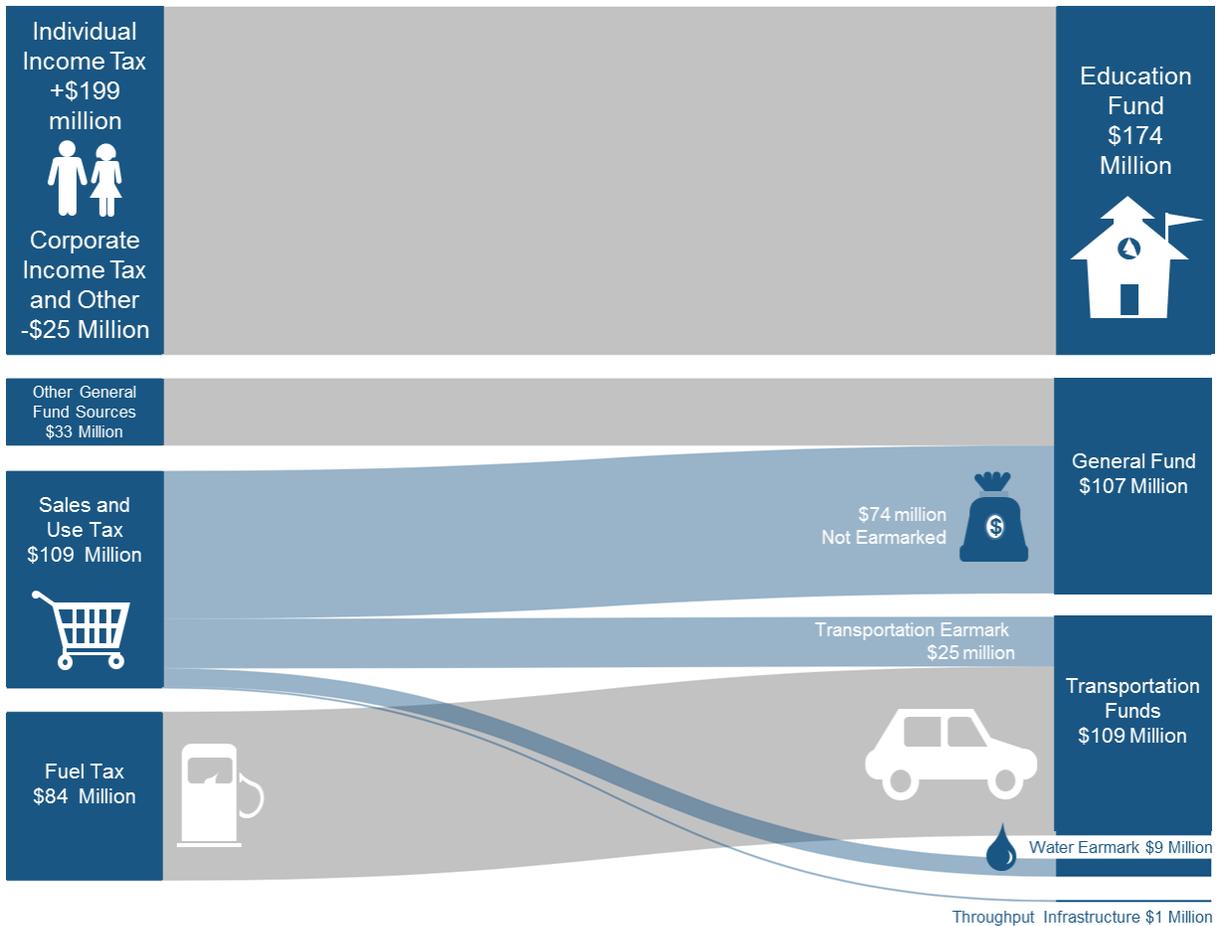
LAPSING AND NON-LAPSING BALANCES

Amounts that are appropriated to state agencies, but not expended during the year of appropriation, remain available in future years,

either when returned to the fund from which they came (lapsing balances) or remaining with

the agency for expenditure (non-lapsing balances).

FIGURE 2. ALLOCATION OF NEW REVENUE TO VARIOUS STATE FUNDS



FEDERAL FUNDS

Federal Taxes. Based on IRS data for the 2015 federal fiscal year (the most recent data available), taxpayers from Utah paid over \$20.2 billion in taxes to the federal government, including nearly \$17.9 billion in FICA and other individual income and employment taxes, \$1.3 billion in business income taxes, and over \$716 million in excise and other taxes.

Federal Spending. The federal government spends revenues collected from taxpayers in a number of ways, including payments to federal employees and contracted businesses; retirement and non-

retirement benefits to individuals (such as Social Security); and programs that are appropriated and flow through the state budget (state-run programs such as Medicaid and locally-managed programs such as education). In summary, federal funds are returned both to the state and to people or entities outside the control of state government.

While some argue that because of the federal government’s fiscal trajectory the state should simply relinquish all federal funds that flow through the state budget, doing so would not relieve Utah taxpayers of the burden of paying federal taxes. Instead, Utah’s taxpayers simply

would not receive the benefits being paid for. The Governor has advocated, and continues to suggest, that states be allowed to keep more of the tax dollars collected in the first place without having to send the money to the federal government.

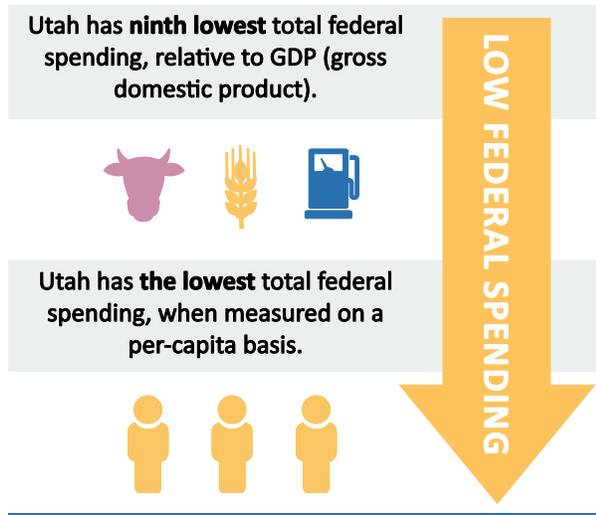
However, until tax policies are changed, it is not in the best interest of Utah citizens to refuse all federal funds. As of 2014, Utah already receives less return per federal tax dollar paid than the 50-state average.

COMPARING UTAH'S RELIANCE ON FEDERAL FUNDS TO OTHER STATES

A recent Pew Charitable Trust report on federal spending shows that Utah has the ninth lowest total federal spending relative to gross domestic product (GDP) when all federal spending is accounted for. When measured on a per-capita basis, Utah has the lowest total per capita federal spending.

PEW CHARITABLE TRUST REPORT Utah's Federal Spending Ranking

Utah Receives Less Federal \$\$



This is, in part, because Utah's population is the youngest in the nation and receives a much smaller portion of federal dollars than other states

for programs such as Social Security and Medicare, two of the largest federal entitlement programs targeted to the elderly.

As of 2014, Utah is one of 20 states that receive less than 30 percent of its total state revenue from federal funds. Although there is a lag in data for comparisons with other states, Utah's percentage of federal funds appropriated through the state budget is projected at 26.5 percent in FY 2018 and is below Utah's 10-year average of 28 percent.

FEDERAL FUNDING IN THE STATE BUDGET

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

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

FIGURE 3. PERCENTAGE OF FEDERAL FUNDS IN THE STATE BUDGET

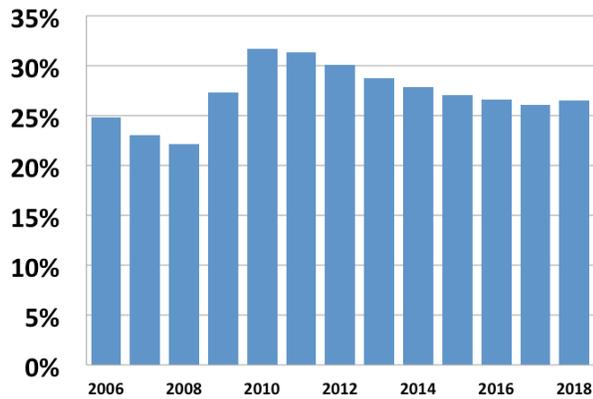


Figure 4 shows some of the largest federally funded program areas. These programs account for about 77 percent of federal funds in the state budget. Not only do federal dollars fund a large portion of the state’s major social service programs (Medicaid, SNAP, TANF, USOR, and WIC), federal dollars also play a key role in funding programs that provide care for elderly veterans, clean drinking water, air pollution prevention, and pay the salaries of citizen soldiers in Utah’s National Guard. Moreover, Utah’s public education system is projected to receive over \$550 million in federal assistance in FY 2018, including a number of federally authorized child nutrition programs that provide financial assistance for meals to eligible children; special education funding authorized in the Individuals with Disabilities Education Act (IDEA); and funding authorized in Title I of the Elementary and Secondary Education Act that provides additional support for students living in poverty, migrant students, and neglected students.

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

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

PROGRAM AREA FY 2018 BUDGET	
Medicaid	\$1,801
Education (including special education, school lunch, and Title 1 for disadvantaged students)	\$550
Supplemental Nutrition Assistance (SNAP)	\$327
Transportation	\$360
Temporary Assistance for Needy Families (TANF)	\$102
National Guard	\$67
Office of Rehabilitation (USOR)	\$64
Women, Infants, and Children (WIC)	\$45

Table 5 - November 2016 Consensus Revenue Estimates

	FY 2016	FY 2017	FY 2017	FY 2018	FY 2018 - FY 2017
	Actual	Authorized Consensus Estimate	Revised Consensus Estimate	Consensus Estimate	Year-over-year Change from Adopted
<i>All numbers are in thousands of dollars.</i>					
Sales and Use Tax - TOTAL	2,321,601	2,444,343	2,430,199	2,552,911	108,567
Sales and Use Tax - Earmarked for Transportation	508,574	524,102	518,426	548,874	24,772
Sales and Use Tax - Earmarked for Water	33,969	35,706	35,586	44,814	9,108
Sales and Use Tax - Earmarked for Other	534	26,534	26,534	27,534	1,000
Subtotal - Sales and Use Tax Earmark	543,076	586,342	580,546	621,222	34,880
Sales and Use Tax - General Fund	1,778,524	1,858,002	1,849,653	1,931,689	73,687
General Fund (GF) Revenue Sources					
Sales and Use Tax - General Fund	1,778,524	1,858,002	1,849,653	1,931,689	73,687
Cable/Satellite Excise Tax	28,614	28,653	29,317	29,883	1,230
Liquor Profits	104,030	107,938	111,929	119,532	11,594
Insurance Premiums	111,658	93,212	113,099	115,601	22,389
Beer, Cigarette, and Tobacco	118,327	114,309	118,677	119,688	5,379
Oil and Gas Severance Tax	20,759	19,152	15,634	18,437	(715)
Metal Severance Tax	6,977	9,520	7,042	8,162	(1,358)
Investment Income	7,933	8,233	8,570	9,180	946
Other	69,826	85,690	78,580	79,856	(5,834)
Property and Energy Credit	(5,963)	(6,033)	(6,061)	(6,162)	(129)
Subtotal General Fund	2,240,685	2,318,675	2,326,442	2,425,865	107,191
Subtotal General Fund / Sales and Use Tax Earmark	2,783,762	2,905,017	2,906,988	3,047,087	142,071
Education Fund (EF) Revenue Sources					
Individual Income Tax	3,370,322	3,534,109	3,561,081	3,733,466	199,357
Corporate Tax	338,334	371,200	328,891	340,445	(30,754)
Mineral Production Withholding	15,585	15,121	14,399	15,763	641
Escheats & Other	25,352	20,828	25,083	25,208	4,380
Subtotal Education Fund	3,749,593	3,941,258	3,929,453	4,114,882	173,624
Subtotal GF/EF/Sales and Use Tax Earmark	6,533,355	6,846,274	6,836,441	7,161,969	315,695
Subtotal GF/EF	5,990,278	6,259,932	6,255,895	6,540,747	280,815
Transportation Fund (TF) Revenue Sources					
Motor Fuel Tax	305,232	308,269	354,907	366,106	57,836
Special Fuel Tax	115,531	113,155	132,590	136,016	22,861
Other	89,745	88,659	89,758	92,162	3,502
Subtotal Transportation Fund	510,508	510,084	577,255	594,283	84,200
Subtotal GF/EF/TF/Sales and Use Tax Earmark	7,043,863	7,356,358	7,413,696	7,756,253	399,895
Subtotal GF/EF/TF	6,500,787	6,770,016	6,833,150	7,135,031	365,015
Mineral Lease (ML) Revenue					
Royalties	68,385	63,841	67,891	75,755	11,914
Bonuses	3,037	4,138	3,475	3,856	(282)
Subtotal Mineral Lease	71,422	67,979	71,366	79,611	11,632
Total GF/EF/TF/ML/Sales and Use Tax Earmark	7,115,285	7,424,337	7,485,062	7,835,864	411,527
Total GF/EF/TF/ML	6,572,208	6,837,995	6,904,516	7,214,642	376,647

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

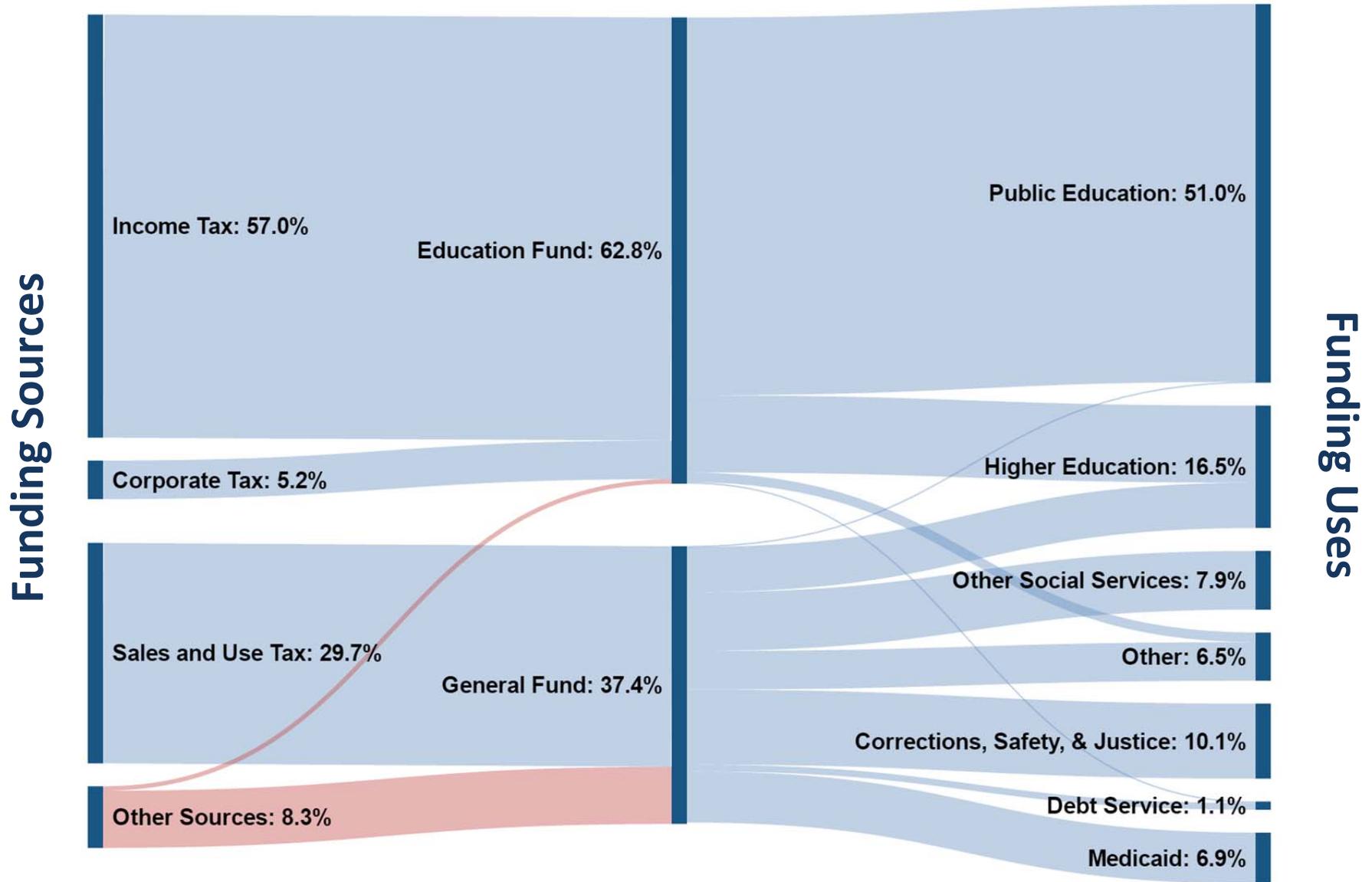
Operating and Capital Budgets, Including Expendable Special Revenue Funds and Accounts, and Restricted Fund Transfers

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

	Governor Herbert's Recommendations						
	Actual FY 2016	Authorized FY 2017	Supplementals	Recommended FY 2017	Base FY 2018	Ongoing & One- time Adj.	Recommended FY 2018
Plan of Financing							
General Fund	\$2,260,340,400	\$2,321,197,800	\$0	\$2,321,197,800	\$2,321,197,800	\$102,175,000	\$2,423,372,800
General Fund, One-time	121,584,900	71,782,900	11,482,500	83,265,400	0	23,130,900	23,130,900
Education Fund	3,595,784,900	3,932,575,800	0	3,932,575,800	3,932,575,800	182,196,900	4,114,772,700
Education Fund, One-time	329,804,600	105,856,400	(9,005,000)	96,851,400	0	170,700	170,700
Total Financing	\$6,307,514,800	\$6,431,412,900	\$2,477,500	\$6,433,890,400	\$6,253,773,600	\$307,673,500	\$6,561,447,100
Operating Budget							
Administrative Services	\$17,295,200	\$19,371,600	\$100,000	\$19,471,600	\$23,584,000	(\$3,529,800)	\$20,054,200
Agriculture and Food	13,646,700	13,203,300	0	13,203,300	12,370,600	926,700	13,297,300
Attorney General	37,953,200	39,288,600	755,000	40,043,600	39,030,900	1,216,700	40,247,600
Auditor	3,212,300	3,264,600	0	3,264,600	3,259,000	55,600	3,314,600
Board of Pardons and Parole	4,441,300	4,779,300	0	4,779,300	4,680,000	747,800	5,427,800
Capitol Preservation Board	8,363,200	4,346,200	0	4,346,200	4,342,100	13,900	4,356,000
Career Service Review Office	268,000	273,700	0	273,700	272,300	5,500	277,800
Commerce	46,000	46,000	0	46,000	46,000	0	46,000
Corrections	280,626,800	297,733,900	0	297,733,900	293,650,200	10,956,100	304,606,300
Courts	124,019,900	129,198,000	910,900	130,108,900	128,114,500	3,186,700	131,301,200
Environmental Quality	14,254,300	14,595,000	0	14,595,000	13,118,900	1,996,800	15,115,700
Governor and Lieutenant Governor	31,839,600	30,984,700	361,000	31,345,700	28,781,800	3,598,600	32,380,400
Governor's Office of Economic Dev.	55,100,700	36,371,200	0	36,371,200	30,442,800	4,143,100	34,585,900
Governor's Office of Energy Dev.	1,542,500	1,470,300	0	1,470,300	1,433,700	125,200	1,558,900
Health	479,204,900	509,188,000	(10,809,400)	498,378,600	532,977,100	(14,008,200)	518,968,900
Heritage and Arts	17,349,400	16,573,400	0	16,573,400	13,830,600	1,029,000	14,859,600
Higher Education	850,747,400	889,763,600	0	889,763,600	881,711,600	45,147,200	926,858,800
Human Resource Management	2,654,600	82,400	0	82,400	76,900	(30,900)	46,000
Human Services	338,492,600	350,809,100	550,000	351,359,100	339,688,200	19,407,600	359,095,800
Insurance	4,400	4,400	0	4,400	4,400	0	4,400
Juvenile Justice Services	91,914,100	92,679,100	0	92,679,100	92,170,400	1,931,500	94,101,900
Labor Commission	6,140,100	6,347,900	0	6,347,900	6,321,500	103,500	6,425,000
Legislature	26,763,200	26,365,800	0	26,365,800	26,505,800	374,400	26,880,200
National Guard	6,468,800	7,397,400	0	7,397,400	6,770,300	247,900	7,018,200
Natural Resources	53,927,700	41,274,900	0	41,274,900	38,768,300	730,600	39,498,900
Public Education	2,870,756,900	3,073,843,500	3,995,000	3,077,838,500	3,061,445,300	193,297,200	3,254,742,500
Public Lands Policy Coordination	7,197,900	1,906,400	0	1,906,400	1,400,100	521,100	1,921,200
Public Safety	77,597,000	77,726,600	0	77,726,600	76,463,700	3,985,400	80,449,100
Tax Commission	43,753,500	49,507,200	0	49,507,200	49,136,900	1,228,900	50,365,800
Technology Services	1,472,500	3,601,400	0	3,601,400	1,390,700	29,600	1,420,300
Treasurer	954,200	982,100	0	982,100	991,800	15,700	1,007,500
Utah College of Applied Technology	70,355,700	76,734,000	0	76,734,000	78,236,600	3,130,800	81,367,400
Utah Communications Authority	17,500,000	0	0	0	0	0	0
Utah Education and Telehealth Network	32,316,400	28,663,200	0	28,663,200	23,063,200	4,240,700	27,303,900
Utah Science, Technology, and Research	22,100,800	22,146,500	0	22,146,500	22,141,000	37,600	22,178,600
Veterans' and Military Affairs	3,070,800	3,103,700	(85,000)	3,018,700	3,278,600	43,700	3,322,300
Workforce Services	82,309,000	60,171,200	(356,200)	59,815,000	82,519,300	(16,233,800)	66,285,500
<i>Subtotal Operating Budget</i>	<i>5,695,661,600</i>	<i>5,933,798,200</i>	<i>(4,578,700)</i>	<i>5,929,219,500</i>	<i>5,922,019,100</i>	<i>268,672,400</i>	<i>6,190,691,500</i>
Capital Budget							
Capital Budget	313,840,600	257,665,000	0	257,665,000	137,824,100	4,245,100	142,069,200
Natural Resources	789,100	689,100	0	689,100	689,100	0	689,100
Public Education	14,499,700	14,499,700	0	14,499,700	14,499,700	0	14,499,700
Transportation	0	3,000,000	0	3,000,000	0	0	0
<i>Subtotal Capital Budget</i>	<i>329,129,400</i>	<i>275,853,800</i>	<i>0</i>	<i>275,853,800</i>	<i>153,012,900</i>	<i>4,245,100</i>	<i>157,258,000</i>
Debt Service	85,896,600	85,748,600	0	85,748,600	71,757,600	(578,200)	71,179,400
Administrative Services ISF	150,000	0	0	0	0	0	0
Technology Services ISF	5,500,000	0	0	0	0	0	0
Transfers*	191,177,200	136,012,300	7,056,200	143,068,500	106,984,000	35,334,200	142,318,200
Total Budget	\$6,307,514,800	\$6,431,412,900	\$2,477,500	\$6,433,890,400	\$6,253,773,600	\$307,673,500	\$6,561,447,100

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

Sources and Uses of Unrestricted General Fund and Education Fund FY 2018 Recommendations



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

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

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

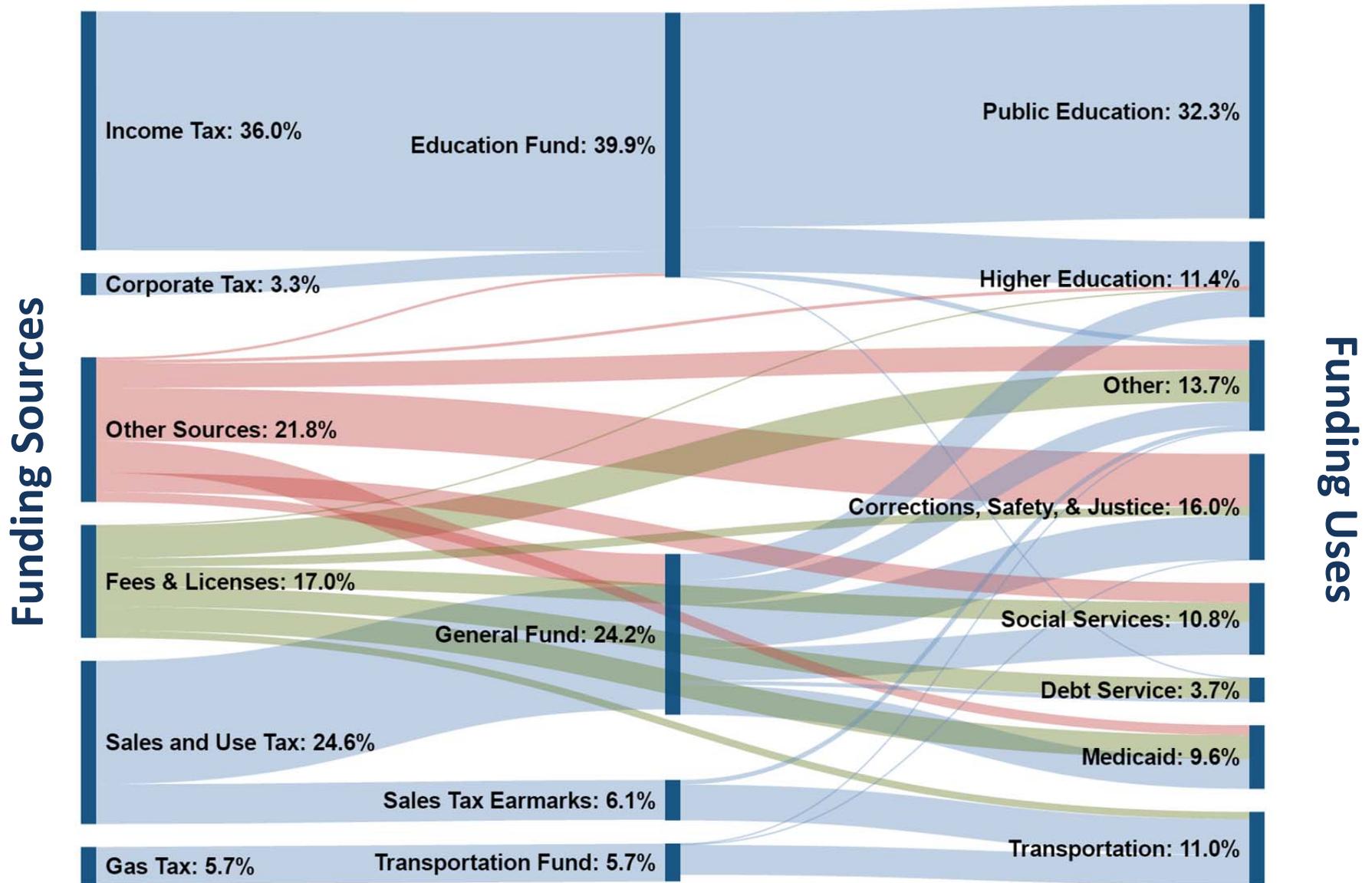
This table includes operating and capital budgets, including expendable special revenue funds and accounts, from all state-collected sources of funding. Sources of funding include not only the General Fund and the Education Fund, but also earmarked tax revenue, funding from restricted funds and accounts,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

	Governor Herbert's Recommendations						
	Actual FY 2016	Authorized FY 2017	Supplementals	Recommended FY 2017	Base FY 2018	Ongoing & One-time Adj.	Recommended FY 2018
Plan of Financing							
General Fund	\$2,236,365,900	\$2,289,213,800	\$0	\$2,289,213,800	\$2,289,213,800	\$97,175,000	\$2,386,388,800
General Fund, One-time	23,732,200	65,557,500	4,426,300	69,983,800	0	(7,203,300)	(7,203,300)
Education Fund	3,520,784,900	3,857,575,800	0	3,857,575,800	3,857,575,800	182,196,900	4,039,772,700
Education Fund, One-time	329,804,600	83,053,500	(9,005,000)	74,048,500	0	170,700	170,700
Transportation Fund	387,874,450	459,704,800	0	459,704,800	459,704,800	94,512,900	554,217,700
Transportation Fund, One-time	25,678,000	14,768,400	0	14,768,400	0	0	0
Dedicated Credits	652,747,165	621,739,600	12,500	621,752,100	624,095,900	(5,401,400)	618,694,500
Other	103,211,930	119,105,100	0	119,105,100	11,021,400	0	11,021,400
Pass-Through	40,212,019	42,069,800	30,000	42,099,800	42,069,800	60,000	42,129,800
Restricted Revenue	1,551,337,137	1,599,000,000	24,503,700	1,623,503,700	1,719,362,700	(209,000)	1,719,153,700
Transfers	728,040,264	763,524,600	0	763,524,600	464,673,000	13,359,800	478,032,800
Trust & Agency	5,193,250	5,223,600	0	5,223,600	5,223,600	0	5,223,600
Beginning Balance	1,444,366,354	1,696,073,100	0	1,696,073,100	1,604,956,900	0	1,604,956,900
Non-lapsing Balance	(1,691,641,522)	(1,606,837,900)	0	(1,606,837,900)	(1,245,864,800)	0	(1,245,864,800)
Lapsing Balance	(201,575,594)	(2,685,100)	0	(2,685,100)	(6,745,100)	0	(6,745,100)
Total Financing	\$9,156,131,053	\$10,007,086,600	\$19,967,500	\$10,027,054,100	\$9,825,287,800	\$374,661,600	\$10,199,949,400
Operating Budget							
Administrative Services	\$34,151,946	\$37,144,800	\$1,127,800	\$38,272,600	\$37,724,200	(\$3,417,700)	\$34,306,500
Agriculture and Food	26,129,525	34,054,700	0	34,054,700	29,058,400	4,114,500	33,172,900
Alcoholic Beverage Control	44,032,180	46,915,500	0	46,915,500	46,485,200	3,092,800	49,578,000
Attorney General	62,740,712	66,861,000	755,000	67,616,000	64,224,900	1,570,300	65,795,200
Auditor	5,324,528	5,383,100	0	5,383,100	5,870,400	84,000	5,954,400
Board of Pardons and Parole	4,442,400	5,038,900	0	5,038,900	4,682,200	747,800	5,430,000
Capitol Preservation Board	9,882,486	5,053,800	0	5,053,800	4,954,700	12,500	4,967,200
Career Service Review Office	255,139	273,700	0	273,700	272,300	5,500	277,800
Commerce	28,518,062	37,142,900	0	37,142,900	35,197,800	379,900	35,577,700
Corrections	282,379,000	319,728,000	(1,027,800)	318,700,200	299,946,900	10,956,100	310,903,000
Courts	143,104,952	159,337,200	910,900	160,248,100	155,344,500	2,785,300	158,129,800
Environmental Quality	40,338,652	49,274,100	0	49,274,100	44,271,500	7,721,300	51,992,800
Financial Institutions	7,313,780	7,898,100	(85,500)	7,812,600	7,474,400	313,900	7,788,300
Governor and Lieutenant Governor	43,868,890	56,674,500	373,500	57,048,000	46,676,400	4,653,800	51,330,200
Governor's Office of Economic Dev.	89,824,691	78,714,500	833,000	79,547,500	55,340,600	9,143,100	64,483,700
Governor's Office of Energy Dev.	2,143,152	2,078,700	0	2,078,700	1,646,500	426,800	2,073,300
Health	1,042,479,231	1,127,353,500	(10,809,400)	1,116,544,100	1,157,212,200	(2,788,100)	1,154,424,100
Heritage and Arts	20,617,036	20,780,600	0	20,780,600	18,021,700	1,057,800	19,079,500
Higher Education	869,135,970	1,014,634,100	0	1,014,634,100	896,839,600	41,151,000	937,990,600
Human Resource Management	2,667,243	344,800	0	344,800	276,900	(30,900)	246,000
Human Services	555,440,098	605,788,700	550,000	606,338,700	588,668,100	30,893,600	619,561,700
Insurance	10,923,357	13,944,600	0	13,944,600	13,750,300	139,700	13,890,000
Juvenile Justice Services	91,559,700	97,900,500	0	97,900,500	93,227,000	1,958,300	95,185,300
Labor Commission	10,854,329	12,328,900	0	12,328,900	11,835,400	181,000	12,016,400
Legislature	24,332,600	27,368,300	0	27,368,300	26,758,000	375,700	27,133,700
National Guard	8,001,400	9,028,200	0	9,028,200	8,310,300	251,200	8,561,500
Natural Resources	154,138,139	176,467,400	30,000	176,497,400	155,834,800	7,834,100	163,668,900
Public Education	3,058,880,034	3,312,294,000	3,995,000	3,316,289,000	3,222,035,400	193,439,000	3,415,474,400
Public Lands Policy Coordination	4,850,375	4,180,700	1,000,000	5,180,700	7,259,800	1,524,000	8,783,800
Public Safety	163,235,406	182,629,200	0	182,629,200	162,188,500	4,715,400	166,903,900
Public Service Commission	14,432,897	17,135,900	0	17,135,900	17,383,200	37,600	17,420,800
School and Inst. Trust Fund Office	724,364	875,400	0	875,400	877,200	29,400	906,600
School and Inst. Trust Lands Admin.	10,604,900	10,621,000	0	10,621,000	10,620,800	1,113,000	11,733,800

Governor Herbert's Recommendations

	Actual FY 2016	Authorized FY 2017	Supplementals	Recommended FY 2017	Base FY 2018	Ongoing & One-time Adj.	Recommended FY 2018
Tax Commission	87,477,281	93,380,300	0	93,380,300	92,600,400	1,722,900	94,323,300
Technology Services	2,556,931	5,166,300	0	5,166,300	2,681,000	38,200	2,719,200
Transportation	266,804,724	283,911,800	3,695,200	287,607,000	269,843,100	(13,333,300)	256,509,800
Treasurer	2,932,775	3,916,100	0	3,916,100	3,583,500	60,800	3,644,300
Utah College of Applied Technology	70,859,700	76,597,700	0	76,597,700	78,036,700	3,130,800	81,167,500
Utah Communications Authority	7,500,000	5,564,100	0	5,564,100	5,564,100	0	5,564,100
Utah Education and Telehealth Network	42,674,900	55,667,700	0	55,667,700	43,912,700	4,258,700	48,171,400
Utah Science, Technology, and Research	17,770,673	31,741,100	0	31,741,100	22,159,900	37,600	22,197,500
Veterans' and Military Affairs	2,390,041	3,924,300	(85,000)	3,839,300	3,708,400	43,700	3,752,100
Workforce Services	159,108,470	186,277,400	22,400,000	208,677,400	162,182,200	24,882,600	187,064,800
<i>Subtotal Operating Budget</i>	<i>7,527,402,667</i>	<i>8,291,396,100</i>	<i>23,662,700</i>	<i>8,315,058,800</i>	<i>7,914,542,100</i>	<i>345,313,700</i>	<i>8,259,855,800</i>
Capital Budget							
Capital Budget	529,246,629	458,069,300	0	458,069,300	470,126,700	4,245,100	474,371,800
Natural Resources	4,516,929	7,290,300	0	7,290,300	6,049,900	0	6,049,900
Public Education	33,249,700	33,249,700	0	33,249,700	33,249,700	0	33,249,700
School and Inst. Trust Lands Admin.	7,113,500	12,186,300	0	12,186,300	7,186,300	(1,282,800)	5,903,500
Transportation	556,954,661	686,171,000	(3,695,200)	682,475,800	849,775,300	98,749,900	948,525,200
Workforce Services	47,062,167	86,960,000	0	86,960,000	93,060,000	0	93,060,000
<i>Subtotal Capital Budget</i>	<i>1,178,143,586</i>	<i>1,283,926,600</i>	<i>(3,695,200)</i>	<i>1,280,231,400</i>	<i>1,459,447,900</i>	<i>101,712,200</i>	<i>1,561,160,100</i>
Debt Service	450,584,800	431,763,900	0	431,763,900	451,297,800	(72,364,300)	378,933,500
Total Budget	\$9,156,131,053	\$10,007,086,600	\$19,967,500	\$10,027,054,100	\$9,825,287,800	\$374,661,600	\$10,199,949,400

Sources and Uses of State-collected Funds FY 2018 Recommendations



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

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

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

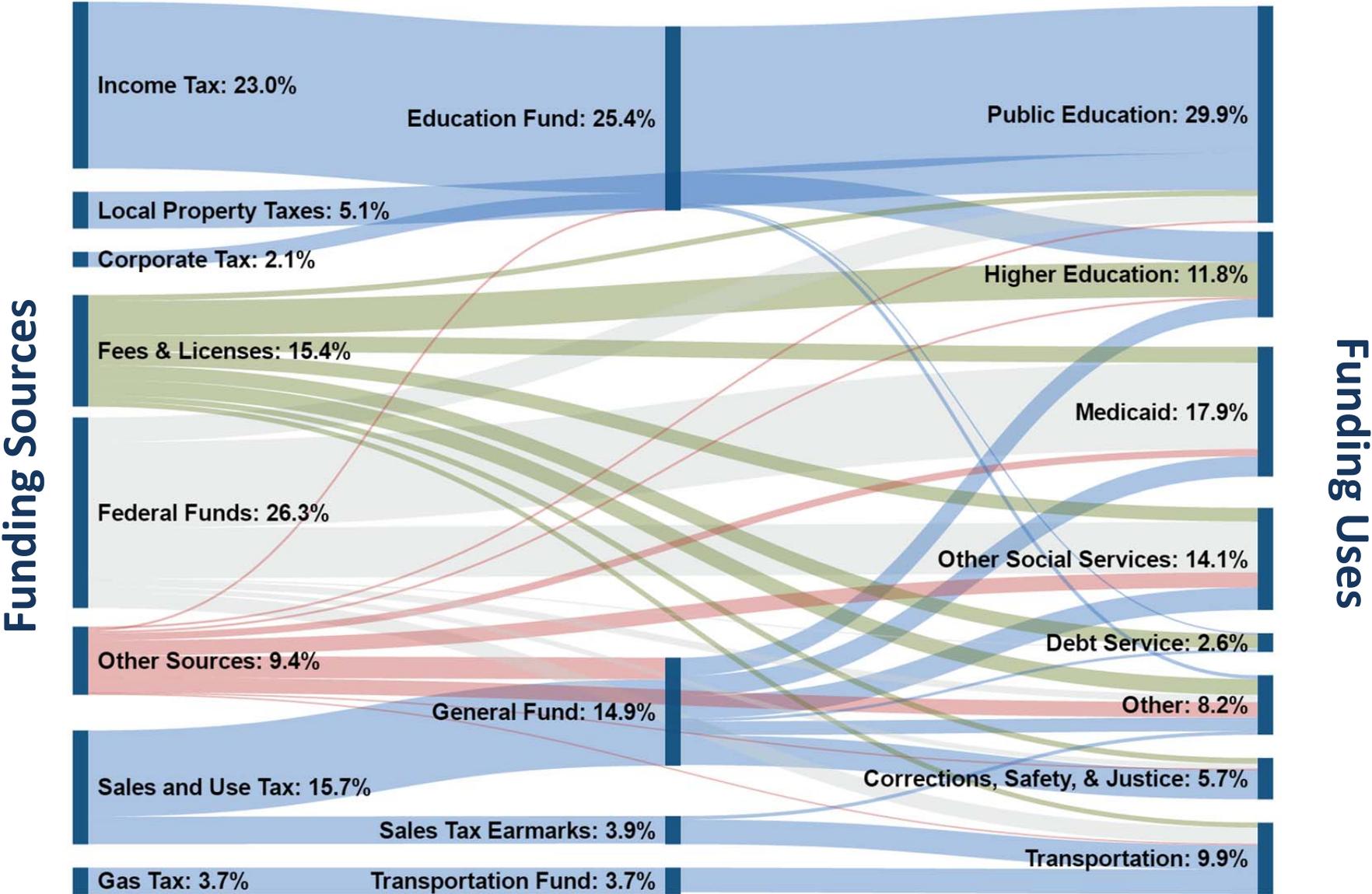
This table includes operating and capital budgets, including expendable special revenue funds and accounts, from all sources of funding. These sources of funding include state-collected funds from taxes and fees, plus federal funds, mineral lease revenues, higher education tuition, and a portion of local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

	Governor Herbert's Recommendations						
	Actual FY 2016	Authorized FY 2017	Supplementals	Recommended FY 2017	Base FY 2018	Ongoing & One- time Adj.	Recommended FY 2018
Plan of Financing							
General Fund	\$2,236,365,900	\$2,289,213,800	\$0	\$2,289,213,800	\$2,289,213,800	\$97,175,000	\$2,386,388,800
General Fund, One-time	23,732,200	65,557,500	4,426,300	69,983,800	0	(7,203,300)	(7,203,300)
Education Fund	3,520,784,900	3,857,575,800	0	3,857,575,800	3,857,575,800	182,196,900	4,039,772,700
Education Fund, One-time	329,804,600	83,053,500	(9,005,000)	74,048,500	0	170,700	170,700
Transportation Fund	387,874,450	459,704,800	0	459,704,800	459,704,800	94,512,900	554,217,700
Transportation Fund, One-time	25,678,000	14,768,400	0	14,768,400	0	0	0
Dedicated Credits	1,407,988,922	1,355,167,600	(62,500)	1,355,105,100	1,357,598,900	2,031,100	1,359,630,000
Federal Funds	3,582,976,957	4,121,054,000	(15,084,300)	4,105,969,700	4,136,507,200	99,698,300	4,236,205,500
Mineral Lease	69,411,170	71,226,800	50,000	71,276,800	77,679,700	10,600	77,690,300
Other	103,211,930	119,105,100	0	119,105,100	11,021,400	0	11,021,400
Pass-Through	40,212,019	42,069,800	30,000	42,099,800	42,069,800	60,000	42,129,800
Restricted Revenue	1,551,337,137	1,599,000,000	24,503,700	1,623,503,700	1,719,362,700	(209,000)	1,719,153,700
Transfers	728,040,264	763,524,600	0	763,524,600	464,673,000	13,359,800	478,032,800
Trust & Agency	5,193,250	5,223,600	0	5,223,600	5,223,600	0	5,223,600
Beginning Balance	1,444,366,354	1,696,073,100	0	1,696,073,100	1,604,956,900	0	1,604,956,900
Non-lapsing Balance	(1,691,641,522)	(1,606,837,900)	0	(1,606,837,900)	(1,245,864,800)	0	(1,245,864,800)
Lapsing Balance	(201,575,594)	(2,685,100)	0	(2,685,100)	(6,745,100)	0	(6,745,100)
Local Property Tax	747,984,400	783,265,500	0	783,265,500	783,265,500	30,787,800	814,053,300
Total Financing	\$14,311,745,338	\$15,716,060,900	\$4,858,200	\$15,720,919,100	\$15,556,243,200	\$512,590,800	\$16,068,834,000
Operating Budget							
Administrative Services	\$35,159,721	\$37,823,800	\$1,127,800	\$38,951,600	\$38,569,800	(\$3,417,700)	\$35,152,100
Agriculture and Food	35,734,024	40,577,900	0	40,577,900	35,918,200	4,204,400	40,122,600
Alcoholic Beverage Control	44,032,180	46,915,500	0	46,915,500	46,485,200	3,092,800	49,578,000
Attorney General	65,408,775	69,454,600	755,000	70,209,600	66,694,900	1,612,700	68,307,600
Auditor	5,324,528	5,383,100	0	5,383,100	5,870,400	84,000	5,954,400
Board of Pardons and Parole	4,442,400	5,038,900	0	5,038,900	4,682,200	747,800	5,430,000
Capitol Preservation Board	9,882,486	5,053,800	0	5,053,800	4,954,700	12,500	4,967,200
Career Service Review Office	255,139	273,700	0	273,700	272,300	5,500	277,800
Commerce	28,902,421	37,458,000	0	37,458,000	35,597,800	385,000	35,982,800
Corrections	282,706,100	320,122,700	(1,027,800)	319,094,900	300,341,600	10,956,100	311,297,700
Courts	143,666,352	160,098,400	910,900	161,009,300	156,105,800	2,789,300	158,895,100
Environmental Quality	57,117,978	70,160,200	0	70,160,200	65,406,300	8,001,400	73,407,700
Financial Institutions	7,313,780	7,898,100	(85,500)	7,812,600	7,474,400	313,900	7,788,300
Governor and Lieutenant Governor	56,612,198	90,290,800	373,500	90,664,300	79,027,200	4,688,500	83,715,700
Governor's Office of Economic Dev.	90,784,302	79,813,200	833,000	80,646,200	56,394,900	9,143,100	65,538,000
Governor's Office of Energy Dev.	2,597,991	2,479,000	0	2,479,000	2,046,800	431,900	2,478,700
Health	2,956,623,425	3,259,911,500	(40,893,700)	3,219,017,800	3,303,414,600	23,844,900	3,327,259,500
Heritage and Arts	27,826,228	28,988,500	0	28,988,500	25,883,500	1,082,700	26,966,200
Higher Education	1,624,752,700	1,747,085,600	(75,000)	1,747,010,600	1,629,019,900	48,583,500	1,677,603,400
Human Resource Management	2,667,243	344,800	0	344,800	276,900	(30,900)	246,000
Human Services	676,056,998	738,187,600	550,000	738,737,600	720,064,900	32,455,800	752,520,700
Insurance	11,499,203	14,631,300	0	14,631,300	14,437,000	141,000	14,578,000
Juvenile Justice Services	94,778,600	102,430,100	0	102,430,100	97,756,600	2,033,800	99,790,400
Labor Commission	13,711,976	15,136,600	0	15,136,600	14,643,100	247,400	14,890,500
Legislature	24,332,600	27,368,300	0	27,368,300	26,758,000	375,700	27,133,700
National Guard	48,766,467	67,008,000	0	67,008,000	75,070,300	543,400	75,613,700
Natural Resources	192,438,608	237,400,700	80,000	237,480,700	214,711,900	8,220,900	222,932,800
Public Education	4,239,714,702	4,647,054,800	3,995,000	4,651,049,800	4,556,975,000	226,438,700	4,783,413,700
Public Lands Policy Coordination	4,850,375	4,180,700	1,000,000	5,180,700	7,259,800	1,524,000	8,783,800
Public Safety	184,071,517	222,971,200	0	222,971,200	197,494,000	4,834,600	202,328,600
Public Service Commission	14,432,897	17,135,900	0	17,135,900	17,383,200	37,600	17,420,800
School and Inst. Trust Fund Office	724,364	875,400	0	875,400	877,200	29,400	906,600
School and Inst. Trust Lands Admin.	10,604,900	10,621,000	0	10,621,000	10,620,800	1,113,000	11,733,800

Governor Herbert's Recommendations

	Actual FY 2016	Authorized FY 2017	Supplementals	Recommended FY 2017	Base FY 2018	Ongoing & One- time Adj.	Recommended FY 2018
Tax Commission	88,012,944	93,943,900	0	93,943,900	93,164,000	1,722,900	94,886,900
Technology Services	2,566,931	5,701,300	0	5,701,300	3,216,000	38,200	3,254,200
Transportation	309,695,505	314,112,000	0	314,112,000	300,043,300	(17,028,500)	283,014,800
Treasurer	2,932,775	3,916,100	0	3,916,100	3,583,500	60,800	3,644,300
Utah College of Applied Technology	78,133,700	83,800,400	0	83,800,400	85,239,400	3,130,800	88,370,200
Utah Communications Authority	7,500,000	5,564,100	0	5,564,100	5,564,100	0	5,564,100
Utah Education and Telehealth Network	47,702,700	59,168,900	0	59,168,900	47,413,900	4,305,300	51,719,200
Utah Science, Technology, and Research	17,770,673	31,741,100	0	31,741,100	22,159,900	37,600	22,197,500
Veterans' and Military Affairs	23,659,728	25,643,700	(85,000)	25,558,700	25,567,400	68,500	25,635,900
Workforce Services	791,653,357	923,466,900	37,400,000	960,866,900	904,487,000	42,361,600	946,848,600
<i>Subtotal Operating Budget</i>	<i>12,367,421,493</i>	<i>13,667,232,100</i>	<i>4,858,200</i>	<i>13,672,090,300</i>	<i>13,308,927,700</i>	<i>429,223,900</i>	<i>13,738,151,600</i>
Capital Budget							
Capital Budget	529,246,629	458,069,300	0	458,069,300	470,126,700	4,245,100	474,371,800
Natural Resources	7,096,498	11,760,000	0	11,760,000	10,519,600	0	10,519,600
Public Education	33,249,700	33,249,700	0	33,249,700	33,249,700	0	33,249,700
School and Inst. Trust Lands Admin.	7,113,500	12,186,300	0	12,186,300	7,186,300	(1,282,800)	5,903,500
Transportation	850,819,151	995,696,800	0	995,696,800	1,162,364,200	152,768,900	1,315,133,100
Workforce Services	50,369,667	90,261,800	0	90,261,800	96,744,200	0	96,744,200
<i>Subtotal Capital Budget</i>	<i>1,477,895,145</i>	<i>1,601,223,900</i>	<i>0</i>	<i>1,601,223,900</i>	<i>1,780,190,700</i>	<i>155,731,200</i>	<i>1,935,921,900</i>
Debt Service	466,428,700	447,604,900	0	447,604,900	467,124,800	(72,364,300)	394,760,500
Total Budget	\$14,311,745,338	\$15,716,060,900	\$4,858,200	\$15,720,919,100	\$15,556,243,200	\$512,590,800	\$16,068,834,000

Sources and Uses of All Funds FY 2018 Recommendations



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

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

Ongoing and One-time Funding

FY 2017 Recommended Adjustments

Adjustment	One-time	Ongoing
Administrative Services		
Prison Landfill Study	100,000	
Attorney General		
Gold King Mine Litigation	500,000	
Anticipated Future Case Settlements	100,000	
Case Settlements	155,000	
Courts		
Juror, Witness, Interpreter Program (FY 2016 Deficit)	910,900	
Governor and Lieutenant Governor		
GOMB Reimbursement for Prison Oversight	100,000	
LG Elections Office - Municipal Incorporation	20,000	
Weber School District - Roy Cone Program	191,000	
GOMB Reimbursement for DABC Inventory Operational Improvements	50,000	
Health		
Medicaid Extension 1x Delayed Implementation	-1,709,400	
Maintain Primary Care Network (PCN) Access	600,000	
Medicaid Consensus Items	-9,700,000	
Human Services		
Restore Division of Child and Family Services (DCFS) and Division of Substance Abuse and Mental Health Funding	550,000	
Public Education		
Minimum School Program Enrollment Growth	3,995,000	
Transfers		
Firefighter Retirement - Backfill Insurance Premium Tax Earmark Reduction	6,700,000	
Veterans' and Military Affairs		
Return Unexpended Balance for Governor Priorities	-85,000	
Total FY 2017 Recommended Adjustments for the General and Education Fund	2,477,500	

FY 2018 Recommended Adjustments

Adjustment	One-time	Ongoing
Administrative Services		
Internal Audit Functions for Small Agencies		200,000
Estimated Internal Service Fund Cost to Remove State Board of Education		225,000
State Building Energy Efficiency Program		460,000
Agriculture and Food		
Utah State Fair - Operations	675,000	
Utah's Own Marketing	75,000	
Attorney General		
Supplement Decreasing Constitutional Defense Funding		392,000
Enforcement and Defense of the Tobacco Settlement Agreement		6,900
Board of Pardons and Parole		
Board of Pardons Electronic Records System	340,800	313,900
Capital Budget		
University of Utah Hospital Building	3,000,000	
Capital Improvement at Statutory 1.1%		1,244,500
Corrections		
Jail contracting (84% of Statutory Rate)	500,000	

Adjustment	One-time	Ongoing
Courts		
Drug Courts - Backfill Decline in Earmarked Tobacco Settlement Funds		174,700
Replace Main Line Item Court Complex Account with General Fund		313,400
Lease Cost Increases		325,700
Debt Service		
Build America Bond Subsidy	14,200,000	
Debt Service Reduction	-14,778,200	
Environmental Quality		
Air Quality Monitoring	1,300,000	150,000
Air Quality Research	250,000	
Harmful Algal Bloom Response	123,000	
Governor and Lieutenant Governor		
Debate Commission	65,000	65,000
Indigent Defense Commission	1,500,000	
Literacy and Education Projects		75,000
Voting Equipment Grants to Counties	500,000	
Regional Transportation Planning		140,000
Anti-pornography Initiatives	50,000	
Jail Reimbursement (87% of Statutory Rate)		1,000,000
Governor's Office of Economic Dev.		
Business Resource Centers	150,000	
Columbus Center	250,000	
Inland Port Study	250,000	
Outdoor Retailers Convention	1,567,000	
Sundance and GOED Co-branding	750,000	
Tourism Marketing	5,000,000	
Utah Outdoor Recreation Grant	1,000,000	
Avenue H Transition	750,000	-750,000
Governor's Office of Energy Dev.		
Lease Expenses		105,000
Health		
Accountable Care Organization (ACO) Rate Increases up to Medical Inflation		726,000
Affordable Care Act Tax Moratorium	-3,260,000	
Budget Savings form Children's Health Insurance Program Enhanced Federal Match	-16,132,300	
Transfer of Medicaid Restricted Account Balances	-10,606,000	
Maintain Primary Care Network (PCN) Access		1,200,000
Opioid Abuse, Misuse and Overdose Prevention	250,000	
Baby Watch Early Intervention Caseload Increases for Infants and Toddlers with Developmental Delays	1,172,800	1,500,000
Medicaid Adult Preventative Exams		429,600
Medicaid Family Planning Services		570,000
Restoration of Medicaid Dental Services for Adults with Disabilities		1,400,000
Medicaid Consensus Items		8,000,000
Alcohol, Tobacco and Drug Abuse Prevention Programs		108,700
Heritage and Arts		
Heritage and Arts Sustainability Grants	500,000	
Multicultural Youth Summit		30,000
Rio Grande Security		230,000
Higher Education		
Engineering Initiative		1,000,000
Higher Education Employee Compensation Increase		17,511,400
Higher Education Employee Health Increase		5,931,400
Needs-based Matching Scholarships	1,000,000	500,000
University of Utah Huntsman Cancer Institute - Backfill Decline in Earmarked Tobacco Settlement Funds		4,000,000
University of Utah Huntsman Cancer Institute Operations		2,240,000

Adjustment	One-time	Ongoing
SafeUT Suicide Prevention App (Reallocation of USBE Funding)		450,000
Regents' Scholarship	9,000,000	2,000,000
USU Biological Sciences Bldg O&M Savings	-313,900	
SUU Business Bldg O&M Savings	-349,000	
UVU Performing Arts Bldg O&M Savings	-1,168,000	
SLCC Westpointe Bldg O&M Savings	-540,200	
Performance Funding		4,000,000
Human Resource Management		
Administrative Law Judge Training		-56,900
Human Services		
2-1-1 United Way	650,000	
Division of Services for People with Disabilities (DSPD) Waiting List - 165 people		1,000,000
Federal Medical Assistance Percentage (FMAP) Adjustment		-668,000
Office of Public Guardian (FTE and Rate Increases)		111,400
Medicaid Match for Local Mental Health Authorities	4,400,000	2,000,000
Youth in Custody Aging into Division of Services for People with Disabilities (DSPD) Services & Additional Needs for DSPD Service Recipients	-300,000	4,133,300
Jail-Based Forensic Competency Restoration		3,300,000
Non-Foster Care Kinship Support - Grandfamilies	200,000	
Drug Court Treatment - Backfill Decline in Earmarked Tobacco Settlement Funds		1,204,200
Juvenile Justice Services		
Federal Medical Assistance Percentage (FMAP) Adjustment		-15,800
Public Education		
ACT Testing (Replace SAGE with ACT)		1,400,000
Counseling Pilot - Elementary School	1,200,000	
Minimum School Program Enrollment Growth		64,378,500
Special Education Compliance Officer		125,000
Teacher Supplies	9,000,000	
USDB Interpreters and Educators		700,000
USDB Steps and Lanes		490,000
WPU Value Increase - 4%		115,665,500
SafeUT Suicide Prevention App (Reallocation of USBE Funding)		-450,000
Public Lands Policy Coordination		
Public Lands Policy Coordination Office (PLPCO) Operations	500,000	
Public Safety		
Centralized Evidence Management		250,000
Crime Lab Data Storage		153,900
DNA Supplies-Crime Lab	362,900	
Fire Academy - Backfill Insurance Premium Tax Earmark Reduction	-3,100,000	3,100,000
Law Enforcement Equipment	1,000,000	
Trooper Pay Range Increase		860,000
Transfers		
Firefighter Retirement - Backfill Insurance Premium Tax Earmark Reduction		5,000,000
Utah College of Applied Technology		
Equipment	1,000,000	
Higher Education Employee Compensation Increase		1,091,100
Higher Education Employee Health Increase		452,400
Program Expansion		500,000
Utah Education and Telehealth Network		
Electronic High School Reinstatement		1,000,000
Higher Education Employee Compensation Increase		180,800
Higher Education Employee Health Increase		59,900
Utah Education and Telehealth Network	1,000,000	
Utah Futures	2,000,000	

Adjustment	One-time	Ongoing
Workforce Services		
Assistive Technology	500,000	
Homelessness to Housing Reform	3,500,000	
Independent Living Centers	300,000	
Olene Walker Fund - Affordable Housing	4,000,000	
Compensation		
State Employee 401k Match	17,700	133,900
State Employee Health Insurance Increase		6,586,300
State Employee Retirement Rate Change		99,700
State Employee Wage and Wage-based Benefits Increase		7,086,000
Targeted Compensation		6,756,500
Internal Service Fund Rate Impact		
Attorney General ISF Adjustments		-148,000
Attorney General ISF Adjustments - Transition		148,000
Facilities Construction & Management ISF Adjustments		334,400
Fleet ISF Adjustments		-32,700
Human Resources Mgmt. ISF Adjustments		13,200
Purchasing & General Services ISF Adjustments		458,600
Risk Mgmt. - Liability ISF Adjustments		-568,100
Risk Mgmt. - Liability ISF Adjustments 2017		409,100
Risk Mgmt. - Property ISF Adjustments		50,900
Risk Mgmt. - Property ISF Adjustments 2017		364,400
Technology Services ISF Adjustments		446,200
Total FY 2018 Recommended Adjustments for the General Fund and Education Fund	23,301,600	284,371,900
Adjustments to Other Funds That Impact General Fund Revenue		
Commerce		
Controlled Substance Database		21,600
Compensation		
State Employee 401k Match	266,200	
State Employee Health Insurance Increase		398,500
State Employee Wage and Wage-based Benefits Increase		457,900
Targeted Compensation		1,079,600
Internal Service Fund (ISF) Rate Impact		
Attorney General ISF Adjustments		-10,800
Facilities Construction & Management ISF Adjustments		321,500
Fleet ISF Adjustments		-700
Human Resources Mgmt. ISF Adjustments		1,000
Purchasing & General Services ISF Adjustments		-32,800
Risk Mgmt. - Liability ISF Adjustments		-68,400
Risk Mgmt. - Liability ISF Adjustments 2017		20,000
Risk Mgmt. - Property ISF Adjustments 2017		-35,900
Technology Services ISF Adjustments		61,400
Total FY 2018 Other General Fund Impacts	266,200	2,212,900
Total FY 2018 General Fund and Education Fund Adjustments and Impacts	23,567,800	286,584,800
Adjustments Accounted for in Consensus Revenue Estimates		
Alcoholic Beverage Control		
Credit Card and Encryption Fees		1,005,700
Package Agency Compensation		86,700
Paper Bags		100,000
Total Adjustments Accounted for in Consensus Revenue Estimates		1,192,400

Table 10: Recommended Adjustments: Restricted Funds and Accounts

Ongoing and One-time Funding

FY 2017 Recommended Adjustments

Adjustment	Funding Source	One-time	Ongoing
Financial Institutions			
Mortgage Lending Amendments	1300 (FIN) Financial Institutions	-85,500	
Governor's Office of Economic Dev.			
Transfer Wildland Fire Suppression Fund Balances Over Limit to Industrial Assistance Fund - Use for Outdoor Retailers Convention	2220 (DNR) Wildland Fire Suppression Fund	833,000	
Insurance			
Insurance Fraud Investigation	1427 (INS) Insurance Fraud Investigation Account	322,300	
Insurance Fraud Investigation	2330 (INS) Insurance Fraud Vic Restitution Fund	-322,300	
Natural Resources			
Utah Geological Survey Land Exchange Distribution Account (LEDA) Appropriation	1335 (FIN) Land Exchange Distribution Account	50,000	
Public Lands Policy Coordination			
Constitutional Defense Restricted Account Appropriation	1321 (FIN) Constitutional Defense Restricted Account	1,000,000	
Transfers			
Transfer Wildland Fire Suppression Fund Balances Over Limit to Disaster Recovery Restricted Account	2220 (DNR) Wildland Fire Suppression Fund	728,900	
Transfer Wildland Fire Suppression Fund Balances Over Limit to Disaster Recovery Restricted Account to Local Government Emergency Response Loan Fund	2220 (DNR) Wildland Fire Suppression Fund	104,100	
Workforce Services			
Homeless Case Management	1053 (DWS) Pamela Atkinson Homeless Account	356,200	
Unemployment Insurance Modernization	5110 (DWS) Unemployment Compensation Fund	3,400,000	
USOR Transition - Appropriations Authority	1288 (DWS) Office of Rehabilitation Transition Restr Acct	15,000,000	
Job Growth Initiatives	1281 (DWS) Special Administrative Expense Account	4,000,000	
Total FY 2017 Recommended Adjustments from Restricted Funds and Accounts		25,386,700	

FY 2018 Recommended Adjustments

Adjustment	Funding Source	One-time	Ongoing
Agriculture and Food			
Agriculture Water Efficiency Grants and Study	1180 (DNR) Water Infrastructure Restricted Account	2,000,000	
Domestic Elk Program	1033 (DAG) Utah Livestock Brand & Anti-theft Account		39,800
Resource Conservation Capital Projects	5460 (DAG) Agriculture Resource Development Fund	500,000	
Resource Conservation Employees	5460 (DAG) Agriculture Resource Development Fund		180,000
Attorney General			
Enforcement and Defense of the Tobacco Settlement Agreement	1320 (FIN) Tobacco Settlement Restricted Account		-6,900
Courts			
Drug Courts - Backfill Decline in Earmarked Tobacco Settlement Funds	1320 (FIN) Tobacco Settlement Restricted Account		-174,700
Replace Main Line Item Court Complex Account with General Fund	1445 (JUD) State Courts Complex Account		-313,400
Debt Service			
Debt Service City 1st Class Increase	2845 (DOT) County of 1st Class Hwy Prj Fund		1,452,300
Debt Service TIF Reduction	2900 (DOT) Transportation Investment Fund of 2005		-73,238,400
Environmental Quality			
Environmental Quality Restricted Account	1082 (DEQ) Environmental Quality Restricted Account		-250,000
Funding Correction - HB 138	7221 (DEQ) Petroleum Storage Tank Cleanup Fund		595,000
Spill Coordinator	5260 (FIN) Utah Wastewater Loan Program Subaccount		120,900
Water Use Data Collection	1180 (DNR) Water Infrastructure Restricted Account	4,000,000	
Water Use Data Collection	5235 (FIN) Utah Drinking Water Loan Program Subaccount	500,000	
Financial Institutions			
Lassonde Entrepreneur Institute	1300 (FIN) Financial Institutions	300,000	
Mortgage Lending Amendments	1300 (FIN) Financial Institutions		-114,000
Governor's Office of Economic Dev.			
Tourism Marketing	1403 (GOV) Tourism Marketing Performance Account	5,000,000	
Governor's Office of Energy Dev.			
Stripper Well Petroleum Violation Escrow (PVE) Appropriation	1404 (GOV) Stripper Well-Petroleum Violation Escrow	297,100	
Health			
Medicaid Restricted Account Balances	1222 (DOH) Medicaid Restricted Account	10,606,000	
Alcohol, Tobacco and Drug Abuse Prevention Programs	1320 (FIN) Tobacco Settlement Restricted Account		-108,700

Adjustment	Funding Source	One-time	Ongoing
Higher Education			
Higher Education Employee Compensation Increase	1480 (LBR) Workplace Safety Account		2,900
Higher Education Employee Compensation Increase	2993 Colleges & Universities In-state Tuition		5,501,600
Higher Education Employee Health Increase	1480 (LBR) Workplace Safety Account		900
Higher Education Employee Health Increase	2993 Colleges & Universities In-state Tuition		1,867,600
University of Utah Huntsman Cancer Institute - Backfill Decline in Earmarked Funds	1320 (FIN) Tobacco Settlement Restricted Account		-4,000,000
Human Services			
Drug Courts - Backfill Decline in Earmarked Tobacco Settlement Funds	1320 (FIN) Tobacco Settlement Restricted Account		-1,204,200
Natural Resources			
State Facility Water Efficiencies	5275 (FIN) Water Resources Conservation & Development Fund	500,000	
Water Conservation Advertising	5275 (FIN) Water Resources Conservation & Development Fund	300,000	
SB 122 - Fire Policy Compliance	2220 (DNR) Wildland Fire Suppression Fund	230,000	
Sovereign Lands Management and Law Enforcement Cost Share	1185 (DNR) Sovereign Lands Management Account	1,200,000	50,000
Catastrophic Wildfire Reduction Strategy Implementation	1185 (DNR) Sovereign Lands Management Account	1,000,000	
Smart Sprinkler Controller Rebates	1180 (DNR) Water Infrastructure Restricted Account	1,500,000	
Smart Sprinkler Controller Rebates	5275 (FIN) Water Resources Conservation & Development Fund	700,000	
Public Lands Policy Coordination			
Constitutional Defense Restricted Account Appropriation	1321 (FIN) Constitutional Defense Restricted Account	1,000,000	
Public Safety			
Fire Academy - Offset Insurance Premium Tax Earmark Reduction	1254 (DPS) Fire Academy Support Account	3,100,000	-3,100,000
Increase Appropriation for Honoring Heroes Restricted Account	1258 (DPS) Public Safety Honoring Heroes Restricted Acct		50,000
Peace Officers Standards and Training-Restricted Fund Shortfall	2855 (DPS) Uninsured Motorist Identification Restricted Account	500,000	
Reduction of DNA Specimen Restricted Account	1250 (DPS) DNA Specimen Restricted Account		-1,213,400
School and Inst. Trust Fund Office			
Office Staffing and Operating Costs	5496 (TFO) School & Inst Trust Fund Mgt Acct		21,000
School and Inst. Trust Lands Admin.			
Land Exchange Program	5495 (TLA) Land Grant Management Fund	300,000	
Reduction of Base Budget in Stewardship	5495 (TLA) Land Grant Management Fund		-686,300
RS 2477 Right of Way Specialist	5495 (TLA) Land Grant Management Fund	46,300	
Tax Commission			
Liquor Profit Distribution to Law Enforcement Agencies	1500 (TAX) Alcoholic Bev & Sub Abuse Enforce & Treatment Rest Acc		191,000
Transfers			
Build America Bond Subsidy	4000 (FIN) General Obligation Debt Service	14,200,000	
Transportation			
Fuel Tax Revenue Growth	2800 (DOT) Transportation Fund Unrestricted		84,200,000
Internal Auditor	2800 (DOT) Transportation Fund Unrestricted		120,000
Land Descriptions	2800 (DOT) Transportation Fund Unrestricted		200,000
Learning and Development	2800 (DOT) Transportation Fund Unrestricted		200,000
Property Identification	2800 (DOT) Transportation Fund Unrestricted		300,000
Snow Plows	2800 (DOT) Transportation Fund Unrestricted		6,000,000
Utah Education and Telehealth Network			
Higher Education Employee Compensation Increase	2537 Other Service Fee		14,400
Higher Education Employee Health Increase	2537 Other Service Fee		3,600
Workforce Services			
Homelessness to Housing Reform	1287 (DWS) Homeless to Housing Reform Restr Acct	3,500,000	
USOR Transition - Appropriations Authority	1288 (DWS) Office of Rehabilitation Transition Restr Acct	36,834,200	
Compensation			
State Employee 401k Match	Various Restricted Funds and Accounts	1,631,100	
State Employee Health Insurance Increase	Various Restricted Funds and Accounts		2,075,900
State Employee Retirement Rate Change	Various Restricted Funds and Accounts		1,700
State Employee Wage and Wage-based Benefits Increase	Various Restricted Funds and Accounts		2,239,700
Targeted Compensation	Various Restricted Funds and Accounts		243,200
Internal Service Fund Rate Impact			
Attorney General ISF Adjustments	Various Restricted Funds and Accounts		-54,500
Facilities Construction & Management ISF Adjustments	Various Restricted Funds and Accounts		77,900
Fleet ISF Adjustments	Various Restricted Funds and Accounts		-8,600
Human Resources Mgmt. ISF Adjustments	Various Restricted Funds and Accounts		600
Purchasing & General Services ISF Adjustments	Various Restricted Funds and Accounts		42,200
Risk Mgmt. - Liability ISF Adjustments	Various Restricted Funds and Accounts		60,600
Risk Mgmt. - Liability ISF Adjustments 2017	Various Restricted Funds and Accounts		64,700
Risk Mgmt. - Property ISF Adjustments	Various Restricted Funds and Accounts		31,000
Risk Mgmt. - Property ISF Adjustments 2017	Various Restricted Funds and Accounts		247,700
Technology Services ISF Adjustments	Various Restricted Funds and Accounts		349,700
Total FY 2018 Recommended Adjustments from Restricted Funds and Accounts		89,744,700	22,072,800

Table 11 - Funding Reallocations

Ongoing and One-time Reallocations Between Funding Sources or Line Items or Programs. This table represents increases funded by the reprioritization of funding. The corresponding decreases are not shown on this table.

FY 2017 Recommended Adjustments

Adjustment	Funding Source	One-time	Ongoing
Administrative Services			
Reallocation of Corrections Non-lapsing Balance	Beginning Balance	1,027,800	
Agriculture and Food			
Reallocation of Agriculture Administration from Plant Industry	1000 (GF) General Fund Unrestricted	300,000	
Reallocation of Agriculture Administration from Plant Industry	Dedicated Credits	300,000	
Non-Lapsing Balance Reallocation from Plant Industry Line	Beginning Balance	576,700	
Reallocation of Animal Health from Plant Industry	1000 (GF) General Fund Unrestricted	250,000	
Reallocation of Animal Health from Plant Industry	Dedicated Credits	250,000	
Corrections			
Dental Equipment	1000 (GF) General Fund Unrestricted	55,000	
FY 17 Medical Shortfall	1000 (GF) General Fund Unrestricted	1,600,000	
Hepatitis C Medication	1000 (GF) General Fund Unrestricted	400,000	
Higher Education			
Balance Among Funding Sources	1000 (GF) General Fund Unrestricted	13,000,000	
Natural Resources			
Reprioritize Existing Resources for Wildfire Rehabilitation in Priority Watersheds	1185 (DNR) Sovereign Lands Management Account	2,000,000	
Tax Commission			
Computer Systems	1000 (GF) General Fund Unrestricted	223,400	
Computer Systems	1502 (TAX) State Tax Commission Administrative Charge Account	78,200	
Transportation			
Federal Funds Clean-up	2800 (DOT) Transportation Fund Unrestricted	3,695,200	
Federal Funds Clean-up	Federal Funds	3,695,200	
Workforce Services			
Assistive Technology	1000 (GF) General Fund Unrestricted	200,000	
Homeless Case Management	1000 (GF) General Fund Unrestricted	356,200	
Payment of Collection Costs	1281 (DWS) Special Administrative Expense Account	227,500	
Rural Deaf and Blind Coordinators	1000 (GF) General Fund Unrestricted	300,000	
Unemployment Insurance Indirect Costs	1000 (GF) General Fund Unrestricted	137,000	
Unemployment Insurance Modernization	5110 (DWS) Unemployment Compensation Fund	20,000	
Total FY 2017 Reallocations		28,692,200	

FY 2018 Recommended Adjustments

Adjustment	Funding Source	One-time	Ongoing
Agriculture and Food			
Reallocation of Agriculture Administration from Plant Industry	1000 (GF) General Fund Unrestricted		300,000
Reallocation of Agriculture Administration from Plant Industry	Dedicated Credits		300,000
Reallocation of Animal Health from Plant Industry	1000 (GF) General Fund Unrestricted		250,000
Reallocation of Animal Health from Plant Industry	Dedicated Credits		250,000
Corrections			
Increase Dispatch Service Cost	1000 (GF) General Fund Unrestricted		150,000
Leases for Adult Probation and Parole	1000 (GF) General Fund Unrestricted		400,000
Medical Staffing	1000 (GF) General Fund Unrestricted		515,000
Post-secondary Education Shortfall	1000 (GF) General Fund Unrestricted		55,000
Courts			
CORIS Modernization Project	1000 (GF) General Fund Unrestricted	549,100	
Environmental Quality			
Transfer Funds to Hazardous Substance Mitigation Fund from the Environmental Quality Restricted Account	2155 (DEQ) Hazardous Substance Mitigation Fund	400,000	
Waste Isolation Pilot Plant Reallocation	Dedicated Credits		162,600
Governor and Lieutenant Governor			
Reallocation Between Sentencing Commission and Extraditions	1000 (GF) General Fund Unrestricted		22,000

Adjustment	Funding Source	One-time	Ongoing
Health			
Children's Health Insurance Program Enhanced Federal Match	1320 (FIN) Tobacco Settlement Restricted Account	10,452,900	
Heritage and Arts			
Move 1% for Arts Programs to New Appropriation Unit	Beginning Balance		1,921,400
Move Commission on Service and Volunteerism to Its Own Line Item	1000 (GF) General Fund Unrestricted		233,200
Move Commission on Service and Volunteerism to Its Own Line Item	Dedicated Credits		7,300
Move Commission on Service and Volunteerism to Its Own Line Item	Federal Funds		4,290,200
Move Indian Affairs to the Admin Line Item with a New Appropriation Unit	1000 (GF) General Fund Unrestricted		249,700
Move Indian Affairs to the Admin Line Item with a New Appropriation Unit	Beginning Balance		19,300
Move Indian Affairs to the Admin Line Item with a New Appropriation Unit	Dedicated Credits		52,000
Higher Education			
Operation and Maintenance of Online Concurrent Enrollment Application	Dedicated Credits		75,000
Balance Among Funding Sources	1000 (GF) General Fund Unrestricted	21,000,000	38,000,000
Public Education			
Regional Service Centers (Reallocation of USBE Funding)	2480 (PED) Education Fund		1,600,000
Expand Learning Opportunities for Kindergartners (TANF)	Federal Funds	2,000,000	
Public Safety			
Utah Highway Patrol Overtime	Unexpended Nonlapsing Balance	1,000,000	
School and Inst. Trust Lands Admin.			
Funding Transfer from Stewardship to Director for UTTR Exchange	5495 (TLA) Land Grant Management Fund	300,000	
Funding Transfer from Stewardship to Operating/Grazing and Forestry	5495 (TLA) Land Grant Management Fund		66,000
Funding transfer from Stewardship to Legal Operating	5495 (TLA) Land Grant Management Fund		234,000
Tax Commission			
Computer Systems	1000 (GF) General Fund Unrestricted		223,400
Computer Systems	1502 (TAX) State Tax Commission Administrative Charge Account		78,200
Transportation			
Cooperative Agreements	Dedicated Credits		19,897,100
Cooperative Agreements	Federal Funds		50,323,800
Federal Funds Clean-up	2800 (DOT) Transportation Fund Unrestricted		3,695,200
Federal Funds Clean-up	Federal Funds		3,695,200
Merge Equipment Mgmt. and Maintenance Line Items	2800 (DOT) Transportation Fund Unrestricted		1,639,700
Reallocation from Construction to Maintenance	2800 (DOT) Transportation Fund Unrestricted		102,000
Workforce Services			
Unemployment Insurance Indirect Costs	1000 (GF) General Fund Unrestricted		137,000
Move General Fund Appropriation to USOR Transition Restricted Account for One Additional Year	1000 (GF) General Fund Unrestricted	21,834,200	
Total FY 2018 Reallocations		57,536,200	128,944,300

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