EXECUTIVE SUMMARY

Utah's unparalleled population and economic growth have been key contributors to the life elevated experience of our state's citizens. Ensuring that growth translates into accessible opportunities for our shared prosperity and future posterity requires careful planning and a willingness to face challenges head on. Utah Life Elevated 2020 is a collaborative, statewide growth strategy to further enhance our quality of life and ensure the future prosperity for all Utahns. The key objectives are:

1. **Effective and Efficient Government.** *Improve the quality of government services while bending the cost curve.* Government can better respond to the demand for services that naturally results from a growing population by providing better quality services at less cost. Likewise, providing high-quality services that are reliable and responsive to customer needs better enables citizens and the private sector to get what they need when they need it. From building roads to law enforcement and from business permitting to child welfare, Utah's government strives to fulfill its various missions with a commitment to lessening the burden on taxpayers.

2. **Qualified Workforce.** *Prepare a critical mass of skilled workers for high-paying jobs in selected economic clusters by creating innovative and affordable training programs allowing Utah to lead the nation in high-skill job growth over the next 7 years.* This goal will be achieved through innovative solutions to ensure education is affordable now and in the future. Recognizing that not all growth is equal, programs must be oriented toward meeting employer demand for high-skill labor that will best facilitate an economic cycle of increased employment and wages for workers and higher revenues for business and government alike.

3. **Thriving Communities.** *Ensure a majority of residents have access to ample opportunities for jobs, education, recreation, and shopping within a short walk, drive, transit trip, or bike ride.* Utah is known for having communities where people want to live, work, and play. Ensuring this ideal in the face of significant growth is key to our shared future prosperity. The goal will be accomplished by working with community leaders, planners, and developers to promote a pattern of well-planned and dispersed regional centers with a vibrant mix of jobs and affordable, market-driven housing choices. In Utah, our front door becomes the trailhead as we develop an additional 1,000 miles of family-friendly trails and bike paths over the next 10 years to provide and promote active connections to school, work, and outdoor recreation in urban and rural communities throughout the state.

4. **Equitable and Competitive Revenue.** *Modernize the tax code for all taxes. Reduce the state sales tax rate below 4 percent and broaden the base in a way that will allow the collection of sufficient revenues to meet Utah's critical needs.* Forty years ago, Utah's state sales tax rate was less than 4 percent and covered about 70 percent of the Utah economy as measured by personal income. Today, only 45 percent of the economy is covered by sales tax. Extending the sales tax base to a broader portion of the economy and reducing the rate to below 4 percent will improve tax equity without reducing state tax revenues and will allow the state to accomplish critical goals without increasing the overall tax burden.

A sharp focus from state and community leaders on meeting employer demand for high-paying jobs will allow Utah to continue its growth while preserving a high quality of life. Synergies between land use and transportation will allow more efficient use of existing infrastructure investments and improve residents' access to opportunity and healthy transportation and recreation choices while decreasing transportation costs and congestion. Finally, modernizing the tax code by reducing tax rates and broadening the tax base will level the playing field for businesses while ensuring a high level of service.

Implementing this strategy across the state will require coordination between the state, local governments, business, and the public. As we identify specific policy changes needed to achieve these goals, the state will work with stakeholders to ensure that we hit our growth and quality of life targets without unintended consequences created by new policies. By implementing these strategies, we can meet the challenges of growth while continuing the trajectory of living life elevated.
Utah has one of the fastest growing populations and economies in the United States. Growth can be a powerful force for good. It can provide opportunities for more, better-paying jobs; drive performance for local businesses; and create new synergies for innovation.
Growth also presents unique challenges. We have all visited communities in other states where the transportation system fails to allow people to move around easily; the educational system is overwhelmed; and scarce natural resources like air, land, and water are not appropriately valued. Utah should be the exception. Going forward, there must be a balance between growth and the high quality of life that makes Utah a great place to live and work.

Ideally, citizens should be able to easily get to work, school, shopping, and community and cultural institutions; government services should be provided more effectively and efficiently; and everyone should continue to have access to Utah’s world-class outdoors. This document addresses the state’s challenges as we look to the future. It contains a coordinated strategy between multiple governments with the goal to avoid many of the pitfalls associated with growth in order to ensure continued prosperity for the people of Utah and our future posterity.

THE CHALLENGE

Competing Pressures

One of the main challenges of growth centers on proper planning to maximize the use of scarce taxpayer dollars to create the best possible long-term outcomes. Growth often creates pressure to increase funding for existing government services such as education and transportation as well as other core government operations. On the other hand, pressures to increase taxes or expand government programs can place a significant drag on the economy and individual households.

In the face of growth, Utah finds itself in a unique position. While Utah’s population has continued to increase, state taxes as a percent of personal income have continued a steady decline over decades; meaning state government is more efficient and consumes a smaller share of household incomes.

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<th>Utah Population per State Full-Time Employee</th>
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NOTE: Y Axis does not begin at zero
Source: U.S. Census Bureau, Population Division and Utah Division of Finance

State government making up a smaller share of the economy is a positive thing to the extent that the government services needed to grow the economy are sufficient. Indeed, our affordable cost of living and doing business in Utah has been a critical driver of prosperity for Utah in recent decades. Yet, our changing economy is also placing unique pressures on available revenue. To illustrate, the economy has shifted from producing tangible goods to a focus on services such as health care, attorneys, and accountants. This transformation has a measurable impact on revenue streams. For example, 40 years ago, Utah’s state sales tax rate was less than 4 percent and covered about 70 percent of the Utah economy as measured by personal income. Today, only about 45 percent of the economy is covered by sales tax.
This dynamic, along with other policy decisions, has impacted the proportional amount of resources the state allocates to education. In turn, this dynamic has some stakeholders asking for more and new investments into our educational systems. One of the top challenges moving forward is finding the right balance between keeping Utah affordable and competitive while also making strategic investments that enable our future prosperity.

Calling for more money through tax increases to address future demands on our education systems, infrastructure, and programs could be the easy route to take. However, the impact to the economy created by shifting money from taxpayers to government entities through either higher taxes or inefficient programs can have significant and negative consequences.

The impacts of increased taxes and inefficient models must be carefully considered. In the long run, tax increases and legacy models could make Utah a less affordable place for families to live and companies to do business; thereby undermining Utah’s future prosperity. While additional investments may be necessary in key areas such as education, they should occur only after efforts to maximize existing resources are considered. The challenge of scarce taxpayer dollars creates the opportunity to fundamentally reexamine existing approaches and to scale those that are working.

**A Holistic Approach**

We live in a dynamic ecosystem with multiple contributors to our quality of life such as transportation, education, tax policy, and decisions on how land is used. The sheer magnitude of addressing all these issues can appear overwhelming and complex. This perception often results in focusing on only one area at a time in an attempt to break things down into more manageable pieces.

In contrast, taking a holistic and systems approach to growth requires that we understand the impacts different areas have on one another. It helps us avoid defining problems too narrowly, making changes in one area at the expense of another, or ignoring the cost pressures placed on the taxpayer because of inefficiencies. A holistic and systems approach to growth and its associated challenges gives us the best chance for innovating and leveraging existing resources.
SPECIFIC OPPORTUNITIES FOR INNOVATION AND IMPROVEMENT

Effective and Efficient Government

No matter how successful a system or organization is, all have the opportunity to significantly improve. Government should first maximize existing resources before burdening taxpayers with increased investments. Any new investment should demonstrate measurable impacts and provide a clear return on investment for taxpayers and customers alike.

Qualified Workforce

Several growing industries in Utah are limited by the availability of high-skilled workers. Such industries make regular requests to create or expand education and training programs for certain degrees and certificates. While in some cases the issue is below-market wages, Utah’s labor market indicators generally demonstrate a tightening labor market. For example, in 2016 Utah posted the 8th lowest unemployment rate in the nation; experienced its highest rate of net in-migration since 2006; and for several months throughout the year advertised job openings exceeding the number of unemployed persons. However, expanding existing education and training programs to prepare the workforce of the future for higher-skilled jobs requires significant investments that are becoming increasingly expensive for taxpayers and tuition payers. An effective educational system is nimble and efficient, responds to population growth, increased post-secondary demand, and ever-shifting market skill demands all while operating within state budget constraints. In contrast, it would have required more than 27 percent of all new state revenue in order to meet all higher education budget requests for FY 2018. In order to fund other critical needs, including the public education system (K-12), the governor’s budget recommendation addressed $55 million of the highest priority requests, or approximately 19 percent of all new available revenue, leaving some requests unfunded. Even with significant annual investments from the state, the tuition burden on students has consistently outpaced overall inflation. While Utah’s tuition rates are lower than other states, we must look for opportunities to make education more affordable now and in the years to come.

Thriving Communities

Local communities, elected officials, and planners must balance different types of development and zoning and understand how decisions affect their cities in terms of tax revenues, transportation, utilities, housing costs, affordability for residents, and the look and feel of neighborhoods. For example, scarce land opportunities in the Salt Lake Valley necessitate the careful consideration of land use development at Point of the Mountain and the area surrounding the new prison site.

In general, communities that integrate commercial developments, mixed-use centers, and efficient residential developments require fewer tax dollars to provide a commensurate level of infrastructure and services than would be required in communities with less-efficient residential and fewer commercial or mixed-use developments. Having a critical mass of customers and businesses in close proximity provides an environment that is conducive to generating additional revenue that remains within the community. Jobs and homes become further separated from each other as local governments have sometimes prioritized retail land uses, industry, and job centers over workforce housing as a means to enhance tax revenue. The increasing separation of jobs and housing reduces economic efficiency, increases demands on transportation systems, and can harm upward economic mobility.

As Utah’s population and economy continue to grow, we must consider a comprehensive evaluation of the state’s approach to infrastructure needs such as water and transportation. In many cases, capital infrastructure is often overused when the true cost of the infrastructure is not reflected in its price (water and transportation, for example). Relying on the fundamental economic signal of price by more fully reflecting true infrastructure costs should be a strong component of our holistic approach.

Additional investments in a multi-modal transportation system to include highways, roads, transit, bike paths and sidewalks will help ensure that our residents have convenient, reliable, and safe access to jobs and schools. As businesses require increased access to workers and customers, Utah must strike a balance between making appropriate investments to allow the economy to flourish while at the same time maximizing the use of scarce taxpayer resources by creating the most efficient transportation system possible. Because transportation planning is highly impacted by the design of our communities, assessing transportation within land use planning is imperative.
**Equitable and Competitive Revenue**

One example of an opportunity for improvement is with Utah’s sales tax policy. State General Fund tax revenues have been shifting as more of the economy moves to online sales and services. Overall, state taxes as a percent of personal income have fallen significantly due to economic shifts that have resulted in a smaller segment of the overall economy bearing the weight of sales taxes—as well as policy decisions to reduce taxes. In addition, major earmarks of sales tax revenue for transportation have minimized General Fund revenues available for education. A key question to be answered is how the state should deal with a General Fund, and particularly a sales tax, that is not keeping pace with economic growth. Areas to be considered include the effects of absorbing the impact by limiting education funding, increasing the tax rate on an ever-narrowing segment of the economy, or the consequences of broadening the tax base.

Although not always feasible due to ability-to-pay considerations, direct user fees and user-aligned taxes can better address the cost of government services and how to pay for such services. This “benefits principle” of taxation more closely aligns to free market transactions when those who choose to more heavily use the service pay more for the service. Examples of appropriate fees to align with the cost of services include water user fees, state park user fees, gas taxes, and even congestion-based pricing for roads.

**THE CORE CHALLENGE**

The challenges outlined above reflect two fundamental needs of the state: 1) to expand infrastructure and protect quality of life and 2) control costs by maximizing the return on the state budget. The solution lies in finding an innovation that will allow Utah to both control cost and protect our quality of life. Utah’s track record demonstrates that our citizens are up to the challenge and can define a path forward that stands out across the nation and establishes a new gold standard.

Leaders and citizens across the state are already working hard to address many of the issues highlighted here. The key is galvanizing their efforts into a statewide strategy that focuses efforts, brings more public awareness to the issues, and better aligns resources.

**Direction Forward: Effective and Efficient Government**

In 2012, Governor Herbert set a target for state agencies to improve performance by 25 percent. As of December 2016, the performance of Utah state agencies improved by 27 percent in aggregate—exceeding the governor’s goal. Even with this accomplishment, there is still room for improvement.

**Strategy #1: Control cost and increase value through good governance – SUCCESS+.**

- A holistic and systems approach allows us to better leverage resources by understanding dependencies, creating a focus on the core problem rather than its symptoms, and avoids shifting the problem from one area to another.
- Identifying the fewest key changes needed to produce the biggest improvements is essential to achieving big gains. Significant impacts can only be made once organizations move out of high-level strategic planning and into rigorous implementation. Strategy is only the direction of the solution, not the solution itself. Real change will only happen once physical changes are made on the ground where the work actually happens.
- Significant improvement and change take time. This effort is a marathon, not a sprint. Stakeholders must be actively engaged and able to provide meaningful input in order for strategies and tactics to be fully vetted and potential negative consequences understood. Understanding the real and important needs that are being met within the status quo and how they could be jeopardized with a change is critical in developing robust solutions.
- Specific goals for SUCCESS+ include:
  - Agency achievement of their internal ambitious performance targets for improvement projects that support the Governor’s initiatives
  - Identification and development of internal experts within each agency with the knowledge and capacity to manage improvement efforts
  - Increased awareness among all state employees regarding the general SUCCESS Framework and operational excellence tools and principles
  - Continued and ongoing improvement of agency systems and operations

*Goal: To improve the quality of government services while bending the cost curve.*
**Direction Forward: Qualified Workforce**

As Utah’s top-performing economy continues to expand, competition for high-skilled labor among businesses will only intensify. Preparing Utah’s workforce to meet employer demand for high-skill/high-wage positions enables a positive cycle of employment growth, business expansion, and state revenue adequacy—all of which lead to a higher standard of living and quality of life for the citizens of Utah. In summary, educational opportunities benefit society as a whole.

The goal to create more high-paying jobs aligns government agencies within two key strategies: 1) educate/train people to build a critical mass of skilled workers in high-demand/high-skill industry clusters where employers find a comparative advantage in Utah; and 2) continue to make Utah a great place to live and work where we recruit and retain high-skilled labor now and in the future.

**Strategy #2: Create a more responsive post-secondary education system that produces a critical mass of skilled workers, becomes more affordable for Utah’s citizens, and becomes the best in breed for targeted and market relevant research areas.**

- Make Utah post-secondary education more effective and efficient by producing more students with skills and degrees needed by the economy at a lower cost. Explore ways to facilitate a tighter matching of students skills produced with the economy’s needs using free market principles and strategies, such as having companies put ‘skin in the game’ to help fund a specialized school program expansion or to provide student incentives.

  *Goal: Prepare a critical mass of skilled workers for high-paying jobs in selected economic clusters by creating innovative and affordable training programs allowing Utah to lead the nation in high-skill job growth over the next 7 years.*

**Direction Forward: Thriving Communities**

**Strategy #3: Provide convenient, reliable, and safe access to a wide range of work and educational opportunities, stores, recreation, and cultural and community institutions.**

From a land use perspective:

- Ensure that use of state tax funds as well as local fiscal incentives are appropriately aligned with effective land use policies; and

- Ensure community leaders and developers have tools aligned with effective land use planning so that jobs, services, and homes can be clustered to keep travel distances relatively short and coordinated with existing high-capacity transportation infrastructure – putting fewer burdens on infrastructure as communities grow. Work with community leaders and employers to locate job centers that will be conveniently accessible to the targeted labor force.

- Develop an additional 1,000 miles of family-friendly trails and bike paths over the next 10 years to provide and promote active connections to school, work, and outdoor recreation in urban and rural communities throughout the state.

From a transportation perspective:

- Increase flexibility of transportation funding and decision-making so that the state invests in the highest value projects possible and leverages existing infrastructure to the greatest extent possible.

- Continue building Utah’s brand as an outdoor and family-friendly state by expanding the network of trails and bike paths to connect residents to schools and neighborhood destinations, transit hubs and job centers, and recreation destinations via safe, family-friendly, active transportation options that encourage a healthy lifestyle. In Utah, the front door will become the trailhead for accessing school, work, and play.

  *Goal: Ensure a majority of residents have access to ample opportunities for jobs, education, recreation, and shopping within a short walk, drive, transit trip, or bike ride.*

**Direction Forward: Equitable and Competitive Revenue**

Controlling spending and tax rates will be essential to keep Utah a cost-competitive place to live and do business. This will require effective strategies on both the revenue and expenditure sides of the ledger. Utah’s tax code, especially the sales tax, is not fully aligned with the current economy. To maintain essential government services, the state must be innovative about how services are delivered and ensure that the tax structure is aligned to the modern economy by fairly distributing the tax burden while maintaining a competitive economy.
Strategy #4: Modernize tax code - reduce rates & broaden the base.

- Comprehensively modernize the tax code for all taxes, including eliminating outdated deductions, exemptions, and credits while ensuring the tax structure is broadly aligned to the current economy.
- As the economy continues to shift toward e-commerce and services, much of the state sales tax burden is left to a shrinking set of businesses. Lowering the state sales tax rate to below 4 percent by extending the sales tax to a broader range of goods and services can improve tax equity, reduce the distortionary impacts of taxes on the economy (leveling the economic playing field), and permit the state to accomplish critical goals while maintaining a competitive tax burden.
- Where appropriate, increase reliance on user fees, particularly in paying for infrastructure such as water and transportation.

Goal: Modernize the tax code for all taxes. Reduce the state sales tax rate below 4 percent and broaden the base in a way that will allow the collection of sufficient revenues to meet Utah’s critical needs.

CONCLUSION

A sharp focus from state and local community leaders to meet employer demand for high-paying jobs will allow Utah to continue its growth while preserving a high quality of life. Synergies between land use and transportation will allow more efficient use of existing infrastructure investments and improve residents’ access to opportunity and healthy transportation and recreation choices while decreasing transportation costs and congestion. Modernizing the tax code by reducing tax rates and broadening the tax base will level the playing field for businesses while ensuring a high level of service. Finally, continuing to improve how government performs will free up resources to be diverted to other areas while also producing better outcomes for Utah’s citizens.

Implementing this initiative across the state will require coordination between the state, local governments, industries, and the public. As we identify specific policy changes needed to achieve these goals, the state will work with stakeholders to ensure that we hit our growth and quality of life targets while minimizing unintended consequences created by new policies. By implementing these strategies, we can meet the challenges of growth while continuing the trajectory of living life elevated.
TIMELINE

May 30, 2017 Introduction of the Governor’s Legacy Initiative

- Key state and community leaders are aligned on mission, strategies, and goals
- Committee leaders and work group members are identified

August 2017 Brief to Governor Herbert

- Each committee presents on top level numerical goal, targets, and strategies
- Each committee has identified key needs for the next legislative session

October 2017 Brief To Governor Herbert

- Each committee has aligned on major tactics to achieve top level strategies
- Each committee has built a simple timeline outlining significant implementation milestones
- Each committee has coordinated drafting its key needs for the next legislative session
- Transportation draft legislation remains on the original sanctioned time schedule

2018 Legislative Session

April 2018 Brief to Governor Herbert

- Each committee to report on the progress of implementing identified strategies
  (ideally, significant parts of the strategies will have been implemented)

October 2018 Brief to Governor Herbert

- Each committee to report on the progress of implementing identified strategies
- Each committee to report on goals / targets progress