

GOVERNOR GARY R. HERBERT

# BUDGET RECOMMENDATIONS



FISCAL YEAR 2020  
FISCAL YEAR 2019 SUPPLEMENTALS

---

**THEME: GROWTH AND QUALITY OF LIFE**



# BUDGET OVERVIEW

## Goal: Maintain Utah's quality of life by proactively managing growth

Utah's population is expected to double by about 2070. The state needs to proactively address growth-related challenges while maintaining and improving Utah's already enviable quality of life and economic opportunities for all Utahns. The Governor's budget focuses on foundational economic development drivers such as those listed below.

### KEY AREAS OF FOCUS IN FY 2020



Quality of Life in  
Thriving Communities



Qualified  
Workforce



Tax  
Modernization



Water &  
Clean Air



Effective &  
Efficient Government

## QUALITY OF LIFE IN THRIVING COMMUNITIES

Utah is growing rapidly, but limited undeveloped land remains on the Wasatch Front. Much of the growth should be absorbed through market-driven infill and mixed-use redevelopment coordinated with high-capacity transportation.

### Open Space & Efficient Land Use

MORE THAN  
**\$30  
Million**

to fund efforts, together with local matching funds, that integrate and preserve open space as part of mixed-used plans, including funding for redeveloping under-used spaces, large community parks, and open space within developments



**\$20  
Million**

Allow a portion of the Transportation Investment Fund to be used for active transportation pathways

to pursue creating Utah's first state forest at Tabby Mountain (Duchesne County), ensuring recreation access for hiking, camping, and hunting

### Community-focused Growth

**\$6  
Million**

to the arts community through a merit-based process



Enhance transit system and make targeted system expansions

**\$17  
Million**

for affordable housing

## QUALIFIED WORKFORCE

### K-12 Education - \$445 Million Total New State-directed Funding (\$293 Million Ongoing, \$152 Million One-time)

Budget meets

**\$1 BILLION**

K-12 funding target a full year ahead of schedule (30% increase over 4 years)

**4%**

Weighted Pupil Unit (WPU) Increase

**\$15 Million**

WPU add-on for children at risk of academic failure

**\$1 Billion**

in unused local property tax

**\$104 Million**

for upgrading school facilities

**\$32 Million**

for school counseling

**\$30 Million**

Teacher bonuses



**AMBITIOUS TARGET**

Offer at least three unique computer science classes in every middle school in Utah

**\$84 Million**

(\$19 million new, \$65 million existing) for flexible funds to address priority needs, including counseling and mental health

### Higher Education - Targeted Investments in Areas That Demonstrate Measurable Impact

IMPROVING  
EFFICIENCY &  
GETTING RESULTS



Ensure affordability for students and taxpayers



Increase student completion rates



Decrease the time to completion

### Targeted Investments

\$50 million scholarship endowment

\$19 million for equipment and technology

\$6.2 million for three-year bachelor's degree

\$6 million to post-secondary advisory corps counseling

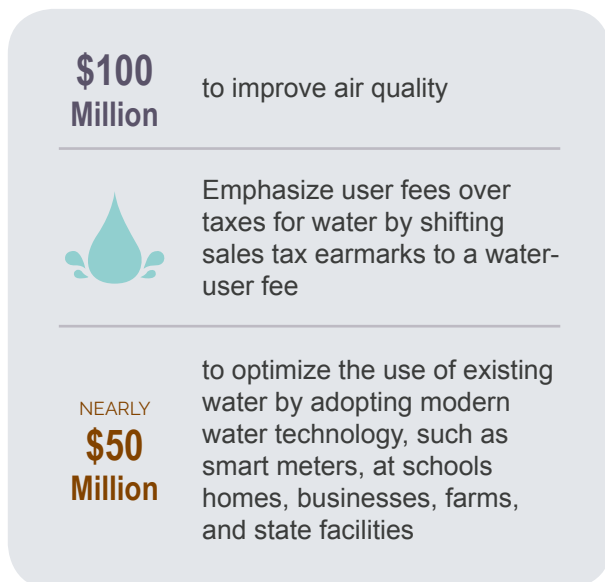
Targeted investments together with compensation increases total \$69 million ongoing, meeting the \$275 million 4-year target a full year ahead of schedule

## TAX MODERNIZATION

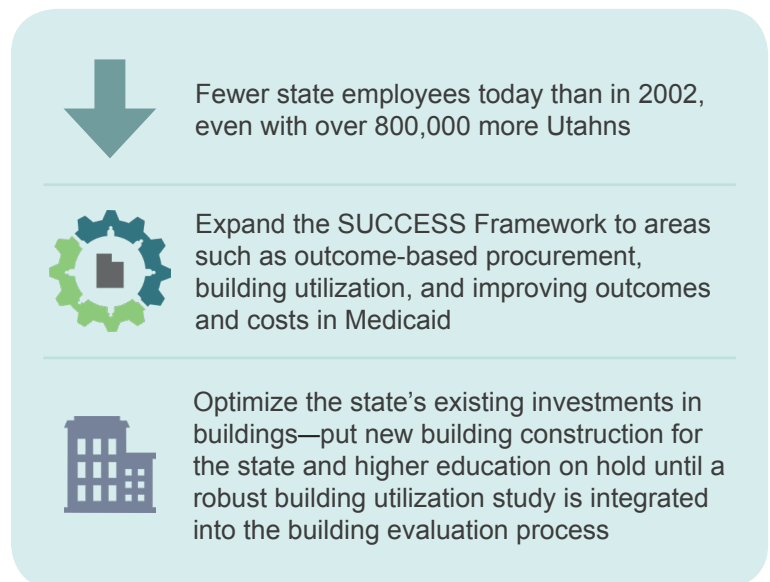
The current state and local sales tax setup is not conducive to Utah's long-term prosperity. Middle- and low-income residents pay a higher percentage of their incomes in state and local sales taxes than high-income households, and the sales tax base is eroding. The Governor recommends modernizing the sales tax while reducing the tax burden on Utah families.



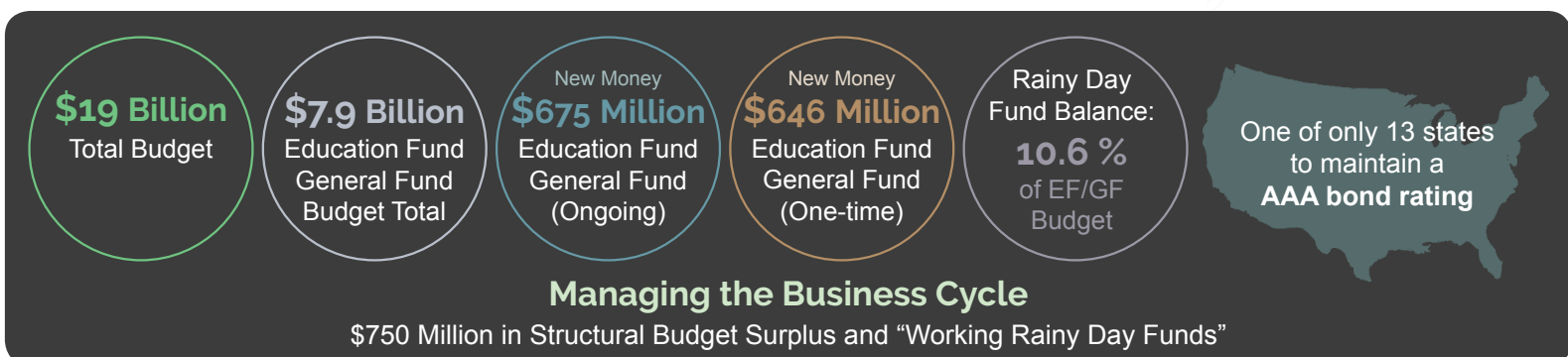
## WATER & CLEAN AIR



## EFFECTIVE & EFFICIENT GOVERNMENT




## GENERAL







# TABLE OF CONTENTS



01	Revenue Estimates
03	Table 1: November 2018 Consensus Revenue Estimates
05	Governor's Budget Overview
13	Prudent Fiscal Management
17	Investing in What Works
21	Tax Modernization: A Call to Action
27	Planning for Growth: Designing Attractive & Affordable Communities
33	Air Quality
37	Water
43	Social Service Programs & Support
49	Table 2: Governor's Budget Recommendations for Education
51	Post-secondary Education & a Qualified Workforce
57	Public Education Priorities
61	Public Education Funding in Utah
65	Table 3: Minimum School Program & School Building Program
69	Corrections, Public Safety & Recidivism
73	Capital Infrastructure & Bonding
76	Table 4: General Obligation & Revenue Bonds
79	Revenue Earmarks
82	Table 5: General Fund Earmarks & Set-asides
83	Major Revenue Sources
87	Table 6: Recommended General, Education & Uniform School Funds
89	Table 7: Recommendations for State-collected Funds
92	Table 8: Recommendations for Operating & Capital Budget
95	Table 9: Recommended Adjustments by Agency - Education Fund & General Fund
101	Table 10: Recommended Adjustments - Restricted Funds & Fee Collections
105	Table 11: Funding Reallocations
108	Governor's Office of Management and Budget (GOMB) Staff



# Budget & Policy Brief

## REVENUE ESTIMATES



Consensus revenue estimates project significant revenue growth - the Governor recommends returning \$200 million (30 percent) of ongoing revenue growth to Utah families and budget allocations in support of long-term quality of life and fiscal stability

### Consensus Revenue Growth

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

The Governor's budget recommendations are based on the November 2018 consensus forecast, which projects significant new General Fund, Education Fund, and earmarked sales tax revenues above the February 2018 forecast (see Table 1). After adjusting for automatic deposits into various rainy day accounts, growth of sales tax earmarks (\$38 million from existing earmarks plus \$89 million for the new Medicaid sales tax earmark enacted by Proposition 3), and various technical adjustments, the Governor's budget includes \$675 million in ongoing and \$646 million in available one-time General Fund and Education Fund revenues. This strong revenue growth comes primarily from individual income taxes, corporate taxes, and sales and use taxes.

### Governor Proposes Tax Reduction

With these strong revenues, the Governor recommends

returning 30 percent of ongoing revenue growth (\$200 million) to Utah families through a tax reduction as part of the tax modernization effort.

### One-time and Ongoing Revenues

The revenue estimates reflect a strong and growing economy and the impacts of federal tax reform. For example, to partly offset the effects of moving to a territorial system of business income taxation, the federal Tax Cuts and Jobs Act of 2017 levied a one-time tax on income held overseas (often referred to as a repatriation tax) that businesses have eight years to pay. This long time frame, coupled with uncertainty about Utah's share of the repatriation tax, makes it difficult to know exactly when the money will be paid. This requires prudent decision-making to determine how much growth in individual and corporate income taxes is due to underlying and sustainable economic growth, which would be considered ongoing revenue, and how much is due to repatriation taxes or short-term economic effects that would be considered one-time revenue.

### Budget Buffers

In addition to \$100 million of FY 2020 revenue deemed to be one-time revenue in the adopted revenue estimates, the Governor's budget sets aside \$83 million from the new

projected ongoing revenue as a buffer to manage the budget over the business cycle. The Governor's budget includes \$48 million in new ongoing funds for capital projects, including \$23 million in new funds to help eliminate bonding for construction of the new prison. This can be considered a "working rainy day fund" since the revenue is being used for one-time construction projects but can then be reallocated during a time of fiscal stress. The budget also includes \$35 million for an account to fund future student enrollment growth during times of fiscal stress. Together with base budget amounts, this brings the structural budget surplus and "working rainy day funds" total to \$750 million.

### **Multi-generational Impacts from One-time Funds**

The general philosophy behind allocating the sizable one-time revenues in the Governor's budget recommendation is to fund items with a permanent positive impact on Utah's quality of life, economy, and budget situation. For example, the Governor's budget allocates a historic \$100 million to air quality improvement efforts, which is both a long-term quality of life and economic issue, \$50 million to permanently endow a scholarship fund benefitting students with financial

need, and another \$50 million to pay down Utah's Other Post-Employment Benefits (OPEB) liability, helping ensure the state can meet its obligations to retirees. In addition, the Governor's budget recommends minimizing the need to bond for the new prison by providing \$171 million in one-time revenue (\$46 million from base budget amounts no longer needed for bonding and \$125 million from new revenue) and \$110 million in ongoing revenue (including \$87 million from base budget amounts for building construction and an additional \$23 million from new revenues) to pay cash for the new prison project.

With these foundational elements in place, the Governor's budget makes needed investments in education and other key areas of the state. It also sets aside \$200 million from projected new ongoing revenue growth to be used for a tax cut for Utah families as part of the tax modernization effort.

### **Total Budget Revenues**

The total budget, including federal funds, is \$19 billion. This includes impacts of revenue growth from a strong economy, as well as the \$1 billion budget impact of Medicaid expansion enacted by voters with Proposition 3.

## Table 1 - November 2018 Consensus Revenue Estimates

*All numbers are in thousands of dollars.*

	FY 2018	FY 2019	FY 2019	FY 2020
	Actual	February Consensus Estimate	Revised Consensus Estimate	Consensus Estimate
<b>Sales and Use Tax - TOTAL</b>	<b>2,662,280</b>	<b>2,776,210</b>	<b>2,838,484</b>	<b>3,042,179</b>
Sales and Use Tax - Earmarked for Transportation	569,510	617,477	628,553	643,178
Sales and Use Tax - Earmarked for Water	46,490	56,566	57,517	68,701
Sales and Use Tax - Earmarked for Other	27,534	534	534	534
Sales and Use Tax - Earmarked for Medicaid (Prop 3)			12,394	88,813
<b>Subtotal - Sales and Use Tax Earmark</b>	<b>643,533</b>	<b>674,576</b>	<b>698,998</b>	<b>801,226</b>
<b>Sales and Use Tax - General Fund</b>	<b>2,018,747</b>	<b>2,101,634</b>	<b>2,139,486</b>	<b>2,240,954</b>

### General Fund (GF) Revenue Sources

Sales and Use Tax - General Fund	2,018,747	2,101,634	2,139,486	2,240,954
Cable/Satellite Excise Tax	29,324	30,766	29,685	29,888
Liquor Profits	112,312	123,329	118,726	124,690
Insurance Premiums	133,565	135,361	139,903	148,986
Beer, Cigarette, and Tobacco	111,140	113,124	109,481	107,821
Oil and Gas Severance Tax	17,422	18,457	30,211	33,438
Metal Severance Tax	7,619	10,514	10,579	12,522
Investment Income	22,167	18,251	30,396	36,819
Other	91,425	82,429	84,104	85,596
Property and Energy Credit	(5,633)	(6,092)	(5,923)	(6,000)
<b>Subtotal General Fund</b>	<b>2,538,087</b>	<b>2,627,773</b>	<b>2,686,648</b>	<b>2,814,711</b>
<b>Subtotal General Fund / Sales and Use Tax Earmark</b>	<b>3,181,621</b>	<b>3,302,349</b>	<b>3,385,646</b>	<b>3,615,937</b>

### Education Fund (EF) Revenue Sources

Individual Income Tax	3,998,996	4,128,420	4,298,425	4,532,283
Corporate Tax	447,934	364,751	511,796	496,848
Mineral Production Withholding	21,564	18,705	29,244	32,802
Escheats & Other	30,937	29,606	31,740	32,888
<b>Subtotal Education Fund</b>	<b>4,499,431</b>	<b>4,541,482</b>	<b>4,871,204</b>	<b>5,094,822</b>
<b>Subtotal GF/EF/Sales and Use Tax Earmark</b>	<b>7,681,051</b>	<b>7,843,831</b>	<b>8,256,850</b>	<b>8,710,758</b>
<b>Subtotal GF/EF</b>	<b>7,037,518</b>	<b>7,169,255</b>	<b>7,557,852</b>	<b>7,909,533</b>

### Transportation Fund (TF) Revenue Sources

Motor Fuel Tax	354,028	366,912	360,760	373,856
Special Fuel Tax	134,865	147,782	138,593	143,881
Other	95,545	94,736	96,725	100,738
<b>Subtotal Transportation Fund</b>	<b>584,438</b>	<b>609,431</b>	<b>596,079</b>	<b>618,475</b>
<b>Subtotal GF/EF/TF/Sales and Use Tax Earmark</b>	<b>8,265,490</b>	<b>8,453,262</b>	<b>8,852,929</b>	<b>9,329,233</b>
<b>Subtotal GF/EF/TF</b>	<b>7,621,957</b>	<b>7,778,686</b>	<b>8,153,931</b>	<b>8,528,007</b>

### Mineral Lease (ML) Revenue

Royalties	68,323	72,770	70,956	72,229
Bonuses	10,521	5,514	7,168	7,493
<b>Subtotal Mineral Lease</b>	<b>78,844</b>	<b>78,283</b>	<b>78,125</b>	<b>79,723</b>
<b>Total GF/EF/TF/ML/Sales and Use Tax Earmark</b>	<b>8,344,334</b>	<b>8,531,545</b>	<b>8,931,053</b>	<b>9,408,956</b>
<b>Total GF/EF/TF/ML</b>	<b>7,700,801</b>	<b>7,856,969</b>	<b>8,232,056</b>	<b>8,607,730</b>





## GOVERNOR'S BUDGET OVERVIEW



### Elevating Utah's High Quality of Life

Utah's focus on fundamental and fiscally sound economic principles has paid dividends for the state and its citizens. Utah now appears on the radar of national and global business decision makers and exciting future opportunities abound. Unlike some states that remain highly reliant on a single economic sector such as energy or tourism, Utah enjoys one of the most diverse economies in the United States. With this diverse economy, downturns in a single economic sector do not extraordinarily impact the state's overall economy.

Although boasting a top state economy since the Great Recession, recent successes must not lead to complacency or Utah will fall behind. To maintain momentum, Utah must commit to continued strategic investments in the state's future high quality of life.

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

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

- an equitable and competitive revenue system that

couples a broad tax base with low and competitive tax rates (including a net tax cut) and emphasizes user fees, particularly for infrastructure costs;

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

### Budget Principles

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

An intentional and proactive focus on excelling at a limited number of high-value activities will yield better results than trying to do too many things, losing focus, and spreading resources too thin. A delayed and reactionary approach to new budget demands and changes within the economy, as opposed to an intentional proactive approach to

budget design and strategy, risk leaving Utah vulnerable to a diminished future prosperity. The Governor's budget recommendations reflect strategic investments of scarce taxpayer resources to best manage the state's many demands.

Five major principles guide the Governor's budget proposal:

- live well within our means to reduce the tax burden on Utah families;
- strategically invest this year's sizable revenue growth in investments that will pay dividends not only for the coming year but for decades to come;
- optimize the conditions for a healthy and growing free market economy empowering the private sector;
- operate government efficiently while delivering high-quality outcomes for the people of Utah; and
- focus on the root cause(s) of an issue rather than the symptoms.

## Budget Totals

The Governor's total recommended budget for FY 2019-20 (FY 2020) is \$19 billion, including state, federal, and certain local sources. The recommended budget funded by state-collected funds (i.e., excluding federal funds, local property tax for schools, and higher education tuition) totals about \$11.7 billion. The recommended budget for the General Fund and the Education Fund, the state's two largest accounts, totals \$7.9 billion. Major categories of General Fund and Education Fund expenditures include public education (about \$3.9 billion), higher education (about \$1.3 billion), Medicaid and other social services (about \$1.2 billion), and corrections, public safety, and justice (about \$710 million). In addition, the transportation budget from state-collected funds totals about \$1.8 billion (including debt service payments for transportation projects); these expenditures are funded through various transportation funds outside the General Fund.

## Budget Book Outline

Utah's budget can be viewed in many ways. The Governor's budget recommendation book is divided into two segments. The first segment deals with budget and policy issues and proposed budget changes. It is more narrative in nature.

The second segment provides additional technical details. Both can be found online at [gomb.utah.gov](http://gomb.utah.gov).

## Revenue Forecast

Utah's strong and growing economy continues to provide very significant additional funds to invest in Utah's long-term future, as detailed below. This strong state government revenue growth reflects broad-based economic growth and prior fiscal prudence.

In November 2018, 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 2019 revenue forecast and developed a new consensus revenue forecast for FY 2020 (see Table 1).

The Governor's budget recommendations are based on this consensus forecast, which yields about \$646 million in available one-time funds and \$675 million in available ongoing unrestricted General Fund and Education Fund revenues, after automatic deposits into various rainy day accounts, \$38 million of growth in earmarked sales tax revenues, \$89 million for the new Medicaid sales tax earmark enacted by Proposition 3, and various technical adjustments. These revenue increases come primarily from growth in individual income taxes, corporate tax, and sales and use taxes. As explained later, the Governor recommends a portion of the ongoing revenue increase be allocated for reducing the tax burden on Utah families and for budget buffers, such as rainy day funds and capital expenditures.

## Tax Modernization

Modernizing Utah's revenue structure is a key element of the Governor's recommendation. Although the Governor proposes a tax modernization framework, his budget recommendation is based on the consensus revenue estimates under the existing tax structure.

As detailed in the *Tax Modernization: A Call To Action* budget and policy brief, Utah's revenue structure, particularly the sales tax, is not well aligned with the modern economy. This narrowing tax base coupled with previous policy decisions to shift most higher education funding from the General Fund to the Education Fund means that budget flexibility

used by the state in recent decades will be exhausted in the near future.

In light of this future limited flexibility and to improve the fairness and economic neutrality of the sales tax, the Governor recommends that the state modernize its tax structure by broadening the sales tax base and lowering the tax rate. He also recommends re-emphasizing user fees, particularly for transportation and water.

Notably, \$200 million (30 percent) of projected new revenue growth remains unallocated in the Governor's budget to be used for a tax reduction returning funds to Utah families as part of the tax modernization effort. In addition, the Governor recommends nearly \$70 million of state sales tax earmarks for water be shifted to a statewide water user fee.

## Fundamental Prudent Fiscal Management

### Paying the State's Long-term Obligations

Utah is recognized nationally for its prudent fiscal management, including maintaining its AAA bond rating, which creates sizable interest savings relative to states with lower bond ratings. Utah is one of only 13 states with this rating from all three major rating agencies. The Governor recommends no new bonding be authorized and further recommends \$171 million one-time (including \$125 million in new funds) and \$110 million ongoing (including \$23 million in new funds) be allocated to minimize bonding for the prison relocation.

As is always done in Utah, the Governor's budget fully funds the state's long-term obligations, including bond payments and actuarially estimated amounts for state employee retirement pension and other employee benefit programs. Importantly, the Governor also recommends using \$50 million in one-time funds to significantly pay down the state's other post-employment benefit (OPEB) liability, which significantly accelerates the payoff of this liability, creates future budget flexibility, and puts the state on a more solid long-term fiscal footing.

### Business Cycle Management and Maintaining Budget Flexibility

Budget stress testing conducted in recent years demonstrates that the state has set aside meaningful formal and informal budget reserves to protect against

various economic scenarios and also has various other tools available to manage the budget during an economic downturn. While any economic downturn would present challenges, the stress test review suggests that Utah is well positioned for a "typical" recession.

Through sound budgeting practices, the state has prudently managed its resources. Rainy day fund balances exceed totals prior to the Great Recession, with \$777 million in the state's various rainy day funds as of FY 2019, including the Education Fund Budget Reserve and Growth in Student Population (\$448 million), General Fund Budget Reserve (\$225 million), Medicaid Growth Reduction and Budget Stabilization (\$75 million), and Wildland Fire Suppression and Disaster Recovery (\$28 million) accounts. On top of the \$6.4 million FY 2020 base budget, the Governor recommends an additional \$42.5 million (\$35 million ongoing and \$7.5 million one-time) be allocated to the Growth in Student Population Account to essentially pre-fund future enrollment growth that may occur during a future economic moderation. With this deposit, the state's rainy day funds will be at about \$825 million, which is 10.6 percent of the recommended ongoing General Fund and Education Fund budget in FY 2020.

With the state's large projected revenue increases, the Governor's budget uses \$83 million of new ongoing revenue to add to the state's budget buffers. This \$83 million, together with base budget buffer amounts, provides a total of \$750 million in structural budget surplus and "working rainy day funds" (cash-funded capital items such as facility renovation, capital development, transportation, and capital improvement projects). With these solid budget reserves in place, policymakers should feel confident in making strategic investments that enhance Utahns' quality of life, including education.

One concerning budget practice in recent years has been the proliferation of General Fund earmarks. As detailed in the *Revenue Earmarks* budget and policy brief, this practice can create budget challenges. To protect the General Fund from further erosion, the Governor discourages further earmarking of general revenues, including the further proliferation of automatic end-of-year surplus transfers. Moreover, the Governor recommends continuing to shift transportation funding to user-based funding sources, reducing sales tax earmarks by shifting to user fees for water, and paying for fire-related programs directly from the



General Fund rather than through earmarks of insurance premium taxes.

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

## Education Investments

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

To help meet these needs, the Governor's budget begins with education, providing about \$361 million in new ongoing funds and \$216 million in one-time funds for the state's public and higher education systems (see Table 2). This ongoing total represents nearly 70 percent of the portion of new ongoing revenue allocated to program funding increases (net of ongoing funds reserved for the proposed tax reduction and budget reserves). This brings total public and higher education funding from all state-directed sources to about \$6 billion.

With these recommendations, the Governor's five-year goals of \$1 billion of new ongoing revenue for public education and \$275 million of new ongoing revenue for post-secondary education will have been met in four years—a full year ahead of schedule. The Governor commends the Legislature for significantly increasing its commitment to education funding in recent years. With these significant budget increases and continued investments going forward, education entities must deliver continued improvements in student outcomes.

## Public Education

The Governor recommends \$445 million in new public education funding support (\$293 million ongoing, \$152 million one-time), bringing total public education funding from all state-directed sources to \$4.7 billion. Ongoing funding increases include \$199 million from new Education Fund revenue, \$50 million from growth in state-directed

property taxes, and nearly \$9 million from the state's Permanent School Trust Fund. An additional \$42.5 million (\$35 million ongoing and \$7.5 million one-time) in new funding is provided for public education funding reserves to help ensure future enrollment growth can be managed even with a moderation in the state's economy.

In the fall of 2019, about 6,750 additional students are projected to enter the doors of Utah's schools. The budget funds this anticipated enrollment growth as traditionally defined, at a net Education Fund cost of \$19 million (\$14.7 million ongoing and \$4.3 million one-time). In addition, the Governor recommends that four additional programs receive enrollment growth funding (\$239,000) and the Schools for the Deaf and Blind receive their equivalent of enrollment growth funding (\$2 million).

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 in determining exactly how to carry out educational programs, as long as policy goals for student outcomes are met. For this reason, the Governor's budget proposes to substantially increase locally controlled funding through a 4 percent (\$127 million) increase in the value of the weighted pupil unit (WPU). Such a sizable increase allows local school boards flexibility as they focus on needed local investments, including effective counseling for students and professional learning for educators. Our teachers, principals, and other educators are key to achieving the Governor's goal of Utah being the top state for student achievement.

The Governor recommends nearly \$32 million for school counseling, including for middle school and high school students. The Governor also recommends nearly \$84 million in ongoing funds (\$65.2 million unallocated existing funding and \$18.8 million new funding) deposited under current law to the Teacher and Student Success Account be allocated for flexible locally determined plans meeting student needs. This provides another very significant funding resource to ensure that neglected student counseling needs are met. The Governor strongly urges local boards to use these funds to help ensure those counseling needs are taken care of.

Additionally, the Governor recommends \$15.3 million in new ongoing funding for students at risk of academic failure and \$3 million in new ongoing funding to create a new



WPU add-on to help ensure rural students receive similar opportunities as those in more urban areas. The Governor's budget also includes new ongoing funds allocated under current law for charter schools (\$3 million) and the equity pupil unit (\$13 million), as well as reflecting the \$8.7 million in increased allocations from the Permanent State Trust Fund for allocation by school community councils. These sizable funding increases represent a good-faith effort to meaningfully increase ongoing resources for public education.

Out of one-time funds, the Governor also recommends allocating \$30 million for teacher bonuses and \$104 million for school facilities (\$66 million in flexible local funds for school safety and other basic needs, \$25 million for the Capital Outlay Foundation Program, \$10 million to improve efficiency of school water use, and \$3 million to complete the Schools for the Deaf and Blind building in Springville).

The Governor recommends an ambitious target for K-12 schools to offer at least three unique computer science classes in every middle school to help ensure the state develops the pipeline today that will meet industry demand. He recommends nearly \$4 million for this purpose.

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

## Post-secondary Education

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

compensation increases total \$69 million ongoing and \$64 million one-time.

The Governor's budget includes nearly \$33 million ongoing to fund a 2.5 percent compensation and an estimated 4.35 percent health insurance increase for higher education employees in the Utah System of Higher Education (USHE), Utah System of Technical Colleges (UTech) and Utah Education and Telehealth Network (UETN).

With rising tuition rates and growing enrollment, it is critical that post-secondary funding be tied to student outcomes. Post-secondary institutions should focus intently on increasing efficiencies, with a goal of dramatically increasing the number of higher education graduates and the speed at which those students graduate, with lower overall costs per student. To this end, the Governor's budget targets higher education funding to specific investments intended to move the needle on student achievement.

Among the Governor's post-secondary education funding recommendations are the following items targeted to specific programs and tied to specific student outcomes:

- \$6 million for a proven Statewide Advising Corps to help counsel K-12 students on higher education options and increase higher education enrollment and completions;
- \$6.2 million for a three-year bachelor's degree, including at Southern Utah University (\$2.8 million), to save on facility costs and aggressively increase program completion;
- \$1.5 million to help with suicide prevention by increasing capacity in programs for training psychiatrists; and
- \$16.3 million for technical education through the Utah System of Technical Colleges and in rural Utah through Utah State University.

The Governor also recommends that existing performance-based funding be redirected and used for more ambitious performance targets.

In addition, the Governor recommends \$50 million in one-time funds to endow a scholarship fund that, together with private contributions, can perpetually fund higher education scholarships for students with financial need. The investment

earnings from an endowment of this size can meaningfully help hundreds of those who may struggle to pay for college and make it more affordable. The Governor also recommends a \$4 million increase for Regents Scholarships for high-achieving students.

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

### **Meaningful Education Investments Meet Governor's Target Ahead of Schedule**

In summary, all of these education investments are part of the Governor's goal to be the top state for academic performance. Four years ago, 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, these funding targets will be met a full year ahead of schedule. With these significant investments in recent years, it is critical that the state's education systems deliver significant outcomes.

### **Social Service Programs and Support**

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

As further detailed in the *Social Service Programs and Support* budget and policy brief, the Governor's budget recommends \$22 million in ongoing General Fund increases for traditional Medicaid consensus items and \$2.5 million for Accountable Care Organization (ACO) rate increases up to 4.0 percent based on performance measures. In addition, based on the passage of Proposition 3 in November, the Governor's budget includes \$135 million in state funds and \$842 million in federal funds for Medicaid expansion.

The Governor's budget further recommends \$28 million to enhance programs and increase access to services for people with disabilities.

### **Air Quality and Water**

The Governor and Division of Air Quality have set an ambitious target of reducing per capita emissions by 25 percent by 2026. To help achieve this goal, the Governor's budget includes a historic \$100 million in one-time state funds for strong investments in air quality. The funds should be targeted to projects that most meaningfully move the needle on improving Utah's air quality. Examples of potential uses include replacing wood-burning stoves for those who rely on burning wood for heat, electric car infrastructure, reducing emissions from vehicles on the state's roads as well as construction equipment and locomotives, and similar efforts. Fully implementing Tier 3 standards for vehicles and fuel will also be a key strategy in coming years. Improving air quality has been and continues to be a priority for the Governor.

The State of Utah is also working to improve Utah's air quality by better managing the state's buildings and fleet vehicles. Proposed facility renovation funding (\$25 million ongoing and \$10 million one-time) to repurpose state buildings can help improve employee efficiency and the state's energy efficiency. In addition, all new state buildings must be designed, constructed, and managed to meet energy efficiency standards. Older state fleet vehicles are being replaced with those that have cleaner-burning engines, resulting in an 11 percent average decrease in emissions. New telematics are being tested on 25 percent of the fleet with the intent to reduce emissions by decreasing unnecessary idling.

The Governor is also working to identify teleworking arrangements that benefit both the state and the employee. One of the many anticipated positive outcomes is reducing the number of vehicles on Utah's highways.

The Governor proposes nearly \$50 million in new funding be allocated to improving the efficient use of water statewide, including at state facilities. One challenge that the state faces is significant amounts of municipal and industrial (M&I) water remain unmetered. Because of this, it is uncertain precisely how much water is even used. The Governor recommends

all M&I water in the state be metered within a 10- to 15-year period. While the costs of this effort are sizable and the primary responsibility remains at the local level, the Governor recommends that \$20 million in one-time funds be provided for improved M&I water efficiency, with the primary focus on providing matching grants and loans to pay for metering unmetered water.

The Governor recommends nearly \$2.2 million to support improved water practices, including billing that better informs water users of their water use. In addition, the Governor recommends that \$15 million in one-time funds be provided to both study and implement water efficiency alternatives that are beneficial to farmers and lead to more efficient use of water in the agricultural sector, and \$2 million to improve water metering practices and technology at state facilities, including the state capitol complex. These amounts, together with the previously mentioned \$10 million for schools, provide nearly \$50 million to significantly improve on Utah's water use per capita.

## Land Use, Transportation, and Open Space

As limited space along the Wasatch Front fills up, recognizing the interrelationships between land use, housing, transportation, water, air quality, and revenue structures is essential. Affordable, thriving communities need physical infrastructure, including transportation and water infrastructure.

However, different types of land use heavily influence the type of infrastructure needed, the cost of that infrastructure, and the mix and cost of housing. The true costs of different types of growth should be increasingly reflected in different market-driven land use choices. Those whose choices lead to greater costs should increasingly bear the full costs of those decisions. The Governor's budget includes \$3 million (\$1 million one-time and \$2 million ongoing) to expand proven land use planning technical assistance so that cities that lack expertise can benefit from these proven tools.

One key role the state can play is to work with local governments to maintain open space even as growth occurs. To this end, the Governor's budget includes \$25 million in matching grant funds for regionally significant community parks tied to efficient land use, connection with transit-oriented development, and housing affordability goals. As

the state develops its property at the Point of the Mountain, it should ensure that preserving appropriate open space is a key component of the plan. The Governor also recommends allocating \$20 million from the General Fund and identifying other funding sources to pursue the acquisition of Tabby Mountain to establish a state forest.

As with all programs, the state's focus should be to maximize the return on every dollar invested in infrastructure. This effort should include multi-modal transportation investments and increasingly incorporating the true costs of different development patterns into the decision-making process—including an increased reliance on user fees. The Governor recommends a small portion of the Transportation Investment Fund (TIF) be allowed to be used for active transportation.

## State Employee Compensation

The Governor's budget proposes a 2.5 percent salary increase for state employees and targeted funding to increase salaries for employees working in specific classifications with demonstrated needs. In addition, the budget funds ongoing health insurance and 401(k) match program cost increases. As previously mentioned, the Governor also recommends \$50 million to significantly pay down the state's other post-employment benefit (OPEB) liability. The Governor also proposes a \$7.9 million increase (1 percent salary equivalent) for bonuses or retirement matching for high-performing agencies and employees.

Beyond these funding recommendations, the Governor encourages continued progress toward a state employee parental leave policy, whereby new parents can have the flexibility necessary to spend time with their families without foregoing salary. The Governor also proposes that the Public Employees Health Plan introduce a new Health Savings Account (HSA) plan option that would allow state employees to elect to receive a portion of the employer contribution in wages, as opposed to the state contributing to the employees' HSA directly.

## Summary

The Governor's budget is rational, reasonable, responsible, and responsive to the needs of the people of the state. It invests in Utah's future by looking ahead to anticipated growth, new demands on services, and the opportunities

that are possible if the state continues with bold vision and fiscal prudence.

## PRUDENT FISCAL MANAGEMENT



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

### Highlights

Maintaining and elevating Utah's quality of life is the focus of the Governor's budget

\$750 million in structural budget surplus and "working rainy day funds"

Nearly \$825 million in combined rainy day fund balances

\$281 million in one-time (\$171 million, including \$125 million in new funds) and ongoing (\$110 million, including \$23 million in new funds) funding to pay cash for the prison instead of issuing additional bonds

\$50 million to pay down the state's OPEB (other post-employment benefit) liability

1 of only 13 states with a AAA bond rating from all three major rating agencies

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

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

### Structural Budget Surplus

To manage the business cycle, the Governor's budget adds \$83 million to the state's budget buffers, bringing the state's total structural budget surplus and "working rainy day funds" to \$750 million. Ongoing funding spent on cash-funded capital items constitute "working rainy day funds" and are a form of structural surplus because the capital expenses are short term but the budget allocation is ongoing. These structural surpluses create budget flexibility.

### Prudent Fiscal Management and Life Elevated 2020

The Governor's Life Elevated 2020 initiative provides a framework for continued wise fiscal management and long-term economic health in



Utah. The framework elements work together synergistically to secure long-term economic performance and quality of life. The various budget and policy briefs included in the Governor’s budget and policy recommendations include additional details about the Life Elevated 2020 initiative.

## Utah’s Rainy Day Funds Are at Healthy Levels

As shown in Figure 1, Utah’s rainy day fund balances have been restored and far exceed pre-recession totals. With the Governor’s recommended \$48.9 million addition, the state’s combined rainy day fund balances total nearly \$825 million as of FY 2020, including \$106 million in deposits made at the end of FY 2018 and \$95 million already appropriated for FY 2019. The rainy day fund balance is broken up into the following categories: the Education Fund Budget Reserve and Growth in Student Population (\$497 million), General Fund Budget Reserve (\$225 million), Medicaid Growth Reduction and Budget Stabilization (\$75 million), and the Disaster Recovery and Wildland Fire Suppression (\$28 million) accounts. As shown in Figure 2, these balances total 10.6 percent of ongoing General Fund and Education Fund budgets.

To preserve budget flexibility, the Governor recommends refocusing year-end surplus transfers on the core rainy day funds and no further enactment of year-end transfers of surplus funds.

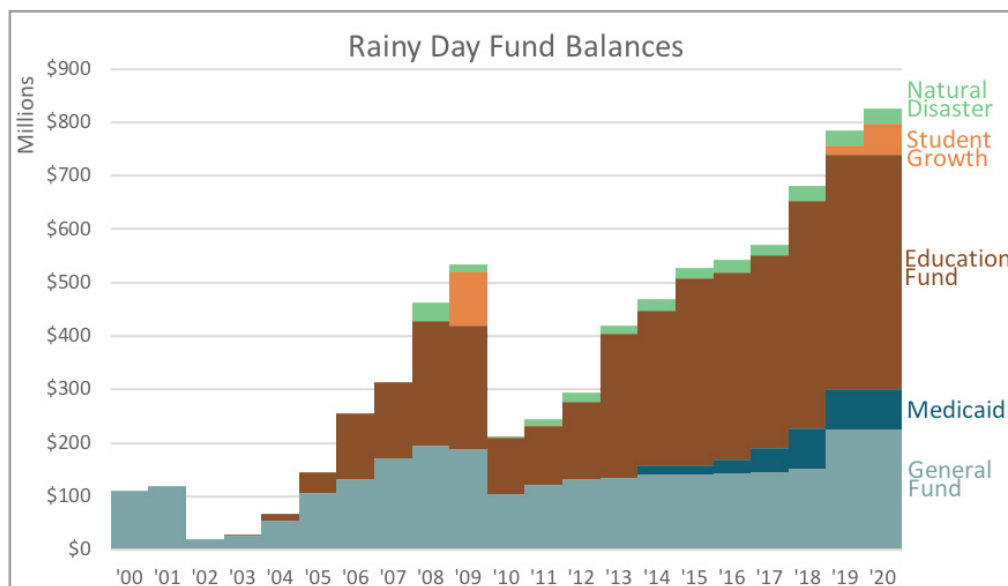
## Autopilot Budgeting Reduces Budget Flexibility

One concerning trend that has emerged over the past decade is the advancement of “autopilot budgeting,” including revenue earmarks and other automatic funding allocations. Rather than policymakers making annual budget decisions, statutes passed during previous legislative sessions have pre-established automatic spending priorities. While statutes can be changed, automatic funding mechanisms create a higher budgeting priority compared to funds appropriated through the regular budget process.

Although autopilot decisions may have seemed like a good idea when enacted, these policies restrict budget flexibility and make prudent budget management increasingly difficult. Rather than spending scarce time focusing on current issues to meet the state’s core needs, revenue earmarks and automatic funding mechanisms result in effort misspent to identify ways to work around rigid budget mechanisms.

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

FIGURE 1:



## Meeting Financial Obligations

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

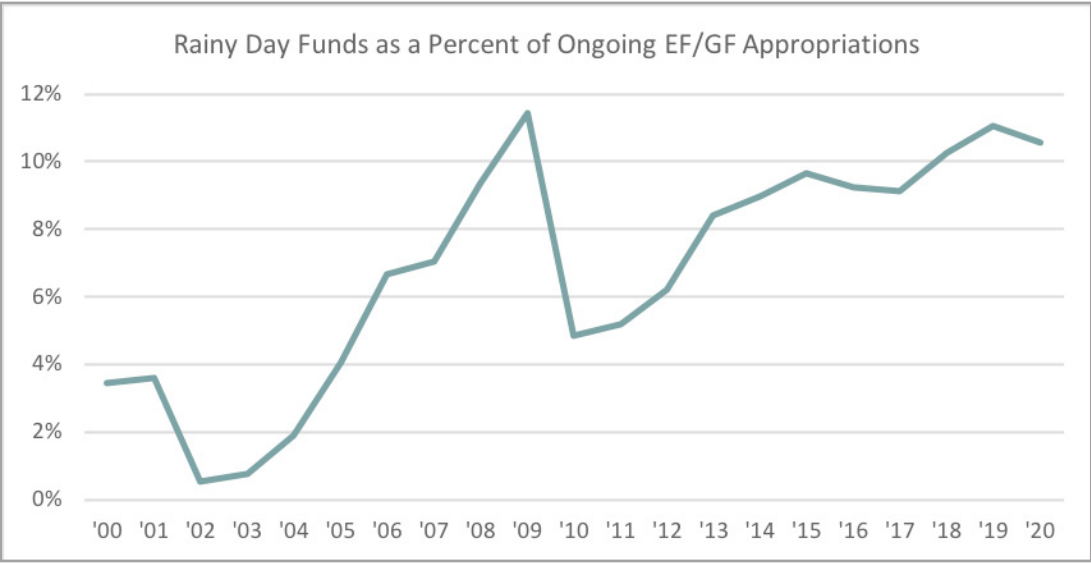
Funded ratios in some non-pension employee benefits have allowed the state to cut the amortization period in half (20 years to 10 years). In addition, the Governor recommends \$50 million in one-time funding to pay down the state’s other post-employment benefits (OPEB) liability. These are non-pension benefits—such as health care benefits—owed to retired workers.

## Utah Maintains AAA Bond Rating

Through sound and fundamental budgeting practices, Utah has prudently managed its financial resources, allowing the private sector to flourish. Utah’s longstanding AAA bond rating and ability to attract financial capital reflect the private market’s confidence in the state’s budget management practices. Utah is one of only 13 states with a AAA bond rating. This market confidence allows Utah to enjoy sizable interest savings compared to states with lower bond ratings.

The Governor recommends no new bonding authorizations. The budget includes \$281 million in one-time (\$171 million, including \$125 million in new funds) and ongoing (\$110 million, including \$23 million in new funds) funding to pay cash for the prison instead of issuing additional bonds. The \$281 million does not reflect an increase in the prison relocation budget, but rather, swaps out bonding authority with cash.

FIGURE 2:





## INVESTING IN WHAT WORKS



### Service Demand Versus Revenue

In government, the demand for services will always outpace available revenue, regardless of how well the economy performs. This demand vs revenue challenge is compounded by the fact that government is a monopoly. The external pressure the private sector faces to provide better, faster, and cheaper services does not exist in government. Consequently, all levels of government must be deliberate and self-impose ambitious measures to continually improve services. There will never be enough money to satisfy desires for services, so government must continually look for ways to get more value out of every tax dollar invested. This is the mission of the Governor's Office of Management and Budget (GOMB).

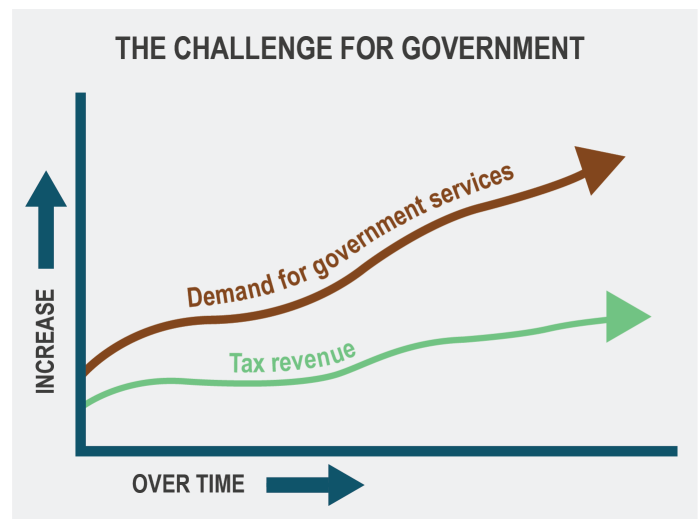
GOMB was created to ensure a strong connection between budget and operations. This connection is necessary to better understand when to invest additional resources into agency operations. GOMB follows a set of basic principles to determine when new or increased budget allocations may be necessary:

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

- a complete strategy exists to ensure new funding is used effectively

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

FIGURE 1



### The SUCCESS Framework

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

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

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

## Real Results

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

of America's strongest and most diverse economies and a truly enviable quality of life.

Thanks to great leadership, fantastic employees, and strong focus on effective operations, Utah state agencies exceeded the Governor's goal and collectively achieved a combined 27 percent improvement in performance over a four-year period. Despite this significant accomplishment, the Governor is committed to getting even better results.

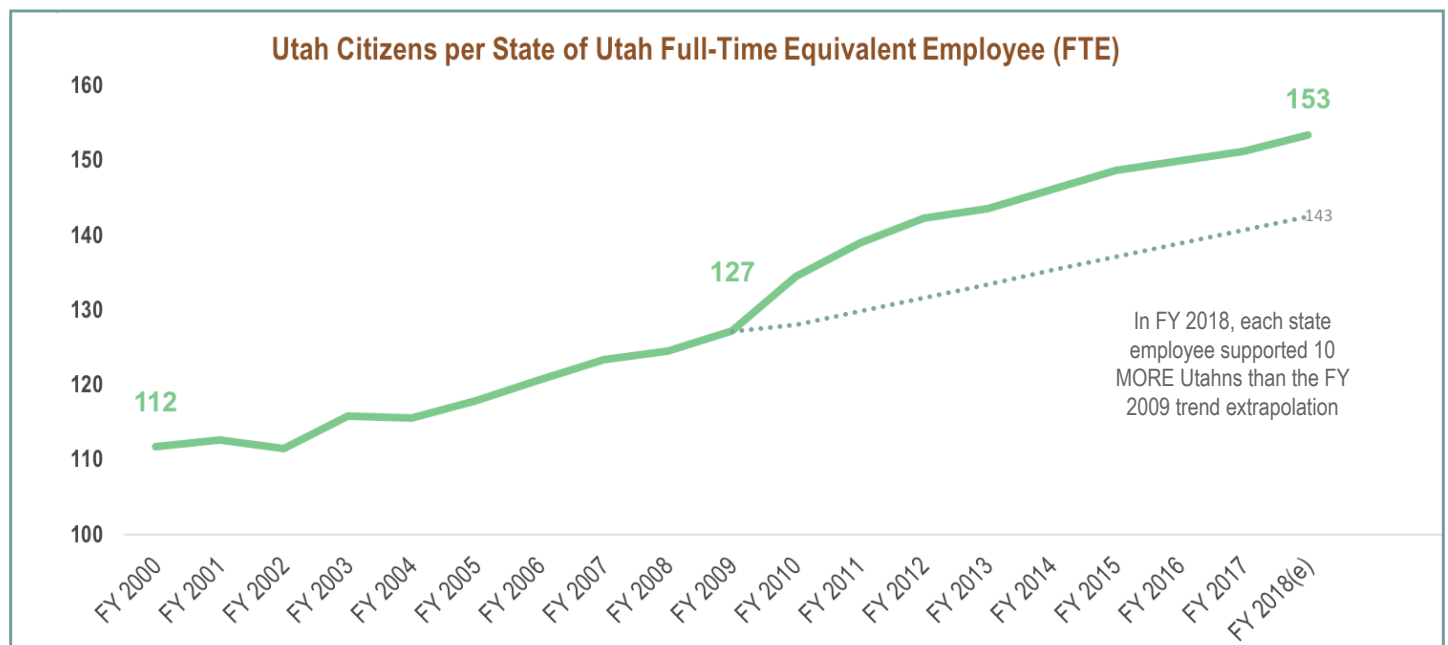
Operational improvement is not a one-time effort—it is the way state government should always do business. Building a culture of excellence and high performance starts by investing in the people doing the work. The cost curve continues to bend and customer service improves when the workforce understands,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

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

## Employee Productivity

Employee productivity continues to increase as measured

FIGURE 2





by the ratio of Utah citizens to state employees. There were an estimated 153 Utahns for every full-time state employee in FY 2018, a 21 percent improvement from 2009. Furthermore, the State of Utah had fewer full-time equivalent employees in FY 2018 (20,600) than it did in the year 2002 (20,850). This more efficient workforce and better outcomes provide greater value for every tax dollar invested and will continue to require meaningful efficiencies from every agency.

## Examples of Success

Utah's state agencies continue to explore and implement tangible program and system improvements to significantly enhance the quality of life for all Utahns. Examples include the following:

**Opioid Deaths.** Utah saw an almost 20 percent decline in opioid-related deaths from 2016 to 2017. It was one of only nine states nationwide to observe a decrease. State agency efforts to combat the opioid epidemic include real-time monitoring of opioid overdose events, increased medical provider access to the Controlled Substance Database, and increased use of naloxone (medication to reverse the effects of overdose) by pharmacies and first responders.

**Workplace Safety.** With the goal of improving workplace safety for public employees, the Utah Labor Commission focused on increasing consultation and safety inspections for public sector worksites. Due to this effort, 222 workplace hazards were identified and corrected in fiscal year 2018, which have prevented needless accidents and injuries. The Labor Commission funded these increased inspections by finding internal efficiencies and relying on its existing operating budget.

**Utah State Hospital.** In January 2018, the Utah State Hospital engaged in a pilot to increase its capacity to provide inpatient forensic services. More specifically, the goal was to expedite admissions and discharges in support of protecting individuals' rights and promoting timely and appropriate resolution of criminal cases. In August, the pilot expanded to include inpatient services for those civilly committed. Since the start of the pilot, the Utah State Hospital increased admissions by 102 percent and discharges by 86 percent. As of October 2018, the wait time for admission to the

hospital was 23 days, a decrease of 86 percent, and the average length of stay decreased by more than 33 percent.

**Gun Violence.** The Department of Public Safety is working to reduce the rate of crimes in Utah involving firearms. It is utilizing National Integrated Ballistic Information Network (NIBIN) technology, crime intelligence expertise, investigative efforts of the State Bureau of Investigation, and key partnerships to accomplish this goal. NIBIN is the only national network that allows for the capture and comparison of ballistic evidence to aid in solving and preventing violent crimes involving firearms. Since it was implemented at the State Crime Lab in August 2017, the lab has made 1,600 entries into NIBIN and had 67 groups of forensic "hits" linking approximately 150 different cases together. Additionally, of the 67 groups of hits, 25 were multi-agency hits and 18 linked to three or more cases. Since June 2018, four NIBIN cases have been federally indicted and one state case charged.

**Juvenile Justice Services.** Beginning in April 2018, Juvenile Justice Services (JJS) initiated an intensive implementation of system improvements across all services, including legislative and other required reforms. The implementation goal is to better protect the public and promote success of the youth served. JJS' ambitious target is to reduce the risk of youth recidivism by 25 percent over the next three years. It is currently implementing its improvement plan. Stakeholders anticipate seeing some early indications of improvement by the end of FY 2019.

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

- State procurement processes will improve the value of contracts by focusing on measurable performance outcomes while also reducing the time and cost it takes to submit requests for proposals.
- Information technology projects will add more business value by better understanding the constraints to business objectives prior to automation.
- The number of state employees who telework will increase, resulting in improved building utilization, reduced commuting, and more opportunities for

employment in rural areas of the state.

- A workflow solution for social service programs will help improve the support individuals receive to achieve personal goals and milestones.
- State employees will have more access to SUCCESS Framework content and training with a focus on new employees and individuals who are promoted into management positions. Exposure to operational excellence principles will provide an ongoing and sustainable focus on improving internal capacity and quality for Utah citizens and taxpayers.

## Developing the Right Mindset for Getting Breakthrough Results

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

### More Money

Illusion: We believe we are already as good as we can get at optimizing all of our resources.

Solution: Always believe there is hidden capacity.

### More Technology

Illusion: We believe we need a new capability or tool.

Solution: Define, solve, and fix the business problem first, then determine if technology can amplify the solution.

### More Reorganization

Illusion: We believe we need authority over the resources to get alignment.

Solution: Focus on solving the problem, not just moving it around.

### More Strategy and Planning

Illusion: We believe we need a new idea.

Solution: Define the problem you are trying to solve and then focus on excellent execution.

### More Data

Illusion: We believe the more data we have, the more we will uncover reality and deepen our understanding.

Solution: Don’t confuse data with understanding.

### More Training and Communication

Illusion: We believe people simply need more information to improve or change their behavior.

Solution: Design systems that make it natural and easy for people to make choices and produce results we want.

### More Accountability and Assigning Blame

Illusion: We believe other people limit, hamper, and define our ability to make an impact and change how things are done.

Solution: Solve your own problem and create your own future.

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

## TAX MODERNIZATION: A CALL TO ACTION



The Governor calls for a major tax modernization effort to return funds to Utah families, ensure fairness, reduce loopholes, enhance stability, and maintain low and competitive tax rates

### Introduction

The Governor calls for a major tax modernization effort to lower the tax burden on middle- and low-income families, ensure fairness, reduce loopholes, enhance stability, and maintain low and competitive tax rates (including a tax cut).

“Don’t tax you, don’t tax me, tax that fellow behind the tree.” This old tax adage highlights that while most people are not excited to pay taxes, the reality is that taxes are necessary to pay for public services provided every day. The challenge is finding the most efficient and fair way to collect revenue funding for those services. While the total revenue amount collected is one essential tax policy consideration, how government generates this revenue is also key.

The Legislature took important steps in 2018 to improve Utah’s tax system. However, Utah still faces some critical tax policy decisions, especially with sales tax. Problems with the current sales tax structure include the following:

1. The sales tax base is narrowing due to changing economic structures and tax policy decisions. This is unfair as a narrowing portion of the economy increasingly bears the burden of paying general state and local government costs.
2. The narrowing sales tax base has resulted in a funding gap that, if not addressed, could have dramatic negative effects on the state’s ability to fund core services needed for a vibrant economy

and high quality of life.

3. The sales tax in Utah is a regressive tax, meaning that middle- and low- income households pay a higher percentage of their income in state and local taxes.

The Governor highlighted the need for tax modernization during his 2017 State of the State Address and now calls for a bold, broad-based tax modernization effort in the 2019 General Session. This budget and policy brief outlines ideal tax policy, summarizes important steps taken in recent years, highlights Utah’s current challenges, and provides a framework for moving forward.

### Ideal Tax Policy

Tax systems exist primarily to generate the revenue needed to provide public services such as education, transportation, and public safety. One key feature of the tax system is to send citizens price signals about the cost of providing government services and thereby allow citizens to compare costs and benefits and then make decisions about desired service levels.

People tend to spend their own money more judiciously than when someone else pays. For this reason, properly aligned user fees and user-oriented taxes can often balance service demand and supply, particularly for infrastructure such as transportation and water. Although not always appropriate due to ability-to-pay considerations, user fees and user-

aligned taxes create a more direct alignment between costs and payment for public services, akin to free market transactions. Appropriate fees include water user fees, state park user fees, and transportation user fees.

While user fees are often appropriate, particularly for infrastructure, mandatory taxes are also a necessity. When imposing such mandatory taxes, policies should reflect the public finance mantra of a “broad base and low rate,” thereby distributing the tax burden widely at low and competitive tax rates. This approach promotes fairness. Everyone pays a little under this policy as compared to policies that exempt some and consequently place a higher burden on others. A broad tax base with a low rate also tends to minimize the economic damage taxes create, improves economic neutrality so that government isn’t selecting winners and losers through the tax code, minimizes reliance on any particular segment of the economy, and simplifies compliance and administration.

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

Adhering to good tax policy is often difficult as policymakers feel pressure to address a short-term or specific company/industry request. However, these types of policy decisions

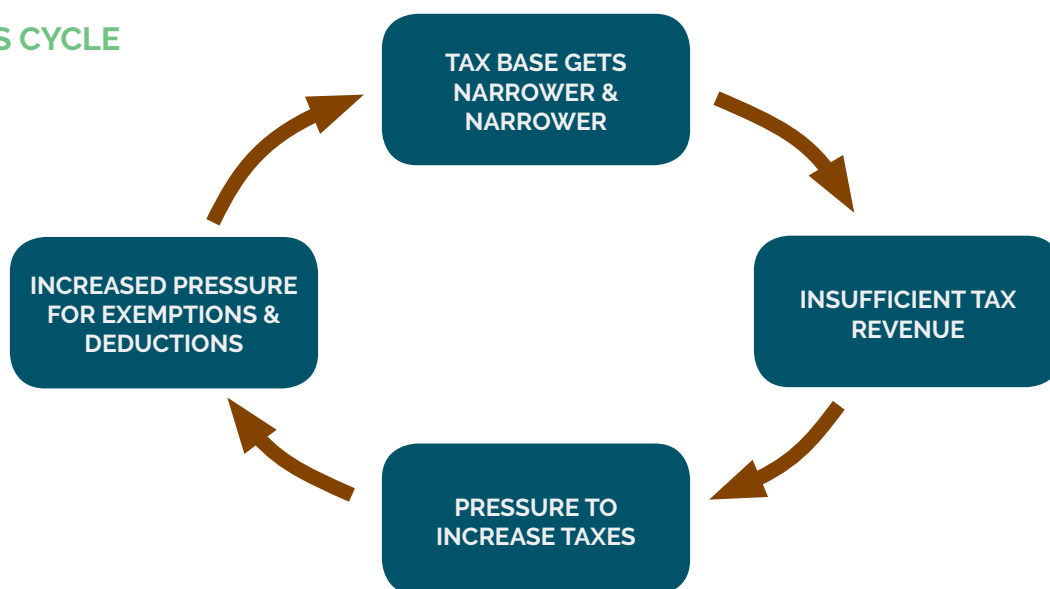
are often made in a vacuum and fail to consider the opportunity cost or long-term impacts that include a tax base narrowing, price signal distortion, overall service cost increase, and tax burden shift. Moving away from the ideal of a broad base results in a vicious cycle that exacerbates the problem, as represented in Figure 1.

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

Economic development policy should focus primarily on fundamental roles of government. These core roles of government include ensuring functional basic infrastructure, a skilled and educated workforce that meets market needs, a focused and workable regulatory policy, and competitive tax policy. Rather than undermining them, corporate recruitment efforts should focus primarily on highlighting and supporting the state’s efforts in these fundamental economic development roles of government.

The Governor’s Office, under the leadership of the Lieutenant Governor, is reviewing the state’s approach to corporate recruitment incentives to ensure incentives are equitable and result in a strong and sustainable economy long term.

FIGURE 1:  
**TAX VICIOUS CYCLE**





## Utah's Challenges Require Action

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

**Sales Tax.** As the primary revenue source for the state's General Fund, the sales tax is a major component of the state's revenue structure, funding almost all services besides public education. This includes public safety and justice, transportation, a portion of higher education, and quality of life services such as air quality. Sales tax is also an important revenue source for local governments.

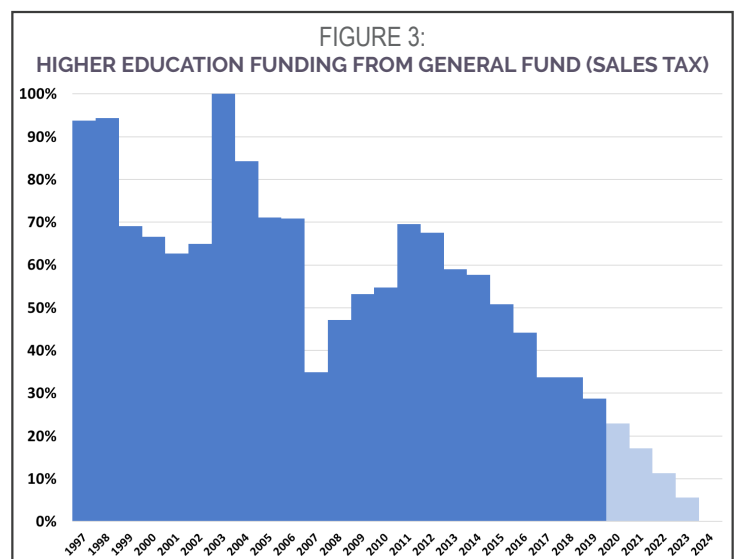
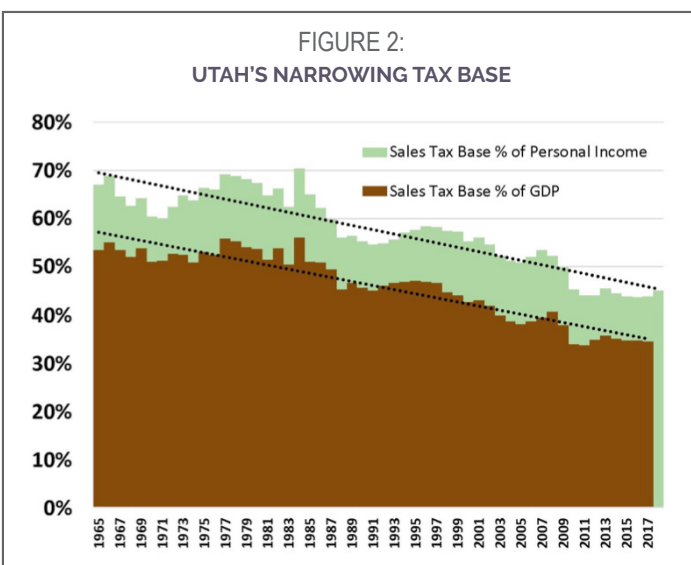
Similar to many other states, Utah's economy and sales tax base—the set of economic transactions subject to the tax—are increasingly mismatched. As Figure 2 illustrates, Utah's sales tax base covered about 70 percent of the state's economy as measured by personal income in the 1980s, while now it covers just over 40 percent.

This narrowing tax base results from both changing economic structures and tax policy decisions. When the sales tax was first imposed in 1933, the economy was largely goods based. The economy has become increasingly more service based. Some services such as hotel accommodations, dry

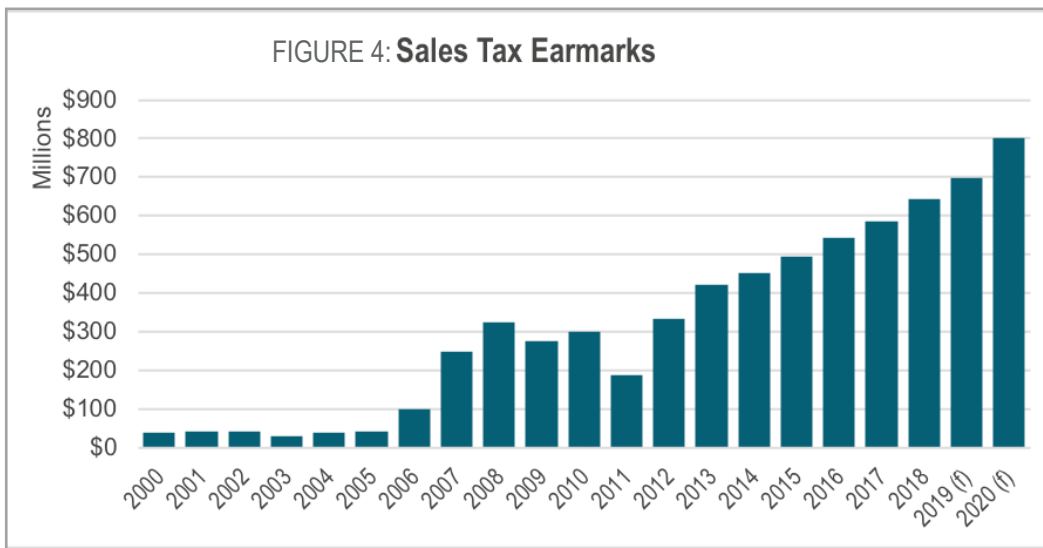
cleaning, car repairs, and restaurant services are taxed, while other services remain excluded from the sales tax base. Additionally, the digitization of goods has eliminated or reduced some segments of the economy (like compact discs and books that are now available to download as part of a digital subscription or even offered for free). Policy decisions have also reduced the sales tax base through more than 90 sales tax exemptions and reduced tax rates on specific items.

A narrowing tax base creates pressure to increase tax rates to maintain sufficient revenue. As shown in Figure 3, over the past several decades, the state has avoided these tax rate increases because it covered the problem of a narrowing tax base by shifting higher education funding to the Education Fund, which has experienced strong growth due to strong income tax growth. However, in coming years the state will no longer be able to make this shift as much of higher education funding has already shifted to the Education Fund. While increased public service delivery efficiency is a key strategy (see *Investing in What Works* budget and policy brief), revenues must ultimately align with public service levels.

**Earmarks and User Fees.** Utah has drifted away from the user-pays principle for infrastructure. The direction over the past decade in particular has been to reduce market price signals by more heavily subsidizing infrastructure services through general taxes which, in turn, muddles price signals and encourages higher consumption of government services.







In response to a motor vehicle fuel tax base that is poorly aligned with the economy, proponents of increased transportation investments pushed to earmark very large portions of the sales tax to transportation. In addition, reductions in federal financing for water projects have added new pressure to increase sales tax earmarks for water. The voters also recently enacted a new state tax earmark for Medicaid by enacting Proposition 3. As detailed in the *Revenue Earmarks* budget and policy brief and shown in Figure 4, the combined effect has been that sales tax earmarks have grown dramatically over the past decade.

For transportation, earmarks of state sales tax total nearly \$643 million and exceed user-oriented fuel tax revenues of about \$518 million. An additional \$69 million in state sales tax is earmarked for water, with no state-level direct water user fee. These major funding shifts have had significant implications for the state's General Fund and have created pressure to increase tax rates, as occurred with the recent Medicaid expansion approved by voters under Proposition 3 (\$89 million). This will likely reoccur in the future if left unaddressed.

## Guiding Principles and Objectives

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

a balanced approach that considers fundamental principles of good tax policy and a net reduction of the tax burden on Utah families.

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

- Re-emphasizing the role of user fees, particularly for infrastructure (such as transportation and water) to provide price signals that better align the payment for services with the use of services;
- Lowering tax rates to preserve competitiveness and economic efficiency, including a net \$200 million reduction in the tax burden on Utah families;
- Broadening the tax base and enhancing fairness by reducing tax exemptions, exclusions, and credits;
- Improving uniformity to establish a more level playing field;
- Aligning state and local fiscal incentives—particularly for economic development—to create fiscal structures that encourage growth in high-paying jobs and population; and
- Respecting the taxpayer by ensuring that government services are efficient and deliver high-quality results.

In summary, the tax modernization effort should be guided by respect for the taxpayer while taking into consideration the need to generate sufficient funds for the key services, such as education and transportation, which are required for a well-functioning economy.

## Changes Made in Recent Years

The Governor commends the Legislature for changes enacted in recent years to modernize the state's tax structure. Major changes include the following:

- Beginning to re-emphasize user fees for transportation, including motor vehicle fuel tax indexing, registration fees, and a demonstration project for road user charges
- Addressing remote sales to create a more level playing field between brick-and-mortar and remote sellers
- Reducing sales taxes on manufacturing and other business inputs
- Modifying the statewide school property tax to index with property value growth and maintain a constant property tax effort
- Expanding the property tax "circuit breaker" for low-income seniors
- Adjusting the apportionment of business income for businesses operating in multiple states to encourage firms to locate property and wages in the state
- Broadening the individual income tax base while lowering the income tax rate

Even with these important changes, significant work remains to be accomplished.

## 2019 General Session Tax Modernization

The Governor has left \$200 million of ongoing General Fund revenue unallocated in his budget recommendation, and recommends these unallocated funds be used to reduce the tax burden on Utah families, primarily through a reduction in the general state sales tax rate done together with sales tax base broadening. Below is a list of potential options the Legislature should have on the table for discussion as it contemplates tax modernization.

### Sales and Use Tax

- Establish a lower uniform state sales tax rate below 3.9 percent, including a net tax reduction
- Broaden the sales tax base to uniformly tax final consumption (including food and residential fuel) of both goods and consumption services

- Reduce state sales tax earmarks

### User Fees for Roads and Water

- Continue to further emphasize transportation user fees through direct road user charges, fuel taxes, and registration fees
- Increasingly emphasize user fees to pay for water projects involving the state by replacing state sales tax earmarks for water with a statewide water user fee on municipal and industrial (non-agricultural) water, including on institutional (government and nonprofit) water users

### Individual Income Tax

- Create an income tax credit or rebate specifically to offset sales tax regressivity

### Property Tax

- Simplify small business personal property taxation
- Improve transparency of redevelopment and economic development areas and their impacts on school revenues

### Cigarette and Tobacco Taxes

- Tax e-cigarettes similar to other tobacco products

### Commerce Fees

- Reduce Department of Commerce fees on business

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

**Infrastructure User Fees for Water.** Similar to transportation, the Governor recommends the state increasingly emphasize water rates rather than general taxes as the core water project funding mechanism. This includes a shift away from state sales tax earmarks for water to a statewide water user fee to pay for water development

projects for which the state has a funding or financing role.

While the state currently does not impose a water user fee, state sales taxes are earmarked for water projects. Moving from a weak and muddled water price signal to a strong and clear price signal will encourage more efficient water use. To this end, the Governor recommends that state sales tax earmarks for water be shifted to a statewide water user fee on municipal and industrial water, including institutional water use. This statewide water user fee should be based on the amount of water used (such as per 1,000 gallons) and the state's primary funding mechanism for water. As part of this funding shift, the Governor recommends that a basic amount of residential water use be exempted from the statewide water user fee so that truly essential water use remains affordable.

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

- Sales taxes should apply to all final personal consumption, yet partly due to historic accident and partly due to policy efforts to exempt some goods, most sales tax bases are smaller than ideal.
- Narrow tax bases undermine neutrality, favoring some products or industries over others.
- Sales tax base expansion allows for greater tax neutrality and revenue stability. It can be paired with more targeted relief for low-income households.
- Business inputs should be exempt, not due to a preference for businesses over the general public, but rather to avoid "tax pyramiding."

The Governor recommends Utah broaden the sales and use tax base to better align with the proper economic base of final consumption, with the goal of creating a lower state sales tax rate, cutting the 4.85 percent tax rate to below 3.9 percent.

**Department of Commerce Fees.** The Department of Commerce imposes various fees on businesses to cover its regulatory costs. The Governor and the Department of Commerce propose reducing business fees for the state

construction registry and single state sign-on website. This will reduce fees by over \$1.5 million.

**E-cigarette Taxes.** Use of electric cigarettes (e-cigarettes) by youth has grown at an alarming rate. The Governor recommends treating electronic cigarette liquid, devices, and paraphernalia the same as traditional tobacco products under Utah's tax code. As of 2017, an average of 11.1 percent of Utah's 8th, 10th and 12th graders used electronic cigarettes routinely (defined as use within the prior 30 days), up from 10.5 percent in 2015 and 5.8 percent in 2013. In comparison, electronic cigarette use among Utah adults has been roughly flat at between 4.6 percent and 4.8 percent since 2013.

## Conclusion

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

The Governor recognizes that as lawmakers contemplate the tax modernization framework, it will be essential to implement the more challenging components of the framework (including user fees and broadening the tax base) to create the ability to accomplish the other components (lowering tax rates). To be successful, the two must go hand in hand.

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

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

## PLANNING FOR GROWTH: DESIGNING ATTRACTIVE & AFFORDABLE COMMUNITIES



Laying the groundwork for efficient land use, open space, affordable housing, a more integrated transportation system, and improved air quality

### Highlights

\$20 million to pursue the acquisition of Tabby Mountain as a state forest

\$25 million for regionally significant parks and open space grants to help encourage good land use planning while addressing the public's concerns with losing Utah's quality of life in the midst of increasing growth

\$17 million (\$15 million one-time and \$2 million ongoing) to affordable housing programs

\$3 million (\$1 million one-time and \$2 million ongoing) for technical planning assistance grants

\$2.6 million for the LeRay Mcallister Critical Lands Conservation Fund

### Utah's Growth Challenge

From the time the wagon trains arrived in the Salt Lake Valley in 1847, Utah has dealt with the challenges of growth. People continue to flock to Utah in search of economic prosperity, natural beauty, and quality communities. Over the past 20 years, Utah has added over a million new residents. This is an average growth of over 50,000 new residents a year, which is the equivalent of a city roughly the size of Murray. This growth helps fuel the economic engine of the state, provides opportunities for rising generations to remain close to family, and allows for many of the amenities that add to our quality of life.

Growth also increases demands for government services such as reliable transportation systems, clean air and water, and attractive and affordable communities. Understanding the interrelationships between land use, housing, transportation, water, air quality, and revenue structures is crucial as the state and local communities adapt to continued growth in a fiscally responsible manner.

To ensure a high quality of life, Utah communities, regional planning entities, and the state must continue to responsibly address the impacts of future growth. For example, since 2007, Utah's vehicle miles traveled (VMT) have increased by approximately 22 percent. However, according to the US Census Bureau, average commute times over the past 10 years have remained relatively stable at about 22 minutes statewide. This feat has been achieved through strategic investments in both transit



and roadways. However, as growth expands farther away from economic centers, additional pressure will be added to Utah roads. The Wasatch Front Regional Council (WFRC) estimates that, without proper forethought and planning, average auto travel times will grow approximately 71 percent by 2050 in the WFRC region. With the planned investments in the current draft long-range transportation plan, auto travel times only grow by about 36 percent.

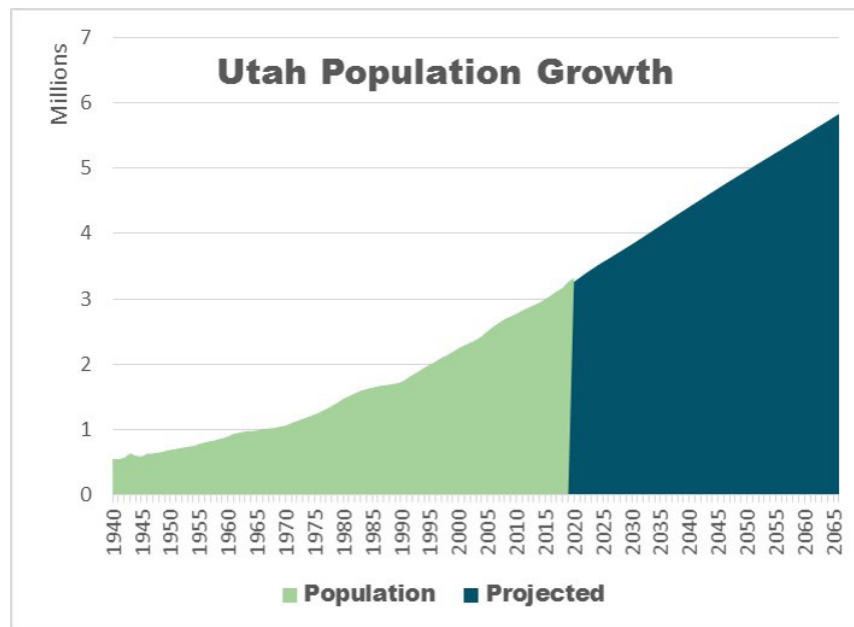
One possible response to future transportation needs is to rely solely on adding new highways and additional lanes. But this approach is just one of many strategies. Providing transportation choices by enhancing active transportation networks, expanding and improving transit networks, and investing in technology that improves the transportation system are also key strategies. Further, we can reduce congestion and demand for road capacity by better allowing market-driven housing to be developed close to economic centers and by creating job centers in appropriate areas closer to existing housing and transit infrastructure. Simply changing the mix and location of housing and jobs can bend the cost curve of transportation and other infrastructure while decreasing negative impacts on air quality.

Allowing market forces to help shape how our communities grow and develop will also be critical to ensuring a supply of housing Utahns can afford. According the Kem C. Gardner

Policy Institute, since 1991 housing prices in Utah have increased faster than all but three states—Colorado, Oregon, and Montana. Over the past 26 years, the average annual increase in housing prices has been 5.7 percent. If that rate of increase continues for the next 26 years, a median priced home in the Salt Lake and Provo-Orem metropolitan areas will be \$736,600 in inflation-adjusted dollars. Such housing price increases will not only make it difficult to attract and retain needed talent, it will also create a challenge for rising generations to remain close to home. While local zoning controls provide a necessary check on inappropriate and potentially costly developments, they must also be agile enough to respond to changing market conditions.

Responding to these challenges is a tall order. As growth pressures and market forces increase the demand for more complex mixed use and transit-oriented developments in urban areas and as unprecedented growth moves to small towns on the urban fringe, communities will need to reevaluate how to accommodate new growth in a manner that aligns with their community character. Existing zoning policies that may have served a community well for decades could be insufficient to respond to the needs of today. In many cases, the communities facing the greatest growth pressures are the least equipped to respond as limited staff resources are strained by the demands of rapid growth. In such cases, additional support and resources may be

FIGURE 1:



Population data from the Kem C. Gardner Policy Institute and the Governor's Office of Management and Budget



needed to ensure that communities' planning efforts can provide the highest quality of life for Utah residents.

Finally, quality communities are more than just quality developments. As Utah becomes increasingly urbanized, care must be taken to preserve access to open space in each community. While Utah benefits from vast tracts of public lands and miles of open space throughout much of the state, 75 percent of Utah residents live in the four most populous counties on less than one percent of the state's total land.

Unlike rural parts of the state, these counties are largely privately owned and development pressures have decreased the amount of agricultural lands and accessible open space close to home. In some areas, access to public lands relies on easements across private land. Regional land use and parcel data collected over the past 30 years suggest the footprint of developed land along the Wasatch Front has increased by over 135,000 acres—an estimated increase of more than 75 percent (see Figure 2). In the St. George area, the change has been even more dramatic with an estimated increase of over 250 percent since 1991—an amount consistent with their population growth during that time (see Figure 2).

While many Utahns enjoy the ability to find frequent solitude and world-class outdoor recreation within a few hours' drive, more can be done to ensure Utahns will continue to have access to solitude and recreation opportunities within their community. As Utah becomes increasingly urban, the Governor recommends increased state support to ensure close-to-home open space and outdoor recreation access.

## Proposed Solutions

Utah will likely continue to experience significant population growth. Our challenge will be to chart a course that accommodates our growing population while maintaining and improving our quality of life. Both state and local land use and policy decisions impact growth patterns and contribute to the economic, fiscal, and environmental successes and challenges of the state as a whole. However, the greatest impact on the quality of life for Utah residents typically comes through land use decisions at the local level. Supporting effective land use decisions at the local level with collaboration at the regional and state

level provides the best chance of creating a future with a high quality of life and the lowest possible tax burden. For instance, ongoing efforts to link local land use and regional transportation provide a more integrated approach that reduces congestion, considers ways to improve economic development, and enhances community character.

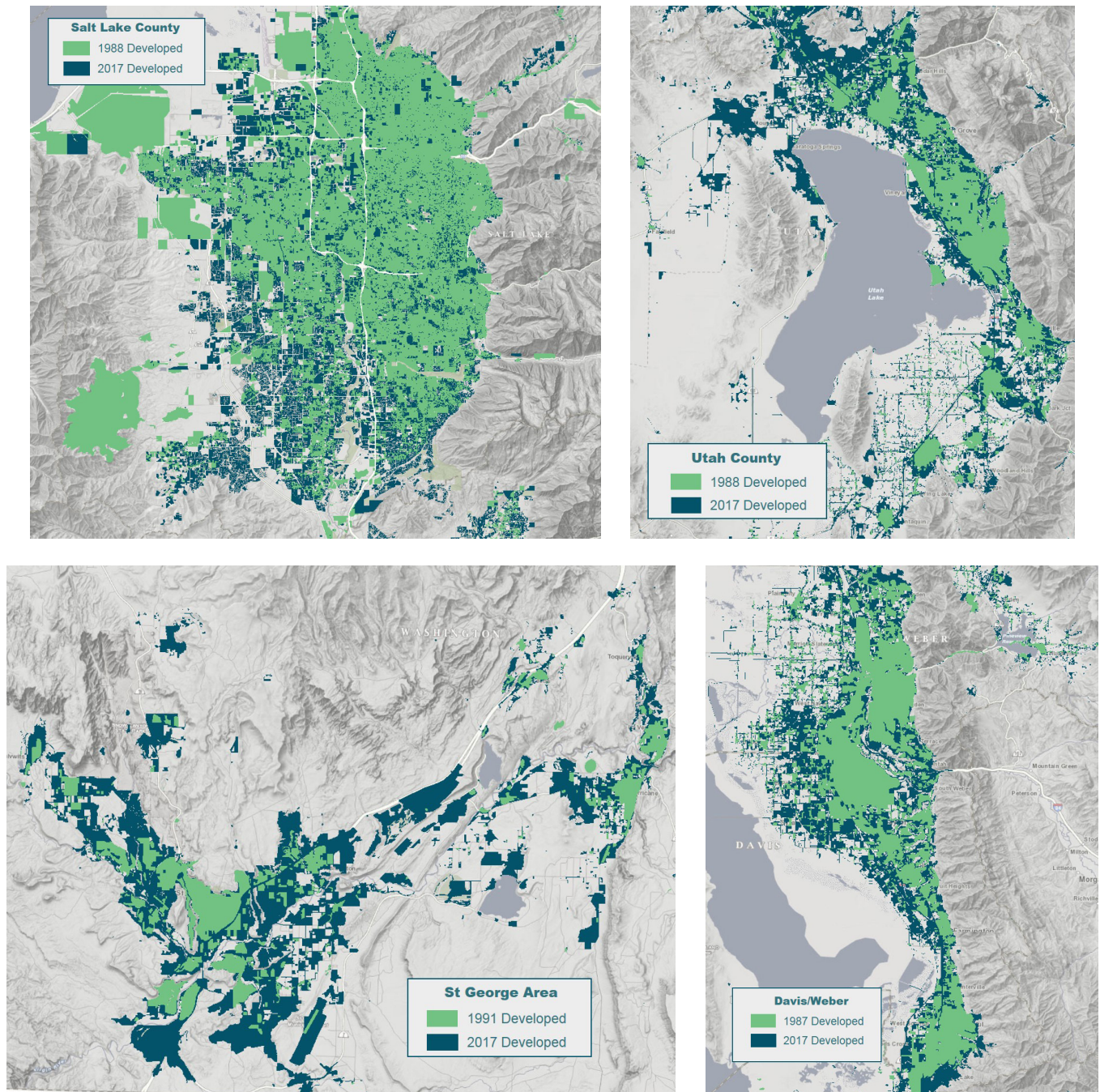
The Governor's Life Elevated 2020 initiative outlines key strategies to accommodate growth while maintaining a high quality of life. These include continuing to invest in transportation choices—including transit and active transportation options—and encouraging growth within market-driven, mixed-use centers that leverage existing infrastructure and improve residents' access to opportunities. To accomplish these strategies while maintaining local authority, the Governor proposes implementing the following tactics:

- **Provide technical assistance.** As the state adapts to a growing population, many of our communities face unprecedented changes, including becoming increasingly urbanized. This urbanization, if well planned, opens up opportunities for vibrant centers that provide access to housing, jobs, and services in close proximity to existing transportation options. However, conducting the market analysis, engaging community residents, planning for infrastructure, and ultimately implementing these often complex projects presents a challenge for some growing communities who may lack the expertise and resources to adapt to a changing market. The state should partner with local governments and regional planning organizations to provide resources tailored to the communities' needs while respecting their unique values, character, and identity.
- **Flexibility in the TIF and TTIF.** Prioritize solutions that connect people to the places that matter to them—regardless of transportation mode—by providing flexibility in the Transportation Investment Fund (TIF) and Transit Transportation Investment Fund (TTIF). Under SB 136 (2018 General Session), prioritization of new capacity projects funded through TIF underwent a significant transformation that should improve how our transportation systems interface with surrounding land uses. While these initial modifications have been a significant positive step, increased flexibility

is needed to allow TIF and TTIF dollars to be used for targeted investments in active transportation projects that enhance mobility and quality of life. Examples include stand-alone first and last mile connections to transit stations and walking/biking paths that support efficient travel and connect people to Utah's great outdoors.

- **Open space.** As the Wasatch Front and other parts of the state experience further densification and infill in strategic centers, the state should leverage and expand programs, such as the Outdoor Recreation Grant program and the LeRay McAllister Critical Land Conservation Fund, to preserve open space and develop parks and

FIGURE 2:  
CHANGES IN DEVELOPED LAND



Geographic data from the Division of Water Resources Water Related Land Use layer, County Assessor Land Information Records, and the Utah Automated Geographic Reference Center (AGRC)



trails that provide access to outdoor recreation near urban centers. For instance, the state can leverage other public and private funding sources to fund conservation easements on lands with high conservation value throughout the state and assist in creating regionally significant parks and recreation areas for communities that are making an effort to accommodate growth by facilitating market-driven development and mixed-use centers. Finally, the state can enhance statewide quality of life and provide a model of prudent public lands management by purchasing and permanently preserving Tabby Mountain as a state forest—ensuring the multiple current uses and future public access are preserved while securing critical wildlife habitat and migration corridors. The Governor recommends reserving \$20 million from the General Fund and identifying other existing state and private funding sources to pursue the acquisition of Tabby Mountain.

- **Focus state investments.** Focus state investments where they will provide the highest return on investment based on community land use plans and development patterns that link transportation, economic development, and housing to opportunities such as jobs, schools, recreation, and entertainment. The state should focus its investments in ways that reduce infrastructure costs, favor a desirable mix of jobs and housing, and serve regional centers. For example, state economic development strategies can encourage businesses to locate in areas with adequate transportation infrastructure and job/housing imbalances. State and local economic development agencies should encourage location-efficient economic development policies that further state and regional transportation and land

use goals.

- **Coordinate state, regional, and local planning.** Optimize existing and future transportation infrastructure by working with local governments to explore opportunities for infill and redevelopment along existing transportation nodes and corridors. Ensure easy access to transportation choices such as public transportation, biking, and walking.
- **Support options that lead to greater housing affordability.** As the market adapts to shifting consumer demands, diminishing land availability, and increasing labor and material costs, many residents struggle to find affordable housing options. Increased housing costs will require adaptation from consumers, local governments, and the development community to allow the market to supply a range of housing options that meet rising demand in a sustainable way and do not diminish quality of life in the long term. To ensure the most vulnerable residents' immediate needs are met, the Governor recommends a \$17 million (\$15 million one-time and \$2 million ongoing) allocation to affordable housing programs through the Olene Walker Housing Fund. Ultimately, land use patterns need to adapt to the increasing demands for a range of market-driven housing options that will allow the rising generation to call Utah home.

Transportation and land use are inextricably linked. As Utah continues to adapt to a rapidly growing population and thriving economy, more collaboration and coordination are needed to integrate state and regional transportation planning and funding with local land use decisions in a way that maintains and enhances Utah's unmatched quality of life and fiscal health.

## KEY ELEMENTS THAT NEED TO WORK TOGETHER FOR RESPONSIBLE GROWTH





# AIR QUALITY



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

### Highlights

In 2017, the Governor and the Utah Division of Air Quality set an ambitious goal to reduce annual statewide per capita emissions by 25 percent by 2026

The State of Utah is leading by example and taking action to reduce emissions by better managing the state's vehicles/buildings and expanding teleworking arrangements for state employees

\$100 million in FY 2019 to fund a variety of air quality projects with the highest impact toward improving air quality in the state, including a wood stove replacement program

\$35.2 million from the Volkswagen settlement over 10 years supports diesel vehicle emission reductions and improved statewide electric vehicle charging infrastructure

\$7.9 million from additional Volkswagen settlement funds used to replace 100 diesel school buses to date

\$2.4 million in 2018 federal clean diesel grants to replace older diesel engines

\$12.7 million in 2018 federal grants for wood stove change outs and replacement of older diesel engines

Adopt future land use planning and market-driven developments that are less automobile dependent. Encourage telecommuting and land zoning practices that promote more transit use and walkable communities to slow the growth of cars on the road and create better air quality.

Promote forest management that reduces the frequency and scale of wildfires

### Objective

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

### Background

Utah's air quality continues a trend of significant improvement, even with a growing population and economy. Between 2002 and 2017, Utah's population increased by more than 770,000—a 34 percent increase. During the same period, total statewide emissions declined from 2.5 million tons to



just under 1.6 million tons—a 38 percent total reduction and a 53 percent per capita reduction.

Air quality now meets the 2006 federal standard for fine particulate matter (PM<sub>2.5</sub>) in the Logan and Provo Non-attainment Areas. Air quality in the Salt Lake Non-attainment Area is improving with only Salt Lake City air quality not complying with the federal standard. In addition, all other locations in the 5-county Non-attainment Area (Salt Lake, Weber, Davis, Tooele, and Box Elder counties) comply with the federal standard.

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. Over the past three years, winter air pollution levels have also improved significantly.

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

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

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

While great strides have been made, more remains to be accomplished. Utah's unique topography, climate, and air chemistry exacerbate air pollution during certain times of the year. The state needs a greater understanding of the causes and effects of Utah's air pollution to further determine the most effective and cost-efficient mechanisms for improvement.

## 25 Percent Air Quality Improvement Target and Major Investment

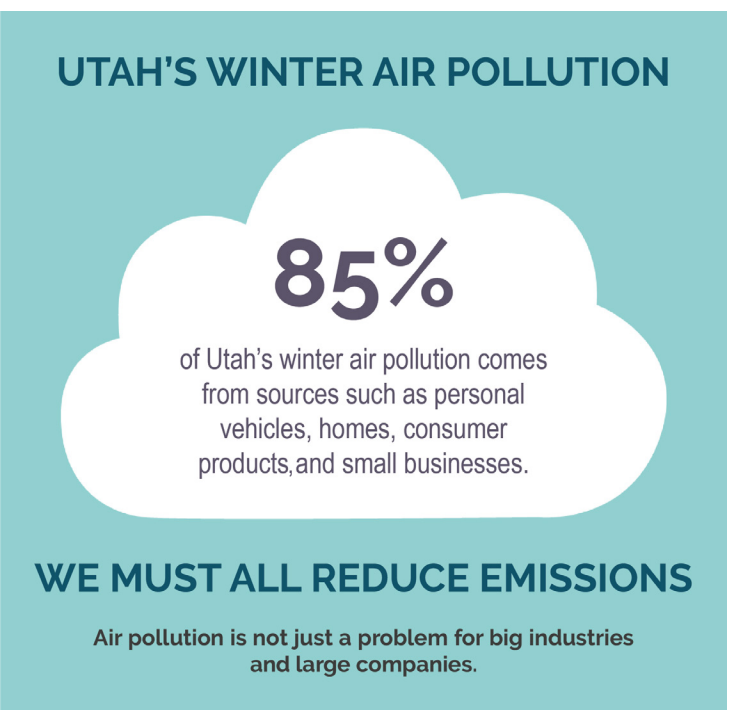
As part of the SUCCESS Framework initiative, the Governor and Utah Division of Air Quality (DAQ) set an ambitious goal

to reduce annual statewide anthropogenic emissions (those originated in human activity) by 100,000 tons by 2026. This goal represents a 25 percent per capita reduction.

To help meet this target, the Governor proposes a historic allocation of \$100 million to fund high-return air quality improvement projects. Projects will be chosen based on targeted investments, focusing on strategies that generate the greatest pollution reduction at the lowest cost.

Specifically, the Governor proposes a significant investment to continue an already-successful wood burning stove replacement program, with incentives offered to convert existing fireplaces or wood stoves into natural gas units. According to a 2015 DAQ survey, there are still approximately 110,000 wood burning appliances (14 percent of all homes) in residences along the Wasatch Front and Cache County. At the time of the survey, an estimated 58 percent of those appliances burned wood during the last year, signaling that tens of thousands of wood stoves are still used each winter to heat homes. These stoves contribute significantly to winter inversions and pollution levels across the most populated parts of Utah. The wood burning stove replacement program will directly address this issue.

Additionally, using funding to exchange non-road mobile vehicles like construction equipment and locomotives, offer two-stroke yard equipment exchange programs (snow



blower and lawn mowers), and expand on-road heavy duty truck replacement programs and electric car infrastructure are just several examples of many possible options for this major investment in air quality projects.

The state is also doing its part to achieve the goal by better managing state fleet vehicles and buildings. Older state fleet vehicles are being replaced with cleaner vehicles, resulting in an 11 percent average decrease in emissions. New telematics are being tested on 25 percent of the state fleet with the intent to reduce emissions by decreasing unnecessary idling.

The state is also retrofitting older state buildings not meeting efficiency standards with equipment to reduce emissions and increase efficiency. All new state buildings are designed, constructed, and managed to meet energy efficiency standards.

In addition to better managing vehicles and buildings, the Governor is identifying opportunities for more of the state's workforce to implement teleworking arrangements. This benefits both the state and the employee, and it reduces emissions by reducing the number of vehicles on Utah's highways.

In FY 2019, the Governor recommends \$60,000 for the Department of Administrative Services to pilot a teleworking program for employees with physical workspaces in the Utah State Office Building. In FY 2020, the Governor recommends

\$10 million in one-time funding and \$25 million in ongoing funds for state facility renovations. A portion of these funds will serve as a resource for the scaled implementation of a statewide teleworking program.

The Governor also recommends state government explore the implementation of poor-air-quality-day action plans. These plans would be implemented on yellow air quality days to help prevent the state from moving into red air quality. When implemented, the plans would allow state employees to modify their normal work routines to encourage telecommuting, transit ridership, carpooling, etc. The Governor encourages the private sector to follow suit.

### Tier 3 Vehicle and Fuel Standards

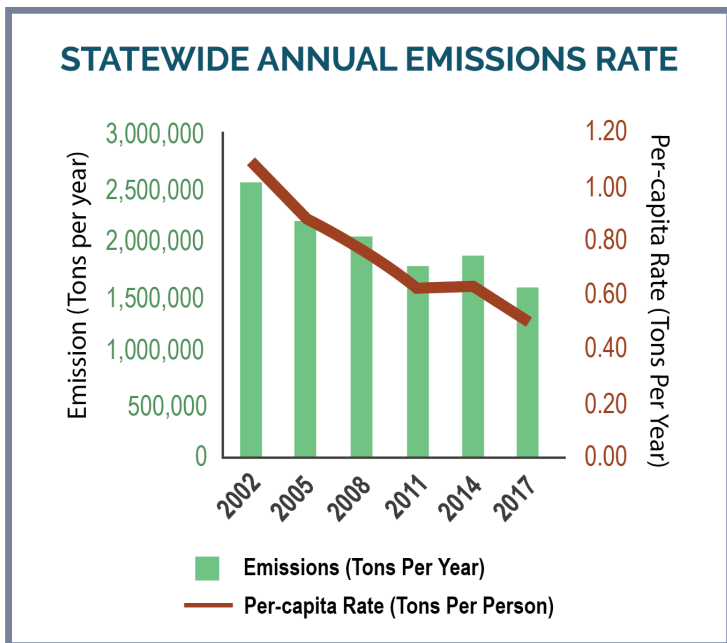
In 2014, the Governor endorsed accelerating the transition to Tier 3 standards. Tier 3, an integrated system of national vehicle and fuel standards, requires that much cleaner vehicles phase in from model years 2017 to 2025. Tier 3 standards also require the reduction of sulfur content in gasoline from 30 to 10 parts per million (ppm).

Vehicle emission controls are more effective when the gasoline used has a lower sulfur content. For this reason, the Governor continues to encourage local gasoline refineries to produce low-sulfur Tier 3 gasoline. He applauds the Chevron and Andeavor (formerly Tesoro) refineries for committing to install equipment to produce cleaner fuels for Utah by 2020 and encourages other refineries to do the same.

### Reducing Vehicle Emissions Through Mitigation Projects

Under the terms of a national settlement, Volkswagen is required to mitigate air quality impacts from its diesel vehicles that failed to achieve emissions standards. Over the coming decade, Utah is scheduled to receive nearly \$35.2 million from the settlement for projects that replace or re-power eligible diesel vehicles with engines that produce fewer emissions.

The Department of Environmental Quality, with input from the public and an advisory committee, developed an environmental mitigation plan for these funds. Its goal is to reduce nitrogen oxide (NOx) emissions equal to or



greater than the amount of excess emissions produced by Volkswagen vehicles on Utah roads.

Nearly three-fourths of the Volkswagen settlement funds will be used to mitigate emissions in local freight trucks and school, shuttle or transit buses. Focusing on these vehicles will result in the highest NOx reductions for the lowest cost with the most flexibility. The remaining quarter of the funds will go toward light-duty zero emissions vehicle supply equipment, NOx reductions, and diesel emission projects.

In 2017, the Governor allocated \$7.9 million to replace diesel school buses from additional Volkswagen violation

settlement funds. Approximately 100 diesel school buses have been replaced by local school districts across the state to date.

Utah recently received \$2.4 million in federal clean diesel grants to help replace older diesel engines. The grants will remove inefficient, polluting diesel engines from Utah's roadways.

# WATER



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

### Highlights

Nearly \$50 million to stretch existing water resources further by improving water efficiency, including:

- Over \$22 million for municipal and industrial (M&I) water efficiency efforts, particularly water metering
- \$15 million for agricultural water efficiency
- \$10 million for school district water efficiency
- \$2 million for state facility water efficiency

Increasingly emphasize water rates as the core funding mechanism for water, including a shift of sales tax earmarks for water to a statewide water user fee

### Objective

To develop water funding policies and mechanisms that ensure:

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

### Background

As one of the driest states in the nation, water is always a topic of concern for Utah. While Utah has successfully thrived despite its arid environment, the challenges of population growth, aging infrastructure, and an uncertain climate will require creativity, determination, and leadership.

Utah should take a comprehensive view of water management. Policies and strategies must be developed or better implemented to encourage more efficient use of water by all water users (residential, commercial, agricultural, government, and non-profit entities). Strategies should include strong and clear price signals, enhanced public education, increased use of existing and emerging water-saving technologies, increased water-wise

landscaping, and the elimination of conservation barriers in local and state laws. As growing demands stress existing supply, solutions should maximize the efficient use of existing water infrastructure and supplies, as well as recognize the increasing value of limited water resources.

An increased recent focus on water has yielded positive results. Improved processes and strategic investments have accelerated the slow pace of water rights adjudication. The challenge to improve water data has been met head on, with improved insight into current water use. Individuals, businesses, researchers, communities, and agricultural producers across the state have contributed to conservation efforts. However, much work still remains to optimize Utah's limited water supply.

## State Water Strategy Recommendations

The 2017 Recommended State Water Strategy provided helpful insights as Utahns navigate the unique challenges of a growing population in an arid, water-constrained region. Many of the recommendations are being addressed or have been prioritized for implementation in the near future. Among the many strategies identified, optimizing the use of existing developed water, improving water data and establishing a framework for water markets are a few clear near-term priorities.

Given that much of the M&I water supply goes to outdoor watering and Utah's population continues to grow, another

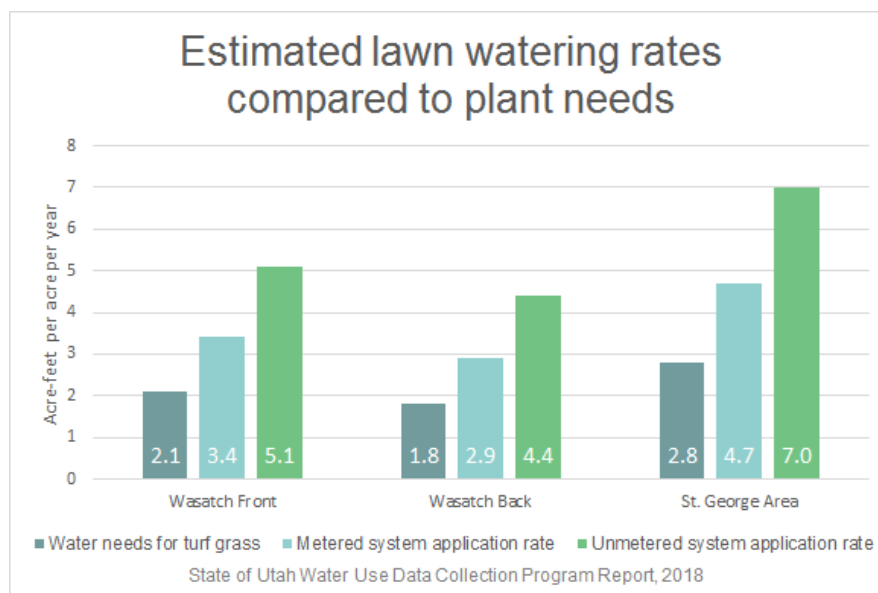
near-term priority should be ensuring future land development is water-efficient by design. Communities should integrate water and land use planning to ensure community plans and ordinances implement water-saving strategies, including adoption of modern water technology. State financing should be contingent on these efforts.

As shown in Figure 1, even for existing landscapes, a recent independent study on the state's water data indicated Utahns currently tend to apply much more water than a healthy plant would require.

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

If the state continues down this path, the Governor recommends the state's financing terms for major projects protect the state's fiscal stability, which includes ensuring major project repayment terms are not more lenient than those offered by the federal government as it financed major

FIGURE 1:





water projects in recent decades, and state taxpayers are fully repaid.

## Water Use

Figure 2 shows the distribution of diverted water in Utah. Diverted water is generally categorized as agricultural water (estimated at 82 percent) and municipal and industrial (M&I) water (estimated at 18 percent).

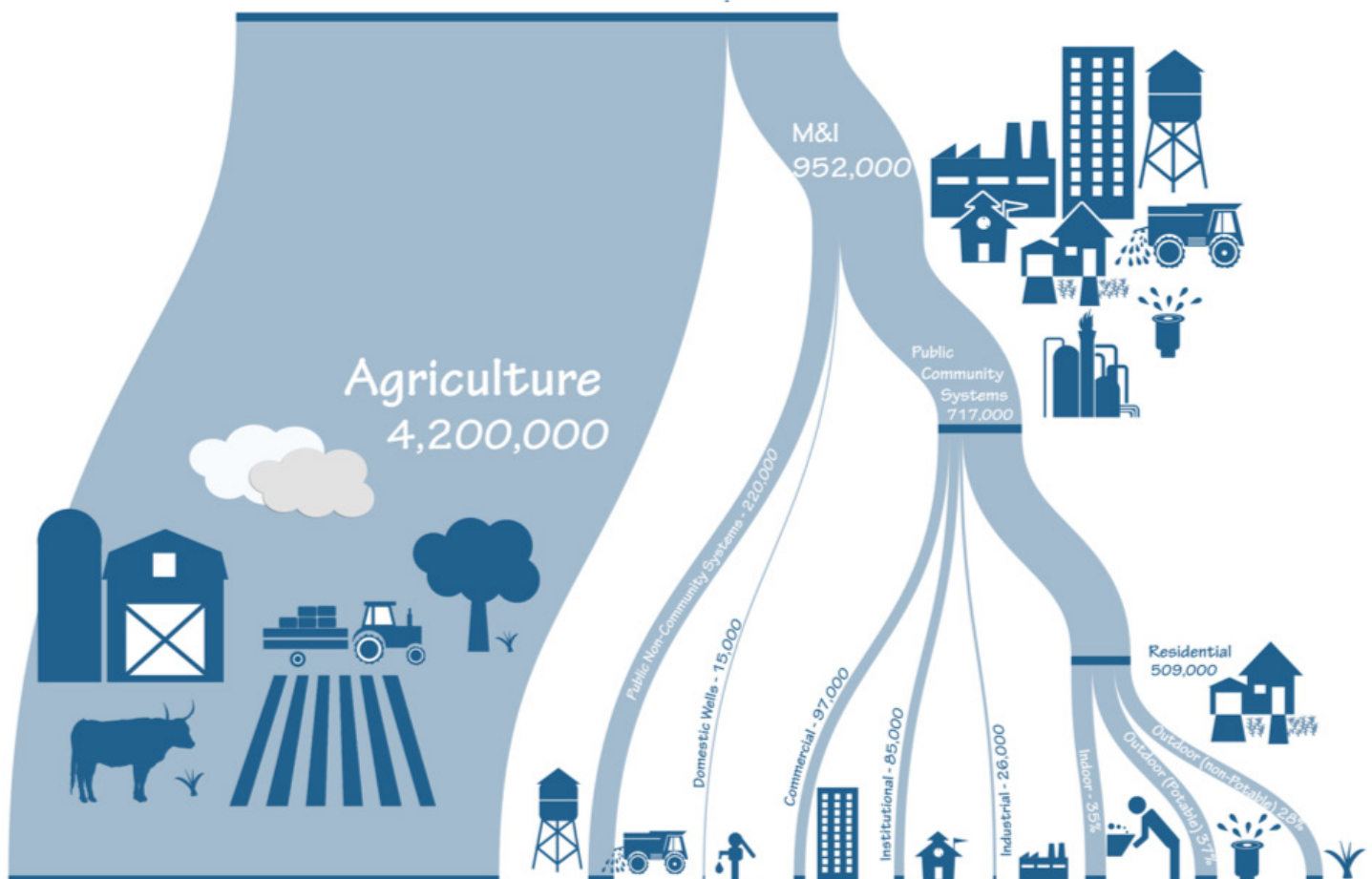
Of the estimated 18 percent statewide total diverted M&I water use, 3.5 percent is residential indoor use, 6.5 percent is residential outdoor use, 2.5 percent is commercial and industrial use, 1.5 percent is institutional use (such as governments and schools), and 4 percent is public non-community use,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

Looking to the future, policymakers should take a

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

As Utah's single largest water user, it is also important to review and better understand agricultural water use. Recognizing that any policy change should protect existing water rights and include proper economic incentives for agricultural water users, relatively minor increases in true agricultural efficiency (accounting for return flow) could have a sizable impact on the state's overall water use. In addition, the creation of water markets—where a water user could retain water rights while voluntarily contracting with another water user to temporarily use that water elsewhere—could be a viable option for more efficiently managing water use during times of drought.

FIGURE 2:  
USES OF DIVERTED WATER



## **Water Use Choices Will Drive Water Cost Levels**

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

Utahns have a very important choice to make about water use. If population growth continues as projected, the need for additional water supply at some future point in time is a given; however, the timing of new water system development can vary dramatically depending on water usage. More judicious use of existing water could delay costly major development projects, while the failure to more efficiently use existing developed water will lead to accelerated water project construction schedules and bring accelerated cost increases.

## **Stretching Limited Water Resources - Water Metering and Efficiency**

Unfortunately, significant portions of Utah's M&I water remain unmetered, especially for residential and institutional (government and nonprofit entity) uses. For example, the fiscal note on SB 204 of the 2018 General Session estimated that over 200,000 water connections were unmetered. Having significant unmetered water means, at best, total water use levels and water use per capita are approximations. This uncertainty about current water use creates challenges for appropriate long-term planning.

Measuring all M&I water use and informing consumers of their water use through improved billing practices that allow for better decision making are important steps in better managing this scarce resource and should be completed prior to the state funding major water projects. The Weber Basin Water Conservancy District has begun metering unmetered connections and found water metering alone reduced outdoor water use by an average of 35 percent, with even higher levels (up to 50 percent) during hot and dry years.

While metering M&I water is primarily a local responsibility, the Governor's budget recommends accelerating the pace of water metering by allocating \$22.2 million to support M&I water metering, more informative local billing practices

and other water efficiency efforts. In addition, the Governor recommends \$10 million for school water metering water efficiency efforts, and \$2 million for the state to meter water at its facilities, including the State Capitol, and to make other needed water efficiency improvements. An additional \$15 million is recommended for agricultural water efficiency improvements. These funding recommendations all help to optimize the use of existing developed water.

## **Aligning Fiscal Policies with Stated Goals of Efficient Water Use by Emphasizing Water Rates to Pay for Water**

No one wants increased water rates. However, water rates will need to increase over time to pay not only for costly new development projects, but also for costs to fix and replace aging infrastructure. While local water user fee increases are unpopular, so are state tax increases. Depending on water use levels and the level of costs incurred by the state, Utahns will likely soon face a real choice between statewide tax or fee increases or local water rate increases to pay for water costs.

Moving from a weak and muddled water price signal to a strong and clear price signal will encourage more efficient water use. To this end, the Governor recommends state sales tax earmarks for water be shifted to a statewide water user fee on all M&I water, including institutional water use. This statewide water user fee should be the state's funding mechanism for water and be based on the volume of water used (such as for every 1,000 gallons). As part of this funding shift, the Governor recommends a basic amount of residential water use be exempted from the statewide water user fee so that truly essential water use remains affordable.

## **Executive Water Finance Board Recommendations**

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

Development that may rely on state financing, the Board conducts financial and economic reviews and analysis and makes recommendations to the Governor.

While much work remains, the Executive Water Finance Board made the following initial recommendations in 2018:

- **Major Project Financing.** For major project financing (such as the Lake Powell Pipeline and Bear River Development), the board recommends the state establish a guideline of at least a 25 percent local down payment, the state not undertake debt that would jeopardize its AAA bond rating, and available federal funding and financing be pursued, including from the federal Water Infrastructure Finance and Innovation Act (WIFIA) program. The board also plans to address local repayment funding sources, loan terms and interest rates to ensure full state repayment. Additional background details on considerations related to financing these major projects can be found online at [gomb.utah.gov](http://gomb.utah.gov).
- **Water Metering.** The board recommends (a) requiring all new developments that use M&I water statewide meter all water use and (b) that all existing developments that do not currently meter water be retrofitted with water meters within a 10- to 20-year time period and the state pay a portion of the water meter retrofitting costs.
- **Capital Replacement Financing.** The board recommends that all sizable water systems fund a long-term capital repair and replacement financing plan, including but not limited to replacement and maintenance of existing assets and assets related to future growth, as well as audits of non-revenue water (such as system leaks).
- **Water Use Efficiency.** The board recommends the State of Utah set a conservation target for its own water use at state facilities, convene a water summit of institutional water users to share best practices, and require any sizable water system to provide the state a detailed water conservation plan that addresses the following: smart metering, water billing practices, and delivery of detailed and actionable water use information in water bills to consumers, including comparisons with similar water users. The board also recommends appropriate technical assistance be available to smaller local entities that need the assistance and both state and local entities that report water data to the state continue to improve water data reporting.

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



## SOCIAL SERVICE PROGRAMS & SUPPORT



### Highlights

- Develop operational improvement solutions to synchronize physical and behavioral healthcare services for state Medicaid enrollees, thereby addressing a significant social determinant of health.
- Continue to apply lessons learned from current and previous social service pilot programs; scale best practices across the broader social service environment.
- Ensure qualifying patients have adequate access to medical cannabis while maintaining strict prohibition of unallowable dispensation or use.
- Dedicate time and attention to the ongoing evaluation of the economic and budgetary impacts of Medicaid expansion as enacted by Proposition 3.
- Historic investments of \$28.4 million in ongoing services and community care options for people with disabilities.
- \$21.9 million ongoing for base consensus Medicaid.
- \$2.5 million ongoing beginning July 1, 2019 for Accountable Care Organization rate increases up to 4 percent, based on performance measures and operational pilot participation.
- \$88.8 million ongoing in new sales tax revenue to the Department of Health for expenditures under

Proposition 3. This revenue will be needed to address the costs of providing Medicaid benefits to newly eligible and traditionally eligible (woodwork) enrollees, along with executing other provisions in the initiative. Any currently estimated surplus General Fund savings in FY 2019 and 2020 are recommended to not be used until actual experience informs both expenditure levels and revenue streams. It is expected that the enacted increase in the sales tax will be insufficient for covering future costs.

- \$5 million in one-time funding to support the development of an electronic verification system and operational implementation of the Utah Medical Cannabis Act; these funds will be repaid once license fees are collected.
- \$715,000 in one-time funding and \$1.6 million in ongoing funding for Operation Rio Grande.
- \$3.8 million ongoing to support youth in custody who are transitioning to Division of Services for People with Disabilities (DSPD) benefits and additional needs for current DSPD service recipients.
- \$500,000 ongoing for public health services by local health departments.



## Objective

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

## Background

Since the last budget cycle and over the legislative interim period, tremendous progress has been made in improving social service delivery to key groups of the Utah citizenry. For example, after less than a year of partnering between the Governor's Office of Management and Budget and the Utah State Hospital to incorporate best practices of flow, the hospital witnessed a 102 percent increase in capacity which allowed for 115 new admissions (compared to 57 admissions over the same period a year ago), a corresponding 110 discharges, and a reduction in the average length of stay by 374 days (nearly 33 percent). Waiting time for admission to the state hospital was reduced to 23 days as of October, down from 168 days in December of 2017.

Beginning in April 2018, Juvenile Justice Services initiated an intensive implementation of system improvements across all services and inclusive of legislative and other required reforms to better protect the public and promote the success of the youth served. Specifically, the ambitious target is to

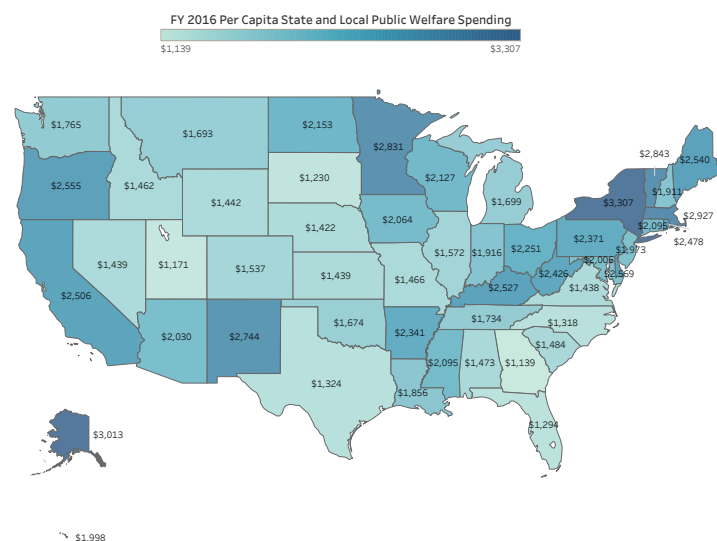
reduce the risk of youth recidivism by 25 percent over the next three years. Juvenile Justice Services is currently implementing its improvement plan, with the expectation that preliminary outcome measures will be available by the end of FY 2019.

Operation Rio Grande (ORG)—a concerted effort to restore public safety, reduce homelessness, and provide intensive treatment and employment support services to individuals in the Salt Lake City Rio Grande area—reached its one-year anniversary in August. While looking ahead to the transition from the downtown Road Home to a new resource center model in June of 2019, ORG also experienced numerous successes in its first year. Successful ORG outcomes include a 44 percent reduction in ORG-designated criminal offenses, a reduction in length of stay in the downtown shelter from 48.5 days to 43.5 days, and nearly 800 unique individuals entering residential substance abuse and mental health treatment programs with Salt Lake County contract providers.

Beyond these efforts, results from the 2018 general state election caused significant changes to the state's social service topography as a majority of the voters elected to support access to medical marijuana and Medicaid expansion through Propositions 2 and 3. During the 2018 3<sup>rd</sup> Special Session, compromise legislation to the Utah Medical Cannabis Act was enacted. The Governor recommends \$5 million of one-time General Fund as a provisional resource to support the infrastructure and staff necessary to initiate the legislation. License fees from cultivators, processors and pharmacies, among other fee-paying entities, should be established at a level necessary to support ongoing operational costs.

Years of public discourse regarding the state's decision to expand Medicaid services to potentially eligible populations as defined by the Affordable Care Act had culminated in the 2018 General Session passage of House Bill 472 'Medicaid Expansion Revisions'. HB 472 successfully addressed what is known as the 'coverage gap' (i.e. adults in poverty who are not eligible for Medicaid services or exchange subsidies), while also promoting Utah values of self-sufficiency through a work activity requirement for able-bodied adults, encouraging fiscal prudence through the ability to cap program enrollment if costs exceed appropriations, and respecting the taxpayer by requiring

FIGURE 1:



Source: U.S. Census Bureau, 2016 Annual Surveys of State and Local Government Finances  
U.S. Census Bureau, Annual Estimates of the Resident Population for the United States,  
Regions, States, Puerto Rico: April 1, 2010 to July 1, 2017

FIGURE 2:

**ENROLLMENT & COST DIFFERENCES SUMMARY TABLE**

	House Bill 472	Utah Decides Healthcare Act
FY 2024 Newly Eligible Enrollment	92,000	147,000
FY 2024 Woodwork Enrollment	20,000	23,000
FY 2024 Net State Costs*	\$15,600,000	\$170,400,000
FY 2024 New State Taxes**	\$0	\$105,900,000
FY 2024 Net State Position	\$15,600,000	\$64,500,000

\*For HB 472, the new state costs are related to woodwork enrollment

\*\*HB 472 provides for new hospital assessment revenue for start-up costs in FY 2019 and then ongoing beginning in FY 2022.

financial participation from hospitals as chief recipients of new federal funds. It was estimated that HB 472 would have covered approximately 92,000 newly eligible Utahns by FY 2024 and would have also stimulated enrollment of an additional 20,000 traditionally eligible children (i.e. the 'woodwork effect'). The net state expense in FY 2024 would have related only to the cost of covering these woodwork enrollees, which is a dynamic effect of expanding coverage and a cost for which the state is responsible anytime Medicaid uninsured rates decrease.

By contrast, Proposition 3 expands Medicaid eligibility beyond those in poverty, up to 138 percent of the federal poverty level (FPL). These newly eligible adults between 101-138 percent FPL are not among those in the coverage gap because adults over 100 percent FPL qualify for premium tax credits and cost sharing reductions on the federal health insurance marketplace. Moreover, Proposition 3 introduces further changes to the state Medicaid program not contemplated by the Affordable Care Act, such as annual mandatory provider reimbursement rate increases, county cost sharing exemptions and retroactive benefit floors. Instead of asking hospitals to contribute a portion of newly realized uncompensated care savings, Proposition 3 also passes the costs of Medicaid expansion on to all Utahns via a 0.15 percentage point increase in the general sales tax rate (increasing from 4.70 to 4.85 percent). This tax increase disproportionately impacts low income Utahns, since a greater percentage of their purchasing power will be

affected. Finally, Proposition 3 does not include any work or community engagement requirement from newly eligible enrollees; able bodied adults are not expected to reciprocate effort for the benefits they receive.

It is estimated that Proposition 3 will extend coverage to more than 147,000 newly eligible adults by FY 2024 and will also stimulate woodwork enrollment of approximately 23,000 traditionally eligible enrollees. In FY 2024, it is projected that Utahns will be paying an additional \$106 million in sales taxes to support Medicaid services for the newly eligible, but the combined net expansion and woodwork costs of \$170 million are expected to exceed this newly available revenue in state funds in FY 2024.

### **Recommendations for Major Social Service Initiatives and Improvements**

Utah's Medicaid service delivery system is bifurcated between state contracted private entities who are responsible for the provision of physical health services, and local substance abuse and mental health authorities, who operate at the county level (or across a higher aggregation of counties) to deliver behavioral health services to Medicaid patients. While this organization of state Medicaid service delivery encourages various stakeholders to work together, the inability to consistently deliver coordinated care to Medicaid recipients across multiple providers and

practitioners is a limitation to the system. When patients are denied the right care, in the right place and at the right time, the result is often a less-than-desirable health outcome for the patient and greater costs to providers and ultimately to state taxpayers.

The Governor recommends adopting the following policies and test pilots (a) to allow the state Medicaid system to better triage and improve the coordination of service delivery to patients and (b) to identify and implement measures that indicate if services are improving.

- Piloting hospital-based mental health crisis centers to provide an alternative to emergency rooms or inpatient stays for treating and diagnosing patients with mental health/substance abuse treatment needs.
- Defining system measures that both drive improvements and provide insight into how Medicaid dollars invested are impacting patient outcomes.
- Increasing funding for Medicaid capitated rates contingent upon adoption of clear operational and performance measures by Medicaid managed health plans.
- Recommending changes to Medicaid policies that hinder providers' ability to treat patients and synchronize services.
- Starting at least two pilot projects to learn how to improve compliance with clinically-driven inpatient hospital discharge dates and refine operational

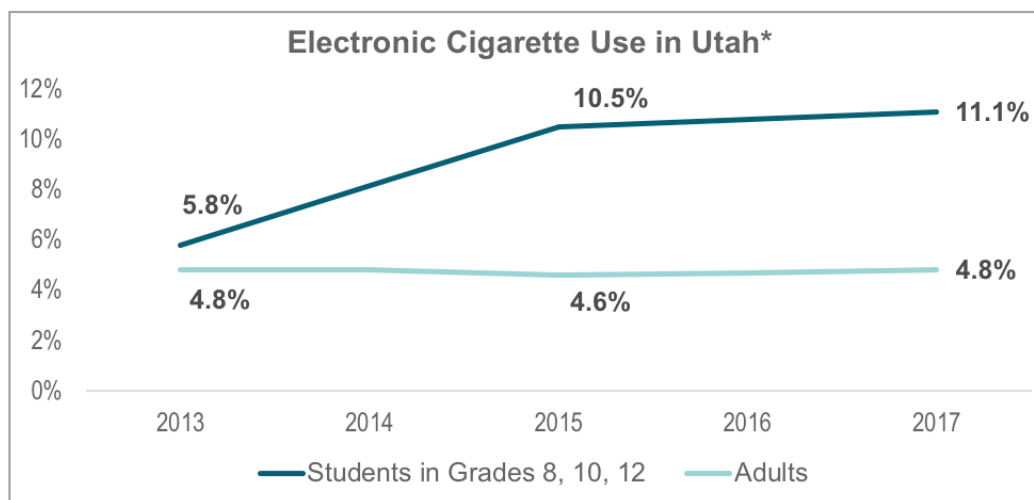
measures, and launching two pilot projects to test triage and synchronization in outpatient settings.

- Putting a shared savings model in place so managed care plans, providers, and the state mutually benefit if cost savings occur from future operational improvements.
- Expanding use of the WISARD, a workflow technology solution, to allow providers to better synchronize services, see where bottlenecks in service delivery occur, and make investments or reallocate resources to where bottlenecks exist.

In addition to the resources and policy changes designed to address gaps in physical and behavioral healthcare delivery, the Governor recommends significant investments in services for people with disabilities in FY 2020. For example, funding is identified to allow for 150 residents of Utah's intermediate care facilities to receive services in community-based settings in FY 2020 and ongoing funding to allow for a total of 250 residents to transition to the community by FY 2024. In that same vein, resources are recommended for the roughly 5,500 existing community-based services waiver enrollees to receive nursing services in the community, thereby allowing these individuals to remain in the community if they choose to do so.

Along with improving access to community-based services for current Medicaid beneficiaries, funding has been prioritized to create a new limited services waiver for children and adults with unmet health and support needs. This limited services waiver would offer a pre-defined menu of services

FIGURE 3:



\*Defined as use within 30 days of being surveyed

Source: Utah Department of Health, Utah Behavioral Risk Factor Surveillance System; Utah Prevention Needs Assessment

to children and adults in households where respite services, wraparound support services, and community integrated services such as after school programs and transportation are needed.

Finally, the Governor recommends taxing electronic cigarette liquid, devices and paraphernalia similar to traditional tobacco products under Utah's tax code. As of 2017, an average of 11.1 percent of Utah's 8th, 10th, and 12th graders used electronic cigarettes routinely (within 30 days of being surveyed), up from 10.5 percent in 2015 and 5.8 percent in 2013. In comparison, electronic cigarette use among Utah adults has been roughly flat at between 4.6 percent and 4.8 percent since 2013 (see figure 3).

## Budget Recommendations for Select Social Service Items

- \$18 million one-time savings in FY 2019 for Medicaid consensus items, primarily due to lower than expected caseload.
- \$21.9 million in ongoing funding for Medicaid consensus items in FY 2020 (with a \$2.2 million one-time offset) and an additional \$2.5 million for a 4.0 percent reimbursement rate increase for ACOs conditioned upon ACO participation in performance improvement pilot programs in FY 2020. Medical inflation in Utah is estimated to be 3.5 percent in FY 2020. In FY 2017, statewide Medicaid spending was \$612 million in General Fund, representing over 26 percent of non-earmarked General Fund revenue. Two decades ago, Medicaid spending accounted for about half of its current share of General Fund spending at 13 percent. The legislation establishing ACOs as risk-sharing managed health plans sought to mitigate this trend by aligning incentives for value-based care delivery. By combining these incentive mechanisms with operational improvement strategies to ensure Medicaid enrollees receive the right services, at the right location, and at the right time, opportunities for better health outcomes for patients and better fiscal outcomes for both the ACOs and the state will be realized. As a central budget driver and one of the largest sources of state expenditures, budget analysts and program experts from GOMB, the Legislative Fiscal Analyst's Office, and the Department of Health collaborate

to produce a semi-annual technical forecast of Medicaid budget needs through the Medicaid consensus process each February. To the extent the technical Medicaid consensus forecast differs from the Governor's budget recommendations, the Governor recommends reevaluating such differences and providing funding as appropriate following the updated Medicaid consensus estimates.

- \$18.3 million one-time reduction in state funds in FY 2020 for the Children's Health Insurance Program (CHIP) as federal cost sharing enters its final years of enhanced match as enacted by the Affordable Care Act.
- \$28.4 million in funding to transition 250 intermediate care facility residents into community-based settings, add nursing service benefits to existing community support waiver beneficiaries, offer state plan services for 2,000 children and adults under a new limited supports waiver, bring 146 people off of the Services for People with Disabilities waiting list, and to increase transportation and employment opportunities for people with disabilities.
- \$3.8 million ongoing to support youth in state custody who are transitioning to Division of Services for People with Disabilities (DSPD) benefits and additional needs for current DSPD service recipients.
- \$1.5 million to pilot co-located substance abuse and mental health services with physical health services.
- \$5 million in one-time funding to support the development of an electronic verification system and operational implementation of the Utah Medical Cannabis Act; these funds will be repaid once license fees are collected.
- \$88.8 million from the new sales tax earmark to cover estimated expenditures under Proposition 3.
- \$1.6 million ongoing to support sober living and dignity of work programs as part of the continuation of Operation Rio Grande.
- \$1.3 million in ongoing funding to support various social service items such as local health department minimum performance standards, sexual assault testing in the state public health laboratory, health care workforce financial assistance programs, and the children's hearing aid program, among other items.





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

Public K-12 Education	One-time	Ongoing	Total
<b>A. New Education Fund and General Fund</b>			
Increase Weighted Pupil Unit (WPU) Value by 4%	\$0	\$126,979,800	\$126,979,800
Enrollment Growth (Estimated 6,750 New Students)	\$4,281,200	\$14,710,300	\$18,991,500
Enrollment Growth for Four Additional Below-the-line Programs <sup>1</sup>	\$0	\$238,500	\$238,500
School Counseling	\$0	\$31,745,000	\$31,745,000
Add-on for Students At Risk of Academic Failure	\$0	\$15,275,000	\$15,275,000
New WPU Add-on for Students in Rural Utah (Including Those in Necessarily Existent Small Schools)	\$0	\$3,000,000	\$3,000,000
Educator Bonuses	\$30,000,000	\$0	\$30,000,000
School Facilities - Flexible Allocation for Safety and Other Facility Needs (Local Match Required)	\$66,000,000	\$0	\$66,000,000
School Facilities - Capital Outlay Foundation Program	\$25,000,000	\$0	\$25,000,000
School Facilities - Grants to Improve School Outdoor Water Efficiency	\$10,000,000	\$0	\$10,000,000
School Facilities - Utah Schools for the Deaf and the Blind (USDB) Springville Building Cost Overrun	\$3,000,000	\$0	\$3,000,000
Talent Ready Utah - K-12 Technology Curriculum	\$0	\$3,865,000	\$3,865,000
Utah Schools for the Deaf and the Blind (USDB) Steps and Lanes - Statutory Increase	\$0	\$2,030,800	\$2,030,800
Compensation Increases for the State Board of Education Staff	\$168,600	\$982,400	\$1,151,000
State Board of Education Information Management System	\$5,000,000	\$0	\$5,000,000
Utah State Instructional Materials Access Center (USIMAC) Braille Transcription	\$500,000	\$0	\$500,000
Safe and Healthy Schools - Public Safety Liaison, Mental Health Specialist, and State Oversight and Training	\$0	\$400,000	\$400,000
Business Cycle Management - Pre-fund Future Enrollment Growth for Times of Fiscal Stress <sup>2</sup>	<b>\$143,949,800</b>	<b>\$199,226,800</b>	<b>\$343,176,600</b>
<b>New EF/GF Funding to Distribute in FY 2019 and FY 2020</b>			
	\$7,500,000	\$35,000,000	\$42,500,000
<b>Section A Subtotal</b>	<b>\$151,449,800</b>	<b>\$234,226,800</b>	<b>\$385,676,600</b>
<b>B. New Property Tax Revenue from Statewide Levies</b>			
Flexible Allocation - For Local Priorities, Including Support for Counseling and Mental Health Needs <sup>3</sup>	\$0	\$18,766,500	\$18,766,500
Equity Pupil Unit	\$0	\$12,880,700	\$12,880,700
Enrollment growth (6,750 new students) - Basic Levy	\$0	\$14,962,900	\$14,962,900
Enrollment growth (6,750 new students) - Charter School Levy	\$0	\$3,091,400	\$3,091,400
<b>Section C Subtotal</b>	<b>\$0</b>	<b>\$49,701,500</b>	<b>\$49,701,500</b>
<b>C. New Funding from Other Sources</b>			
Increased Allocations from Permanent State Trust Fund	\$791,900	\$8,663,100	\$9,455,000
School Trust Section Budget - HB 404 <sup>4</sup>	\$0	<b>(\$211,100)</b>	<b>(\$211,100)</b>
Land Trusts Protection and Advocacy Office - HB 404 <sup>4</sup>	\$0	\$211,100	\$211,100
<b>Section D Subtotal</b>	<b>\$791,900</b>	<b>\$8,663,100</b>	<b>\$9,455,000</b>
<b>D. Education Fund Currently Unallocated for FY 2020</b>			
Flexible Allocation - For Local Priorities, Including Support for Counseling and Mental Health Needs <sup>5</sup>	\$0	\$65,150,000	\$65,150,000
<b>Section B Subtotal</b>	<b>\$0</b>	<b>\$65,150,000</b>	<b>\$65,150,000</b>
<b>New State-directed Funding (Sections A, B, C)</b>			
	<b>\$152,241,700</b>	<b>\$292,591,400</b>	<b>\$444,833,100</b>
<b>Public K-12 Education Total</b>	<b>\$152,241,700</b>	<b>\$357,741,400</b>	<b>\$509,983,100</b>

## Table 2 Continued- Governor's Budget Recommendations for Education

Post-secondary Education		One-time	Ongoing	Total
<b>E. New Education Fund and General Fund</b>				
2.5% COLA (USHE, UTEch, UETN)		\$0	\$26,336,900	\$26,336,900
4.35% Health Insurance Increase (USHE, UTEch, UETN)		\$0	\$6,262,500	\$6,262,500
Endow Scholarship Fund - Scholarships Based on Financial Need		\$50,000,000	\$0	\$50,000,000
Systemwide Cyber Security		\$0	\$7,150,000	\$7,150,000
Regents' Scholarship		\$0	\$4,000,000	\$4,000,000
Suicide Prevention - Increase Seats and Enrollment at University of Utah Medical School for Psychiatrists		\$0	\$1,500,000	\$1,500,000
Statewide Advising Corps		(\$2,997,500)	\$5,995,000	\$2,997,500
3-year Bachelor's Degree		\$0	\$6,150,000	\$6,150,000
Equity Funding for Technical Education Tuition in Rural Utah		\$0	\$1,379,000	\$1,379,000
Technical Education Program Expansion in Rural Utah		\$0	\$655,000	\$655,000
University of Utah Reading Clinic for K-12 Students		\$0	\$525,000	\$525,000
Employer-driven Technical College Program Expansion		\$0	\$7,000,000	\$7,000,000
Technical College Equipment Funding		\$6,000,000	\$0	\$6,000,000
Custom Fit Program (Including Expansion of Sector Focus)		\$0	\$1,000,000	\$1,000,000
Commissioner's Office Data Analyst and Software Developer FTEs		\$0	\$250,000	\$250,000
Extend Fiber Network to San Juan County Schools		\$2,250,000	\$85,000	\$2,335,000
Equipment Replacement		\$2,200,000	\$0	\$2,200,000
State Network Backbone Upgrade		\$1,650,000	\$0	\$1,650,000
Network Connections for New K-12 Schools		\$200,000	\$75,000	\$275,000
Network Operations Center 24/7 Staffing		\$0	\$150,000	\$150,000
Capital Budget - Dixie State Human Performance Building Cost Overrun		\$4,400,000	\$0	\$4,400,000
<b>Section E Subtotal</b>		<b>\$63,702,500</b>	<b>\$68,513,400</b>	<b>\$132,215,900</b>
<b>F. Funding from Other Sources</b>				
Utah Futures Career Counseling Data Website (Dedicated Credits) <sup>6</sup>		\$0	\$1,600,000	\$1,600,000
<b>Section F Subtotal</b>		<b>\$0</b>	<b>\$1,600,000</b>	<b>\$1,600,000</b>
<b>New State-directed Funding (Section E)</b>		<b>\$63,702,500</b>	<b>\$68,513,400</b>	<b>\$132,215,900</b>
<b>Post-secondary Education Total</b>		<b>\$63,702,500</b>	<b>\$70,113,400</b>	<b>\$133,815,900</b>
<b>New State EF/GF Funding (Sections A and E)</b>		<b>\$215,152,300</b>	<b>\$302,740,200</b>	<b>\$517,892,500</b>
<b>New State-directed Funding (Sections A, B, C, E)</b>		<b>\$215,944,200</b>	<b>\$361,104,800</b>	<b>\$577,049,000</b>
<b>Education Recommendations Total</b>		<b>\$215,944,200</b>	<b>\$427,854,800</b>	<b>\$643,799,000</b>

1. Pupil Transportation - Guarantee Transportation Levy; Title I Paraeducators; Early Literacy; Early Intervention

2. This deposit into the Growth in Student Population Account is intended to help manage the budget over the business cycle and is intended to fund enrollment growth in times of fiscal stress.

3. This funding is growth in the WPU Value Amount generated by the 4% increase in the value of the WPU; the funding is deposited into the Teacher and Student Success Account.

4. Passage of HB 404 (2018 GS) created the new Land Trusts Protection and Advocacy Office within the Office of the State Treasurer.

5. This ongoing funding is from the Teacher and Student Success Account created by HB 293 during the 2018 General Session. The funding was appropriated on a one-time basis to the Flexible Allocation program in FY 2019.

6. This is authority to collect funding from agencies that are willing to support the program.

## POST-SECONDARY EDUCATION & A QUALIFIED WORKFORCE



The Governor continues commitment and challenges higher education to increase graduation rates while keeping the cost of education affordable

### Highlights

The Governor calls on the Board of Regents to set new and ambitious goals that use innovative approaches to leverage systemic opportunities, lower costs, and increase quality and completion rates

The Governor calls on the Legislature to amend the Performance Funding statute to raise the bar and reach for more ambitious targets

The Governor calls on the Legislature to return program approval authority to the Board of Regents

The Governor recommends optimizing the use of existing facilities and recommends pausing new building construction for state and higher education buildings until a robust building utilization study is fully integrated into the building evaluation process

\$132.2 million of new funding for FY 2020 (\$68.5 ongoing and \$63.7 one-time)

Enough new ongoing funding has been allocated since FY 2016 to finance substantive changes—\$275 million (100 percent of the Governor’s goal to invest \$275 million by FY 2021)

### Objective

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

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

### Background

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

Post-secondary education is among the largest state funding commitments and constitutes approximately 16 percent of the combined Education Fund and General Fund budget.

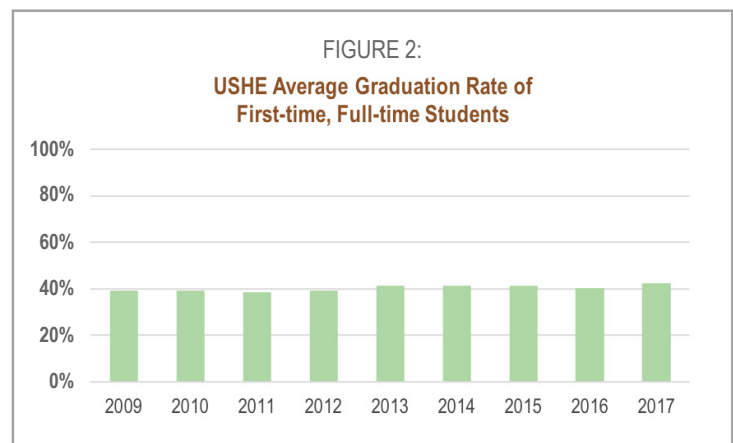
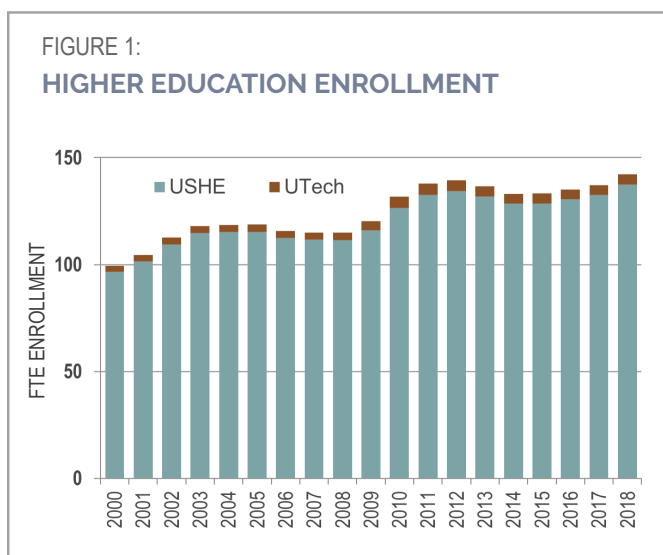
The Utah System of Higher Education (USHE), the Utah

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

USHE is comprised of eight institutions: the University of Utah, Utah State University (including USU Eastern), Weber State University, Southern Utah University, Utah Valley University, Dixie State University, Salt Lake Community College, and Snow College. In FY 2018, USHE served approximately 205,000 students. In FY 2018, USHE granted approximately 37,800 awards, an increase of roughly 9,300 from FY 2010 (see Figure 2).

UTech is comprised of eight institutions: Bridgerland, Ogden-Weber, Davis, Tooele, Mountainland, Uintah Basin, Southwest, and Dixie Technical Colleges. In FY 2018, UTech served approximately 24,000 post-secondary and 9,000 secondary students enrolled in various short-term occupational training programs and traditional certificate programs of varying lengths. In FY 2018, UTech awarded traditional certificates to approximately 4,700 post-secondary students and 1,400 secondary students. Care should be taken to distinguish the various types of certificates issued by UTech and USHE institutions to ensure clarity about the skill levels achieved.

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



## Reasons for Change

- On average only 40.6 percent of students graduate within eight years of enrollment for associate and bachelor's degrees
- 210 percent increase in tuition and fees since 2000
- Utah's students borrowed \$911 million in federal student loans during the previous academic year
- Utah's demographics are changing—minority population is projected to reach 30 percent by 2050
- \$2.2 billion spent on new buildings (excluding O&M) since 2010 (state revenue, bonds, institutional funds, donations, etc.)
- The average classroom is in use 32.5 hours per week during the busiest semester (the Regents' goal is 33.75)
- Only 54.7 percent of seats are occupied when an average classroom is in use during the busiest semester (the Regents' goal is 66.7 percent)
- Summer utilization rates have not been reported, but are widely acknowledged to be far lower than in other semesters
- Policymakers and institutional administrators often have different expectations of the role that institutions of higher education play in meeting workforce needs

The Governor believes in allocating scarce resources to support ambitious efforts designed to raise the bar using innovative approaches.

## Access and Affordability

Access and affordability are key issues for post-secondary

education. Accurate information and quality advising are critical to ensure access. Some students, particularly first-generation students, do not know how to navigate the complex world of higher education. Some students remain largely uninformed or have misconceptions about the value of career and technical education certificate programs.

The Governor recommends \$6 million for the Statewide College Advising Corps, an initiative to employ recent graduates to serve as advisors in high schools. These advisors will help high school students understand the

various college and technical college options available to them. This initiative aims to increase post-secondary enrollment by 20 percent.

Post-secondary education affordability is a significant concern for many Utahns and is a real obstacle to enrollment and persistence for many students. While Utah boasts the third lowest average tuition rate in the nation, tuition rates in the state have increased at a much higher rate than overall inflation and wages. This dynamic has many contributing factors and no single solution.

FIGURE 3:  
NUMBER OF AWARDS BY INSTITUTION

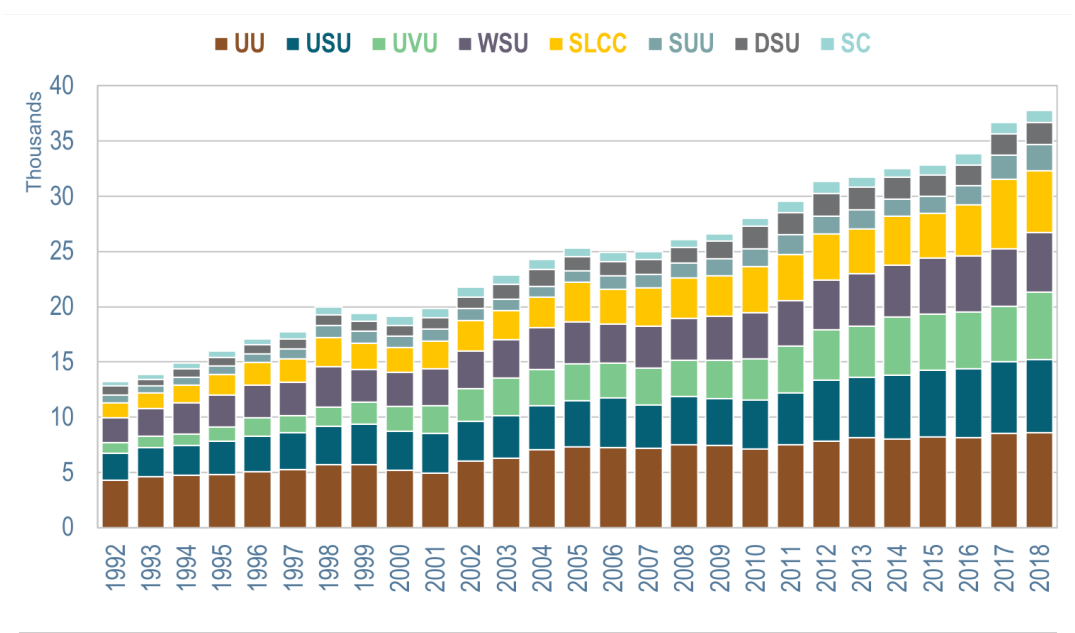
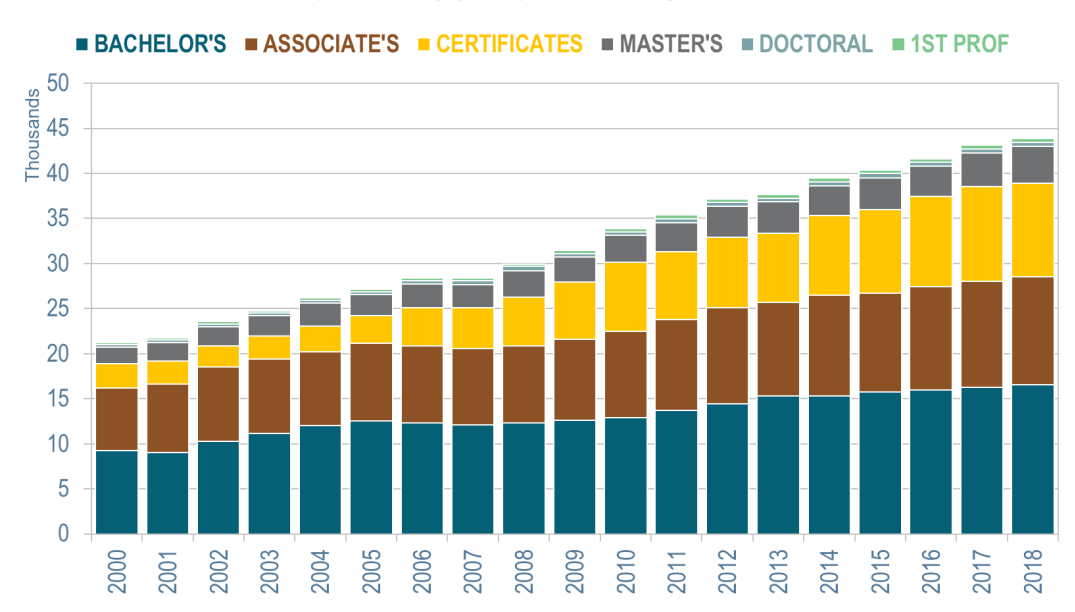


FIGURE 4:  
HIGHER EDUCATION AWARDS BY TYPE





As detailed in a recent legislative audit, the Board of Regents is not adequately controlling tuition increases. The Governor calls on the Board of Regents to ensure USHE institutions charge the lowest tuition and fees possible without compromising educational quality. This will require the Board of Regents and institutions to develop new and innovative approaches or find alternative revenue sources to tuition and state appropriations, which are 42 percent and 56 percent of the budget, respectively. Simply increasing state appropriations at an accelerated rate creates pressure to increase taxes and is not a viable long-term solution.

Many students rely on federal financial aid to offset tuition costs. Between 2008 and 2018, the number of students awarded federal Pell Grants more than doubled from approximately 57,000 to 127,000 and the total amount awarded increased from \$142 million to \$511 million.

In FY 2018, Utah students borrowed \$911 million in federal student loans. And while Utah's students generally remain debt averse and have the lowest average student loan debt in the nation (\$18,850 as compared to the national average of \$28,650), the Governor remains committed to identifying opportunities to minimize tuition costs so students do not have to rely as heavily on student loans.

## Facilities

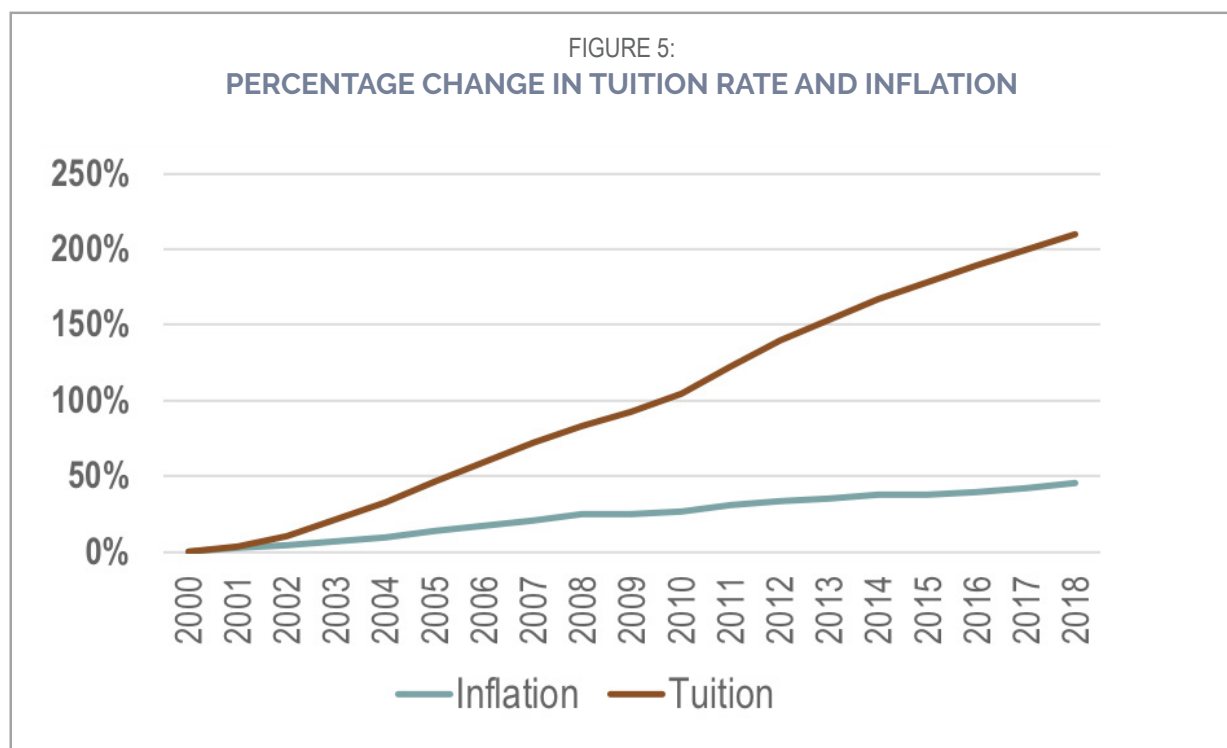
Leaders of post-secondary institutions have a responsibility to actively seek internal efficiencies, maximizing the quality return on the state's substantial investment in post-secondary education. For example, leaders in Utah's post-secondary education systems should seek to maximize the efficient use of existing facilities, including at night and during the summer months, and focus capital expenditures on extending the operational lives of existing facilities to avoid unnecessary expenditures for expensive new facilities.

The Governor appreciates the Board of Regents establishing a facilities utilization policy but requests the Board set higher building utilization standards.

Similar to state facilities, the Governor recommends delaying construction of new post-secondary facilities until utilization studies demonstrate that existing capacity has been optimized. However, the Governor recommends covering cost overruns for the previously approved Dixie State Human Performance Center.

## Innovation

As part of his Life Elevated 2020 initiative, the Governor has engaged in a collaborative effort with USHE and UTech to



increase the number of students who graduate each year. This collaborative effort has resulted in three pilot projects:

- Administrators at **Utah State University** developed the Aggie First Scholars initiative, a targeted and proactive approach to increase the retention rate of first-generation students to that of their peers—the goal is an increase of more than 20 percent.
- Administrators at **Southern Utah University** and Southwest Technical College engaged in a unique dual-enrollment project designed to eliminate the artificial barriers between the two institutions that impede student success.
- Administrators at **Davis Technical College**, **Mountainland Technical College**, and **Salt Lake Community College** are implementing articulation agreements that establish a clear pathway from information technology certificate programs at the technical colleges to degree programs at the community college.

## Strategic Planning Commission

With the passage of House Bill 300 during the 2018 General Session, the Legislature established the Higher Education Strategic Planning Commission. The commission has contracted with the National Center for Higher Education Management Systems to perform a thorough review of Utah's post-secondary systems and recommend how to improve the systems. The Governor anticipates the forthcoming recommendations will result in a coordinated post-secondary system that yields a higher completion rate and an increased number of qualified graduates with skills relevant to the workplace as a result of the students' and public's investment.

## Performance-based Funding

In recent years the Legislature appropriated a small, though growing, amount of funding to post-secondary institutions based on performance. The Governor applauds the use of performance to determine funding but recommends raising the bar on targets for improvement. The Governor calls on the Legislature, in conjunction with the work of the Strategic Commission, to set bold and ambitious targets that result in dramatically improved outcomes for Utah students and to tie performance funding to these targets.

## Budget Recommendations

- \$32.6 million for employee compensation, including \$26.3 million in flexible merit-based compensation funding to USHE, UTech, and UETN to help retain highly qualified employees and \$6.3 million for health benefits
- \$6 million for the statewide advising corps (with a one-time reduction of \$3 million while the initiative scales up)
- \$50 million one-time for a higher education scholarship endowment to provide perpetual scholarship funding for students who struggle to pay for college
- \$6.2 million to implement 3-year bachelor's degree programs, including \$2.8 million for a 3-year degree program at Southern Utah University designed to save an estimated \$55 million in facilities costs and increase the graduation rate by up to 5 percentage points
- \$4 million for Regents' scholarship
- \$7.2 million for integrated system-wide cybersecurity
- \$2 million for technical education programs in rural Utah through USU
- \$525,000 for the University of Utah Reading Clinic
- \$1.5 million to address suicide prevention by increasing the number of residency slots for psychiatrists at the University of Utah
- \$7 million for UTech program expansion
- \$6 million one-time for UTech equipment
- \$1 million for UTech Custom Fit
- \$250,000 for a UTech data analyst and software developer
- \$2.3 million for UETN to extend fiber network to San Juan County
- \$275,000 for network connections for new schools
- \$150,000 for 24/7 staffing in the UETN network operations center
- \$2.2 million one-time for UETN equipment
- \$1.7 million one-time for UETN to upgrade the state network backbone
- \$4.4 million to cover cost overruns in existing building projects

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



## PUBLIC EDUCATION PRIORITIES



With FY 2020 recommendation, the Governor and Legislature deliver over \$1 billion ongoing investment ahead of schedule

### Highlights

\$444.8 million new state-directed funding (\$292.6 million ongoing and \$152.2 million one-time)

\$19.2 million for enrollment growth (EF/GF portion)

\$127 million for a 4 percent increase in the value of the weighted pupil unit

\$30 million one-time for educator bonuses

\$115.7 million in ongoing flexible funding (including \$50.5 million of new funding) to support counseling, mental health, & other needs

\$15.3 million to students at risk of academic failure

\$3 million for new WPU add-on for students in rural Utah

\$104 million one-time for school facilities

\$4.7 billion in total state-directed funds for public education

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

### Objective

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

- Significant investment in public education to facilitate Utah's goal to be the number one state for student achievement (with these recommendations the Governor and Legislature deliver over \$1 billion in new ongoing funding one year ahead of schedule)
- Meaningful local flexibility with funding to address unique local needs related to educator compensation, student counseling, professional learning, technology, etc.
- Local accountability that enables constituents and policymakers to clearly understand the use of taxpayer dollars
- Increased funding support for students at risk of academic failure

### Background

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

Appropriate education investments not only contribute to economic success for the state in the long term, but also ensure our students have the skills needed to be ready for college, careers, and meaningful civic engagement. As the Governor says, while improving educational outcomes “is not all about the money, it is some about the money.” Adequate resources are necessary to produce desired outcomes.

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

## Celebrating Utah’s Education Successes

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

Results of the National Assessment of Educational Progress (NAEP) provide evidence of the quality of Utah’s K-12 system. Utah’s 8th grade students rank 1st in the nation on the science assessment while Utah’s 4th grade students rank 6th. Utah’s 4th and 8th grade students are in or on the cusp of the top 10 in math, reading, and science.

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

ACT results provide further evidence of the quality of Utah’s K-12 system. Nationally, Utah’s students are tied for 30th place. However, a simple ranking of composite ACT scores does not accurately assess how Utah’s high school students compare to their peers across the nation because only 17 states, like Utah, require 100 percent of their students

to take the ACT. In the 15 states with the highest average composite scores, a mere one-quarter of students take the ACT. Among states that require all students to take the ACT, Utah’s students rank 2nd.

In addition to national NAEP and ACT measures, graduation rates provide additional evidence of the quality of Utah’s K-12 system. Since 2011, the graduation rate has impressively increased from 76 percent to 87 percent, which exceeds the national average.

## Room for Improvement Remains

While evidence shows that Utah’s students outperform many of their peers, NAEP and ACT scores and graduation rates all demonstrate room for improvement. Additionally, not all of Utah’s students experience the same success. Persistent achievement gaps continue in many student groups. The Governor continues to advocate for resources that enable all of Utah’s students to continue improving—ensuring that Utah becomes the top state for educational outcomes in the nation. Specifically, the Governor recommends a \$15.3 million increase for students at risk of academic failure and a \$3 million increase for rural students.

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

## Current Issues

**Local Control vs. State Control.** The Governor believes that local board members, superintendents, principals, teachers, and parents know best how to meet their students’ needs—which they do most effectively when granted local funding control. The Governor also believes that local control is the dominant need in most funding decisions and is committed to ensuring local leaders have as much control over funding as possible.

Local taxing authority represents an important and significant opportunity for local school boards and citizens to exercise local control. Nearly \$1 billion in unused local taxing authority remains available to meet local needs.



**Safe and Healthy Schools.** The Governor applauds the School Safety Advisory Committee's efforts to analyze the issue of safe and healthy schools and establish a statewide framework to inform policy and funding decisions. The Governor believes that each student's wellbeing is paramount; to that end, he recommends flexible funding be provided to improve student outcomes, including \$115.7 million ongoing, \$50.5 million of which is new, for school-level decisions to address key needs such as counseling and mental health. In addition, \$104 million is provided for school facilities (\$66 million for all schools, \$25 million for the Capital Outlay Foundation Program, and \$10 million through the Department of Natural Resources for improving water efficiency) and \$3 million for the Springville Schools for the Deaf and Blind building.

**School Fees.** The Governor is concerned with the findings of the recent legislative audit of school fees. He calls upon the State Board of Education and all local education agencies to comply with current statute and administrative rules. He also calls upon the Legislature, State Board of Education, and local school/governing board members to work with him to thoroughly review the policy of levying fees on secondary students.

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

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

**Financial & Economic Literacy.** The Governor recommends that educational leaders ensure that students receive thorough instruction in free-market economics.

**Transparency.** The Governor applauds the efforts of the State Board of Education to ensure taxpayers have the opportunity to better understand how K-12 funding is being expended.

## Guiding Principles

- The state must work together with local school boards to invest sufficient funding to ensure Utah becomes the top state in the nation for student achievement.
- The state must continue to provide district and charter school boards with flexible resources and the responsibility to prioritize expenditures according to local need to achieve outcomes the public expects.
- Policymakers must continue to monitor student achievement to ensure the \$4.7 billion in state-directed revenues (estimated \$7.7 billion in total revenues) allocated to public education continues to translate to positive student outcomes. In addition, stakeholders must make efforts to clarify the relationship between spending and educational outcomes so policymakers and the general public can better understand the outcomes expected from current and proposed investments.
- Policymakers should take time to understand the significant data currently available on school performance, including how socioeconomic factors influence student outcomes.
- The state must successfully recruit and retain quality teachers to ensure long-term economic success. Providing local school boards with flexible resources to invest in teachers, not only through compensation but also through professional learning, is a key factor in recommending a 4 percent increase in the WPU value. This funding enables local boards to build upon strategies already in place while balancing other critical needs. The Governor also recommends providing \$30 million for educator bonuses.

## Budget Recommendations

- \$19.2 million for EF/GF portion of enrollment growth (\$14.9 million ongoing and \$4.3 million one-time)
- \$127 million for a 4 percent increase to the WPU
- \$30 million one-time for educator bonuses

- \$115.7 million (including \$50.5 million of new funding) in flexible local funding for local priorities, including hiring new personnel to ensure schools remain safe and healthy
  - \$31.7 million for the school counseling program, provided the statute is amended to include all schools and increased flexibility
  - \$83.9 million for the Flexible Allocation Program from the Teacher and Student Success Account (including \$18.8 million of new funding)
- \$104 million one-time for facilities improvements as follows:
  - \$66 million one-time for facilities improvements for schools that provide a local match
  - \$25 million one-time for the Capital Outlay Foundation Program
  - \$10 million one-time for grants from the Department of Natural Resources to improve school outdoor watering efficiency to both conserve water and free up school funding currently used for water bills for other purposes
  - \$3 million one-time for the Utah Schools for the Deaf and the Blind's Springville building cost overrun
- \$400,000 ongoing for statewide school safety support to hire a public safety liaison in the Department of Public Safety, a mental health specialist in the Department of Human Services, and to support the State Board of Education's role
- \$3.9 million for Talent Ready Utah grants to support expansion of computer science course offerings in secondary schools
- \$2 million for the statutory increase for USDB educators (steps & lanes)
- \$3 million for a new WPU add-on for students in rural Utah (including those in necessarily existent small schools)
- \$500,000 one-time for the Utah State Instructional Materials Access Center (USIMAC) braille transcriber shortage
- \$525,000 for the University of Utah Reading Clinic
- \$15.3 million increase for students at risk of academic failure
- \$5 million one-time for the Utah School Information Management System
- \$42.5 million (\$35 million ongoing and \$7.5 million one-time) as a rainy-day deposit to pre-fund enrollment growth for times of fiscal stress
- \$1 million ongoing for State Board of Education staff compensation increases commensurate with the recommendation for other state agencies

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

## PUBLIC EDUCATION FUNDING IN UTAH



The Governor recommends \$445 million in new public education funding, including enrollment growth of \$19 million and a 4 percent increase in locally controlled WPU funding

### Highlights

\$444.8 million new state-directed funding (\$292.6 million ongoing and \$152.2 million one-time)

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

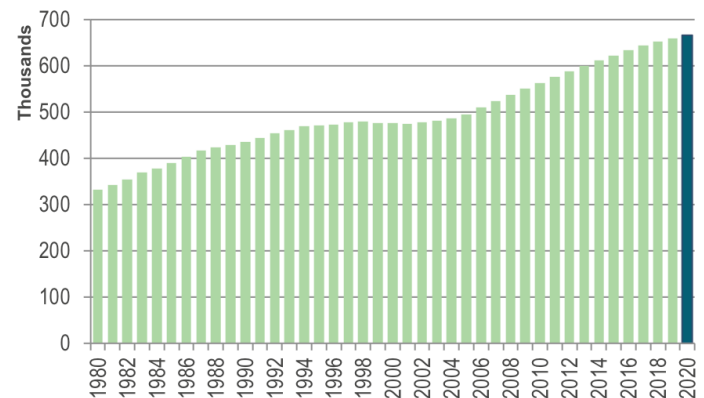
\$4.7 billion in total state-directed funds for public education

\$7.7 billion in total federal, state and local funds for public education

population reached more than 659,000 in FY 2019—an increase of more than 7,000 students from FY 2018. An estimated 6,750 additional students are anticipated to enroll in schools in FY 2020, bringing total estimated enrollment to over 666,000. The Governor recommends fully funding enrollment growth costs, including \$14.9 million in FY 2020 and \$4.3 million in FY 2019.

FIGURE 1:

#### PUBLIC EDUCATION TOTAL ENROLLMENT

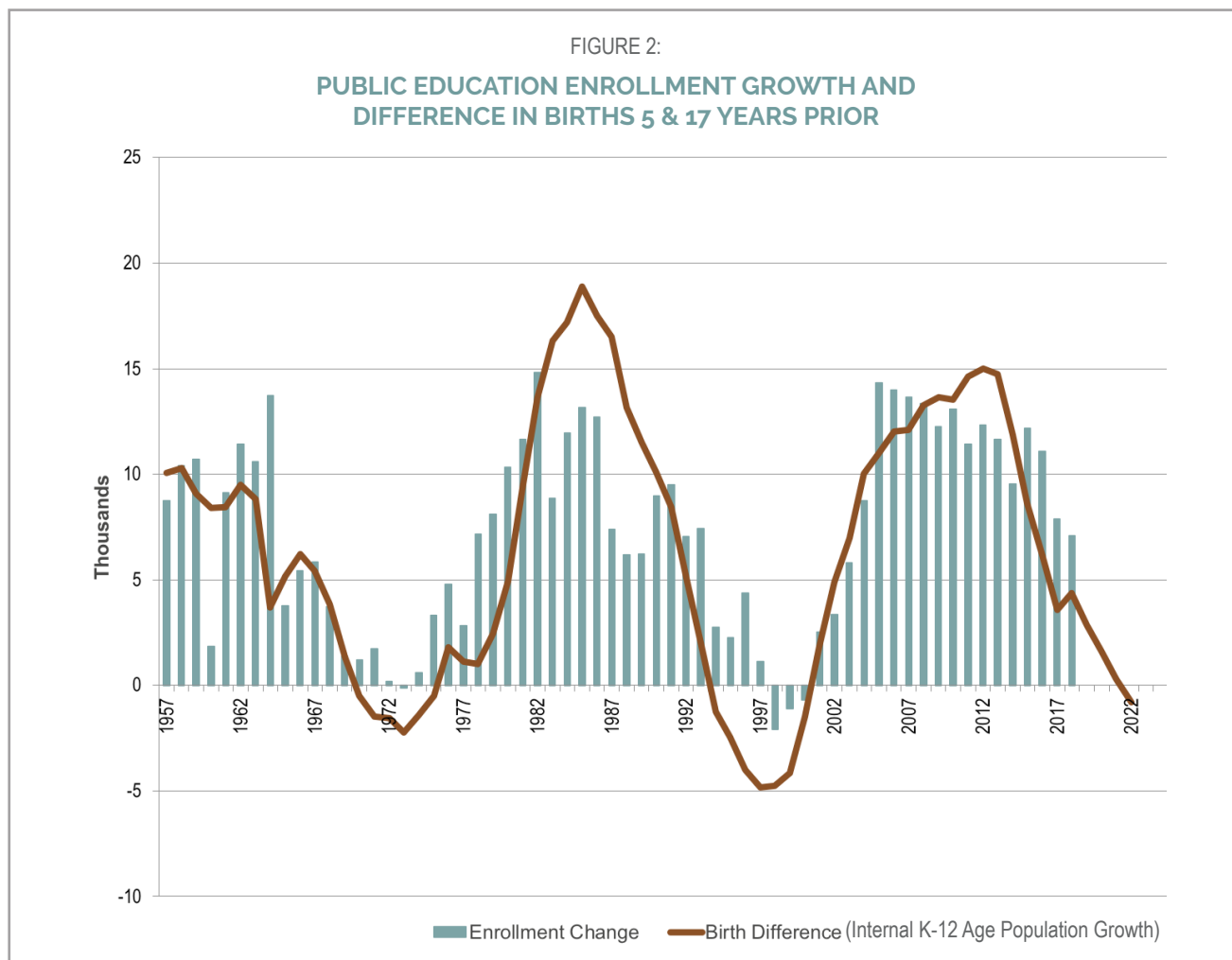


As illustrated in Figures 1 and 2, student enrollment increased significantly over the past decade. While continued enrollment growth is anticipated, the internal school-age population is expected to grow at a slower pace. However, strong increases in migration to Utah may offset the slowing internal growth rate.

### Overview

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

**Enrollment Increases.** The number of students in Utah's public schools continues to grow. The state's student



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

Considering all sources, funding for Utah’s public education system will total an estimated \$7.7 billion in FY 2020, or about \$11,500 per student. This includes nearly \$4.7 billion from state-directed funds, including over \$4.1 billion from state funds (generally income tax) and over \$500 million from the state-mandated local property tax; about \$2.5 billion from

local funds (generally discretionary local property taxes); and over \$500 million in federal funds. About \$3.8 billion of the \$4.1 billion from state funds flow through the Minimum School Program (see Table 3).

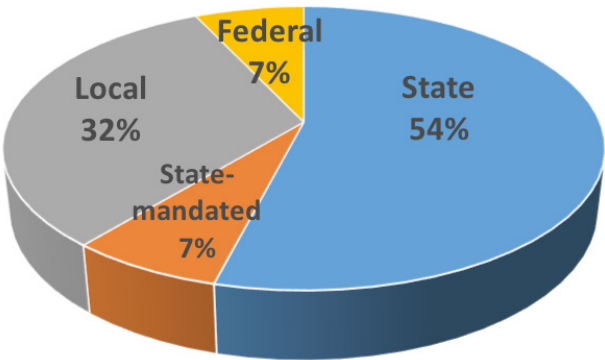
**State Funding.** Public education is Utah’s largest state-funded program, with the Governor recommending over \$4.1 billion from state funds, including \$3.9 billion from the Education Fund and General Fund. This amount equals about half of the state’s combined Education Fund/General Fund budget.

**Local Funding.** State law allows school districts to impose discretionary property tax levies to provide services above the levels possible with state funding. Charter schools cannot impose property taxes, but the Charter School Local Replacement Program provides charter schools with funding equal to the statewide per-pupil average of certain property tax and state guarantee revenues.

In FY 2020, school districts are projected to generate an estimated \$3.0 billion in local funding, consisting of approximately \$536 million in uniform statewide property tax school levies and about \$2.5 billion in discretionary local taxes and other local sources. Nearly \$1 billion in local discretionary property tax authority remains available under existing statutory property tax rate caps. This total includes over \$475 million in levies for school operations (\$257 million board levy and \$219 million voted levy) and over \$509 million of taxing authority under the capital levy that can be used for items such as buildings and technology infrastructure.

While unused property tax capacity varies by school district, all districts have unused property tax authority to fund operations and all but one have unused authority to fund capital needs such as technology infrastructure and school safety.

FIGURE 3:  
STATE, LOCAL, AND FEDERAL  
FUNDING FOR PUBLIC EDUCATION



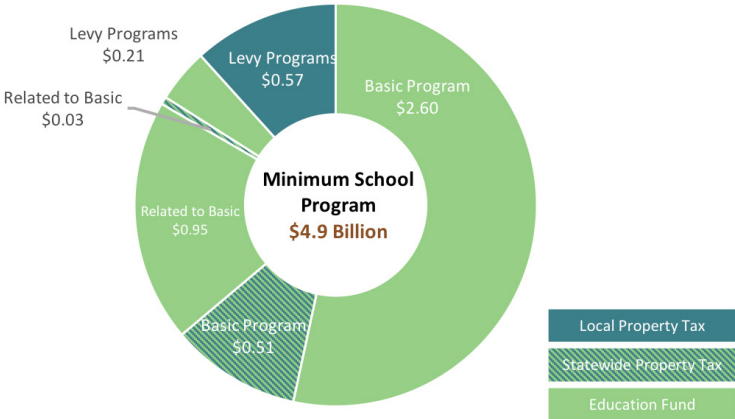
Unlike Utah’s substantially equalized funding for operations, capital expenses are generally funded at the local level with property taxes or other locally controlled funds. In FY 2020, the Governor recommends the State provide about \$58 million (\$33 million ongoing base budget and \$25 million in new one-time funds) to equalize funding for capital infrastructure. The Governor also recommends \$76 million one-time, including \$10 million to improve outdoor watering efficiency and \$66 million in flexible capital funds.

### What is the Minimum School Program?

Of the estimated \$7.7 billion public education funding total for FY 2020, the Minimum School Program accounts for about \$4.9 billion (64 percent) and is comprised of the following

three major sub-programs: (1) the Basic School Program, (2) the Voted and Board Local Levy Programs, and (3) the Related-to-Basic Program. Of the \$4.9 billion in Minimum School Program funding, nearly \$600 million comes from a portion of discretionary local property taxes, with over \$500 million from the state-mandated local property tax, and \$3.8 billion allocated from state funds (see Table 3).

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



**Basic School Program.** The Governor supports local decision making coupled with accountability for outcomes. Recommended at over \$3.1 billion, the Basic School Program is the largest subprogram within the Minimum School Program and comprises about 40 percent of all K-12 funding. Local school boards allocate these funds for local priorities. Utah’s income tax system is the primary source of state funds for the Basic School Program. A uniform property tax that school districts must levy is the secondary source.

School districts and charter schools are entitled to the amount of funding equal to the product of the number of weighted pupil units (WPU) in the school district or charter school and the dollar value of the WPU. The number of WPUs is generally based on the number of students and student characteristics. For example, a student in grades 1-12 in a school district is equal to 1.0 WPU; a kindergarten student is equal to 0.55 of a WPU. Additional WPUs are based on special education, staffing, rural, and other needs.

**Voted and Board Local Levy Programs.** Through the Voted and Board Local Levy Programs, the state provides approximately \$213 million from state funds to school districts that generate comparatively low property tax



revenue per student and make significant local property tax effort.

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

TABLE 3

Minimum School Program & School Building Program					
A	C	D	E	F	G
	Fiscal Year 2018 Actual Expenditures	Fiscal Year 2019 Revised Appropriations		Fiscal Year 2020 Recommended Appropriations	
<b>Section 1: Total Minimum School Program Revenue</b>					
<b>Revenue Sources</b>	<b>Amount</b>		<b>Amount</b>		<b>Amount</b>
A. General State Revenue					
1. Education Fund	\$3,110,558,400		\$3,205,197,000		\$3,365,140,300
2. Education Fund, One-time	(1,131,500)		(5,427,400)		96,000,000
B. Restricted State Revenue					
1. Uniform School Fund	27,500,000		27,500,000		27,500,000
2. Uniform School Fund, One-time	3,500,000		10,000,000		0
3. USF Restricted - Trust Distribution Account	64,252,300		74,791,900		82,663,100
4. EF Restricted - Various Accounts	78,350,000		181,356,900		216,095,500
<b>Subtotal State Revenue:</b>	<b>\$3,283,029,200</b>		<b>\$3,493,418,400</b>		<b>\$3,787,398,900</b>
C. Local Property Tax Revenue					
1. Minimum Basic Tax Rate	\$399,041,300		\$408,073,800		\$423,036,700
2. Equity Pupil Tax Rate	\$0		\$36,117,300		\$48,998,000
3. WPU Value Rate	\$0		\$18,650,000		\$37,416,500
4. Voted Local Levy	299,360,200		324,424,900		350,202,100
5. Board Local Levy	100,416,300		109,864,100		208,913,900
6. Board Local Levy - Early Literacy Program	15,000,000		15,000,000		15,000,000
<b>Subtotal Local Revenue:</b>	<b>\$813,817,800</b>		<b>\$912,130,100</b>		<b>\$1,083,567,200</b>
B. Transfers to Education Fund, One-time	0		0		0
C. Beginning Nonlapsing Balances	37,716,100		43,397,400		43,397,400
D. Closing Nonlapsing Balances*	(43,397,400)		(43,397,400)		(43,397,500)
<b>Total Revenue:</b>	<b>\$4,091,165,700</b>		<b>\$4,405,548,500</b>		<b>\$4,870,966,000</b>
<b>Section 2: Revenue &amp; Expenditure Details by Program</b>					
<b>Part A: Basic School Program (Weighted Pupil Unit Programs)</b>					
<b>WPU Value :</b>	<b>\$3,311</b>		<b>\$3,395</b>		<b>\$3,531</b>
<b>Revenue Sources</b>	<b>Amount</b>		<b>Amount</b>		<b>Amount</b>
A. General State Revenue					
1. Education Fund	\$2,422,483,400		\$2,459,066,600		\$2,569,485,300
2. Education Fund, One-time	4,500,000		(10,008,600)		
B. Restricted State Revenue					
1. Uniform School Fund	27,500,000		27,500,000		27,500,000
2. Uniform School Fund, One-time	3,500,000		10,000,000		0
<b>Subtotal State Revenues:</b>	<b>\$2,457,983,400</b>	<b>0</b>	<b>\$2,486,558,000</b>	<b>0</b>	<b>\$2,596,985,300</b>
C. Local Property Tax Revenue					
1. Minimum Basic Tax Rate					
a. Basic Levy	324,041,300		333,073,800		348,036,700
b. Basic Levy Increment Rate	75,000,000		75,000,000		75,000,000
2. Equity Pupil Tax Rate	0		36,117,300		48,998,000
3. WPU Value Rate	0		18,650,000		37,416,500
<b>Subtotal Local Property Tax Revenues:</b>	<b>\$399,041,300</b>	<b>0</b>	<b>\$462,841,100</b>	<b>0</b>	<b>\$509,451,200</b>
D. Transfers to Education Fund, One-time	0		0		0
E. Beginning Nonlapsing Balances	20,605,600		25,231,100		25,231,100
F. Closing Nonlapsing Balances*	(25,231,100)		(25,231,100)		(25,231,200)
<b>Total Revenue:</b>	<b>\$2,852,399,200</b>		<b>\$2,949,399,100</b>		<b>\$3,106,436,400</b>
<b>Expenditures by Program</b>	<b>Amount</b>	<b>WPU's</b>	<b>Amount</b>	<b>WPU's</b>	<b>Amount</b>
A. Regular Basic School Program					
1. Kindergarten	\$93,994,200	26,383	\$89,570,300	27,277	\$96,315,100
2. Grades 1-12	1,951,169,800	593,523	\$2,015,010,600	599,952	2,118,430,500
3. Foreign Exchange Students	1,049,600	328	\$1,113,600	328	1,158,200
4. Necessarily Existent Small Schools	31,301,000	9,588	\$32,551,300	9,588	33,855,200
5. Rural Student Add-on <sup>2</sup>	0	0	\$0	850	3,000,000
6. Professional Staff	181,349,800	55,545	\$188,575,300	55,919	197,450,000
7. Administrative Costs	4,784,400	1,505	5,109,500	1,490	5,261,200
<b>Subtotal:</b>	<b>\$2,263,648,800</b>	<b>686,872</b>	<b>\$2,331,930,600</b>	<b>695,404</b>	<b>\$2,455,470,200</b>
B. Restricted Basic School Program					
1. Special Education - Regular - Add-on WPU's	\$264,072,200	82,342	279,978,300	84,217	\$297,378,800
2. Special Education - Regular - Self-Contained	45,967,000	13,970	47,428,200	13,787	48,681,900
3. Special Education - Pre-School	35,682,600	11,052	37,521,500	11,179	39,473,000
4. Special Education - Extended Year Program	1,444,500	447	1,517,600	452	1,596,100
5. Special Education - Impact Aid	6,558,700	2,015	6,840,900	2,036	7,189,100
6. Special Education - Intensive Services	2,546,200	778	2,641,300	786	2,775,400
7. Special Education - Extended Year for Special Educators	4,161,000	909	3,086,100	909	3,209,700
8. Career & Technical Education - District Add-on	\$93,814,000	28,821	\$97,847,300	29,116	\$102,808,600
9. Class Size Reduction	\$134,504,200	41,416	\$140,607,300	41,873	\$147,853,600
<b>Subtotal:</b>	<b>\$588,750,400</b>	<b>181,750</b>	<b>\$617,468,500</b>	<b>184,355</b>	<b>\$650,966,200</b>
<b>Total Expenditures:</b>	<b>\$2,852,399,200</b>	<b>868,622</b>	<b>\$2,949,399,100</b>	<b>879,759</b>	<b>\$3,106,436,400</b>

# Minimum School Program & School Building Program

A	C	D	E	F	G
	Fiscal Year 2018 Actual Expenditures	Fiscal Year 2019 Revised Appropriations	Fiscal Year 2020 Recommended Appropriations		
T H E L I N E					
<b>Part B: Related to Basic School Program</b>					
<b>Revenue Sources</b>	<b>Amount</b>		<b>Amount</b>		<b>Amount</b>
A. General State Revenue					
1. Education Fund	\$564,284,900		\$617,389,900		\$687,821,000
2. Education Fund, One-time	2,368,500		4,581,200		96,000,000
B. Restricted State Revenue					
1. USF Restricted - Trust Distribution Account	64,252,300		74,791,900		82,663,100
2. EF Restricted - Teacher and Student Success Account	0		65,150,000		83,916,500
3. EF Restricted - Charter School Levy Account	22,100,000		23,839,600		26,931,000
<b>Subtotal:</b>	<b>\$653,005,700</b>	<b>\$0</b>	<b>\$785,752,600</b>	<b>\$0</b>	<b>\$977,331,600</b>
B. Transfers to Education Fund, One-time	0		0		0
C. Beginning Nonlapsing Balances	16,138,400		18,166,300		18,166,300
D. Closing Nonlapsing Balances <sup>+</sup>	(18,166,300)		(18,166,300)		(18,166,300)
<b>Total Revenue:</b>	<b>\$650,977,800</b>		<b>\$785,752,600</b>		<b>\$977,331,600</b>
<b>Expenditures by Program</b>	<b>Amount</b>	<b>Changes</b>	<b>Amount</b>	<b>Changes</b>	<b>Amount</b>
A. Related to Basic Programs					
1. Pupil Transportation - To & From School	83,730,200		91,336,200	4,625,700	95,961,900
2. Pupil Transportation - Grants for Unsafe Routes	94,500		0		0
3. Pupil Transportation - Guarantee Transportation Levy	500,000		500,000	5,100	505,100
4. Pupil Transportation - Rural School Reimbursement	0		500,000		500,000
5. Flexible Allocation - WPU Distribution <sup>2</sup>	7,788,000		72,938,000	84,766,500	157,704,500
6. Charter School Local Replacement	164,752,000		178,526,000	12,516,300	191,042,300
7. Charter School Administrative Costs	7,557,400		7,980,600	131,600	8,112,200
<b>Subtotal:</b>	<b>\$264,422,100</b>	<b>\$0</b>	<b>\$351,780,800</b>	<b>\$102,045,200</b>	<b>\$453,826,000</b>
B. Focus Populations					
1. Enhancement for At-Risk Students	28,097,900		38,374,500	17,218,500	55,293,000
2. Youth-in-Custody	21,100,600		24,712,100	1,251,600	25,963,700
3. Adult Education	11,359,800		13,492,100	683,300	14,175,400
4. Enhancement for Accelerated Students	5,032,400		5,219,100	264,300	5,483,400
5. Centennial Scholarship Program	189,800		250,000		250,000
6. Concurrent Enrollment	10,784,300		11,184,400	566,500	11,750,900
7. Title I Schools in Improvement - Paraeducators	300,000		300,000	3,100	303,100
8. Early Literacy Program	15,000,000		15,000,000	153,500	15,153,500
9. Early Intervention	7,500,000		7,500,000	76,800	7,576,800
10. Early Graduation from Competency-based Education	0		55,700		55,700
<b>Subtotal:</b>	<b>\$99,364,800</b>	<b>\$0</b>	<b>\$116,087,900</b>	<b>\$20,217,600</b>	<b>\$136,005,500</b>
C. Educator Supports					
1. Educator Salary Adjustments <sup>4</sup>	174,558,300	4,281,200	177,926,700	34,281,200	207,926,700
2. Teacher Salary Supplement	6,724,100		14,274,900		14,274,900
3. Teacher Supplies & Materials	5,000,000		5,500,000		5,500,000
4. Effective Teachers in High-poverty Schools	250,000		250,000		250,000
5. Elementary School Counselor Program <sup>5</sup>	0		2,100,000	31,745,000	33,845,000
<b>Subtotal:</b>	<b>\$186,532,400</b>	<b>\$4,281,200</b>	<b>\$200,051,600</b>	<b>\$66,026,200</b>	<b>\$261,796,600</b>
D. Statewide Initiatives					
1. School LAND Trust Program	64,195,300	791,900	74,791,900	8,663,100	82,663,100
2. School Library Books & Electronic Resources	850,000		850,000		850,000
3. Matching Fund for School Nurses	1,002,000		1,002,000		1,002,000
4. Dual Immersion	3,556,000		4,256,000		4,256,000
5. Year-round Math & Science (USTAR Centers)	5,799,700		6,200,000		6,200,000
6. Beverley Taylor Sorenson Arts Learning Program	10,498,000		10,880,000		10,880,000
7. Digital Teaching & Learning Program	14,595,300		19,852,400		19,852,400
8. Public Education Job Enhancement	27,600		0		0
9. Civics Education - State Capitol Field Trips	134,600		0		0
<b>Subtotal:</b>	<b>\$100,658,500</b>	<b>\$791,900</b>	<b>\$117,832,300</b>	<b>\$8,663,100</b>	<b>\$125,703,500</b>
<b>Total Expenditures:</b>	<b>\$650,977,800</b>	<b>\$5,073,100</b>	<b>\$785,752,600</b>	<b>\$196,952,100</b>	<b>\$977,331,600</b>

### Minimum School Program & School Building Program

A	C	D	E	F	G
	Fiscal Year 2018 Actual Expenditures		Fiscal Year 2019 Revised Appropriations		Fiscal Year 2020 Recommended Appropriations
<b>Part C: Voted &amp; Board Local Levy Programs</b>					
<b>Revenue Sources</b>	<b>Amount</b>	<b>Changes</b>	<b>Amount</b>	<b>Changes</b>	<b>Amount</b>
A. General State Revenue					
1. Education Fund	123,790,100		\$128,740,500		\$107,834,000
2. Education Fund, One-time	(8,000,000)				
B. Restricted State Revenue					
1. EFR - Minimum Basic Growth Account	56,250,000		\$56,250,000		\$56,250,000
2. EFR - Local Levy Growth Account	0		\$36,117,300		\$48,998,000
<b>Subtotal State Revenues:</b>	<b>\$172,040,100</b>		<b>\$221,107,800</b>		<b>\$213,082,000</b>
C. Local Property Tax Revenue					
1. Voted Local Levy	299,360,200		324,424,900		350,202,100
2. Board Local Levy	100,416,300		109,864,100		208,913,900
3. Board Local Levy - Reading Improvement Program	15,000,000		15,000,000		15,000,000
<b>Subtotal Local Property Tax Revenues:</b>	<b>\$414,776,500</b>		<b>\$449,289,000</b>		<b>\$574,116,000</b>
C. Beginning Nonlapsing Balances	972,100		0		
D. Closing Nonlapsing Balances	0		0		
<b>Total Revenue:</b>	<b>\$587,788,700</b>	<b>\$0</b>	<b>\$670,396,800</b>	<b>\$0</b>	<b>\$787,198,000</b>
<b>Expenditures by Program</b>			<b>Amount</b>	<b>Changes</b>	<b>Amount</b>
A. Voted and Board Local Levy Programs					
1. Voted Local Levy Program	442,247,100		\$495,172,900		\$508,595,800
2. Board Local Levy Program	130,541,600		160,223,900		\$263,602,200
3. Board Local Levy - Early Literacy Program	15,000,000		15,000,000		15,000,000
<b>Total Expenditures:</b>	<b>\$587,788,700</b>		<b>\$670,396,800</b>	<b>\$0</b>	<b>\$787,198,000</b>
<b>Total Minimum School Program Expenditures:</b>	<b>\$4,091,165,700</b>		<b>\$4,405,548,500</b>		<b>\$4,870,966,000</b>

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

<b>Revenue Sources</b>	<b>Amount</b>		<b>Amount</b>	<b>Changes</b>	<b>Amount</b>
A. State Revenue					
1. Education Fund	\$14,499,700		\$14,499,700	\$25,000,000	\$39,499,700
2. Education Fund, One-time	\$0		\$0		\$76,000,000
3. EFR - Minimum Basic Growth Account	\$18,750,000		\$18,750,000		\$18,750,000
<b>Total Revenue:</b>	<b>\$33,249,700</b>		<b>\$33,249,700</b>		<b>\$134,249,700</b>
<b>Expenditures by Program</b>			<b>Amount</b>		<b>Amount</b>
A. Capital Outlay Programs					
1. Foundation	\$27,610,900		\$27,610,900	\$25,000,000	\$52,610,900
2. Enrollment Growth	\$5,638,800		5,638,800		5,638,800
<b>Total Expenditures:</b>	<b>\$33,249,700</b>		<b>\$33,249,700</b>	<b>\$25,000,000</b>	<b>\$58,249,700</b>

Governor's Office of Management & Budget

Date Modified:

12/1/18

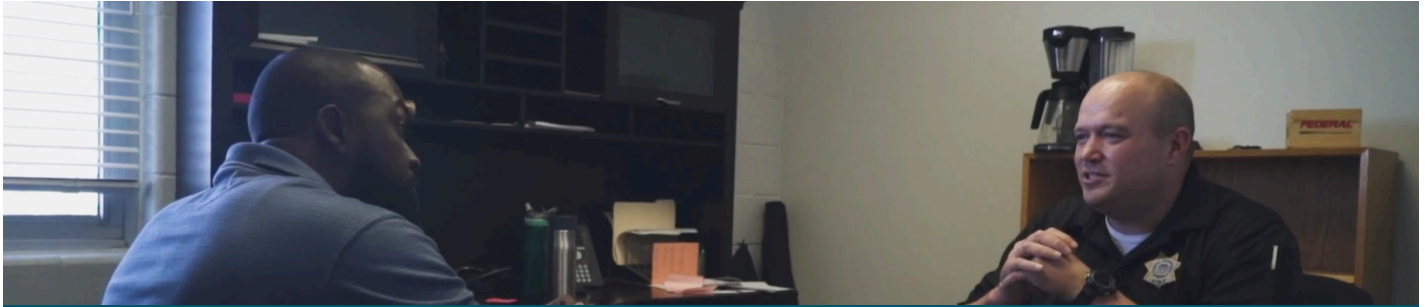
**Notes:**

1. Amounts may not reflect the impact of prior-year encumbrances.
2. This program is focused on students in counties of the 3rd to 6th classes (with the exception of students enrolled in the Park City School District).
3. This includes ongoing appropriation of existing (\$65,150,000) and new revenue (\$18,766,500) from the Teacher and Student Success Account and a one-time appropriation of \$66,000,000 from the Education Fund. The Governor recommends that schools provide matching funding in order to receive the one-time funds.
4. Includes a one-time appropriation of \$30,000,000 for educator bonuses.
5. The Governor recommends amending statute to broaden the reach and flexibility of funding in this program.





## CORRECTIONS, PUBLIC SAFETY & RECIDIVISM



A continued focus on reducing recidivism and improving public safety

### Highlights

\$3 million for jail reimbursement to increase the daily rate to counties from 77 to 93 percent of the statutory rate

\$1.8 million to hire 22 investigators to prepare pre-sentence reports to free up agents to supervise offenders in the community

\$1 million for peace officer training

\$1 million for jail contracting

\$719,000 for public safety equipment

\$460,000 to investigate restricted persons trying to purchase a firearm

\$500,000 for the DNA sexual kit processing for the Crime Lab

\$450,000 for an integrated data system for state and local law enforcement agencies

The Department of Public Safety has set an ambitious target of reversing the gun-related crime rate that has increased in Utah over the last five years

### Background

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

### Utah's Prison Population

Between January 2015 and August 2017, the average daily number of inmates decreased from 7,061 to 6,301. The number of inmates has risen from the low of 6,301 in August 2017 to 6,600 inmates in September 2018. While the prison population has grown the last several years, it remains below the 7,061 inmates housed in prison prior to the implementation of criminal justice reform in 2015.

The State of Utah currently incarcerates 243 people per 100,000 of the total adult population (0.36 percent of the total adult population). This is down from 351 people per 100,000 in 2012. Utah's adult population incarceration rate is significantly lower than both the average incarceration rate of Western states (470 per 100,000 adults) and the overall national rate (582 per 100,000 adults).

The Commission on Criminal and Juvenile Justice (CCJJ) reports annually on criminal justice policy. Recent findings indicate that:

- prison length of stay for non-violent offenders has decreased
- more criminal-justice-involved individuals receive substance abuse treatment
- quality implementation requires evaluating fidelity to policies and procedures
- high-risk parolees require increased evidence-informed support
- revocation rates at this early stage of implementation have not declined as expected.

More information:

[https://justice.utah.gov/JRI/Documents/Parole\\_Revocation\\_Patterns\\_Final.pdf](https://justice.utah.gov/JRI/Documents/Parole_Revocation_Patterns_Final.pdf)

## Prison Relocation

In recent years, the northwest quadrant of Salt Lake City was selected as the site of the new state prison. In August 2017, the Governor, lawmakers, and local officials broke ground, and site preparation is currently underway. The new prison will be designed to ensure public safety and minimize recidivism for those returning to the community. Construction of the new prison is estimated to be substantially completed by April 2021.

## Jail Reimbursement

The state reimburses counties at a specified rate for the costs of offenders sentenced to jails as a condition of felony probation. The Governor proposes a \$3 million increase to adjust from 77 percent of the statutory rate in FY 2019 to 93 percent of the statutory rate in FY 2020.

## Jail Contracting

The state contracts with counties at a specified rate for the costs of state inmates housed in county jails. The Governor proposes an increase of \$1 million to increase from 73 percent of the statutory rate in FY 2019 to 75.5 percent of the statutory rate in FY 2020.

## Supervising Offenders in the Community

Over 70 percent of offenders in the Department of Corrections' jurisdiction are supervised in the community, either through

probation or parole. As of September 2018, Adult Probation and Parole (AP&P) supervises approximately 19,000 offenders. This is an increase of 2,900 offenders (19 percent) over the last five years. During this same time, high- and intensive-risk individuals have increased from 40 percent to 54 percent.

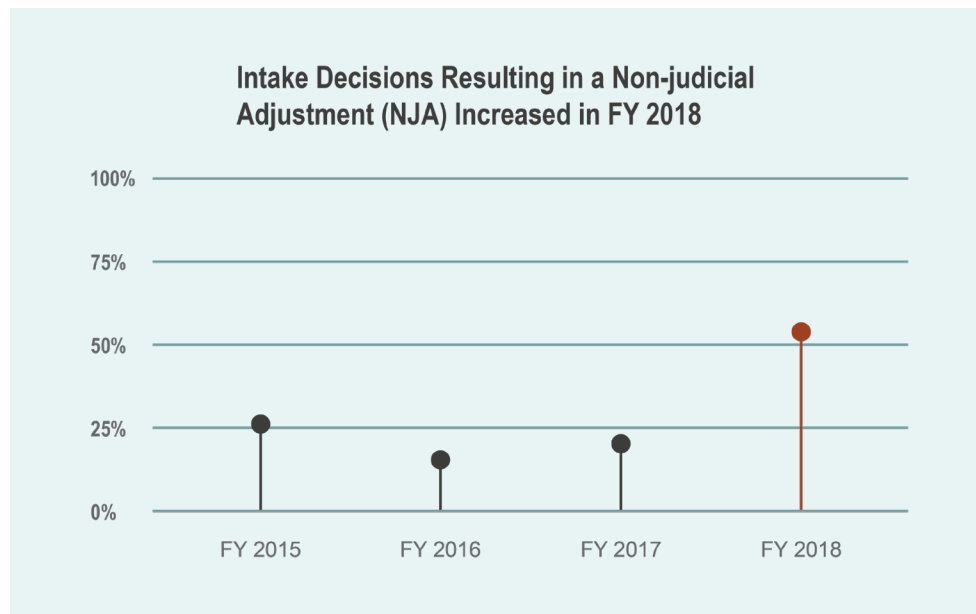
It is estimated that 3,400 people will be released from prison during 2018. The Governor's budget recommends \$1.8 million to add 22 non-POST-certified investigators to prepare investigation reports to free up certified agents to supervise offenders in the community.

To better help inmates leaving the prison transition back into the community, the Department of Corrections established a release/reentry team. Over the last year, reentry efforts have resulted in increased services for inmates. These individuals are now more consistently and reliably receiving access to medical records, vocational rehabilitation services, Department of Workforce and other employment-related resources, health insurance options, community and treatment resources, identification options, and access to housing. These efforts are moving the needle toward the state's goal of increasing public safety and making lasting, positive changes in behavior.

## Juvenile Justice Reform

The Commission on Criminal and Juvenile Justice (CCJJ) oversees the comprehensive juvenile justice reform amendments enacted HB 239 during the 2017 Legislative General Session. Reform efforts are anticipated to avert costs, with savings to be reinvested in a continuum of evidenced-based options. This effort supports the effective and efficient government focus of the Governor's SUCCESS Framework by bending the cost curve for the delivery of Juvenile Justice Services (JJS). This effort has been supported by various stakeholders including the Governor's Office of Management and Budget, Juvenile Justice Services, the Courts, and the Utah State Board of Education. Members of these various groups came together to oversee the reform by participating on the Juvenile Justice Oversight Committee. In addition, the Governor's Office of Management and Budget and Juvenile Justice Services collaborated in an intensive effort to help the agency meet the objectives of HB 239 (2017 General Session).

FIGURE 1:



The Juvenile Justice Oversight Committee continues to monitor performance measures. Preliminary findings suggest current practices are aligning with policy. For instance, the policy to increase the percent of low-risk-level youth (youth who engage in behaviors that do not fall under felony type or violent behaviors and who have been categorized as low risk to reoffend by a validated risk assessment) to receive a non-judicial adjustment rather than appearing in court is occurring. A non-judicial adjustment is a closure of the case by the assigned probation officer without judicial determination upon the consent in writing of (a) the assigned probation officer; and (b) (i) the minor, or (ii) the minor and the minor's parent, legal guardian, or custodian. Figure 1 shows that on average the initial intake decision resulting in a non-judicial adjustment offer increased from 23 percent on average to 55 percent after HB 239 was enacted.

## Public Safety

The Governor's budget recommends \$1 million to support increased demand for peace officer training and to offset the decline in revenue collections from surcharges deposited into the Public Safety Restricted Account. In addition, the Governor's budget recommends \$450,000 for an integration and data system for law enforcement agencies as well

as \$719,000 for upgrading equipment for highway patrol vehicles and 911 locations. The Governor also recommends \$500,000 to process DNA sexual assault kits submitted to the State Crime Lab.

Working together to provide a safe and secure environment for all people in Utah is the Department of Public Safety's (DPS) top priority. DPS has set an ambitious target of reversing the gun-related crime rate that has increased in Utah over the last five years. A key strategy in this effort involves the formation of the Utah Crime Gun Intelligence Center that utilizes National Integrated Ballistic Information Network technology in the state crime lab and synchronizes efforts of the Statewide Information and Analysis Center, State Bureau of Investigation, local law enforcement agencies, the Bureau of Alcohol Tobacco, Firearms and Explosives, the US Attorney's Office, and other local prosecutors. DPS is also working to expand efforts to assess threats and investigate when a restricted person attempts to purchase a gun. The Governor recommends \$460,000 to investigate restricted persons trying to purchase a firearm.

Additionally, DPS continues to improve processes and the impact of all public safety divisions. It has improved six large systems to date by 54 percent above baseline.



## CAPITAL INFRASTRUCTURE & BONDING



Focus on maximizing use of existing facilities and reducing debt for prison construction

### Highlights

AAA bond rating from all three rating agencies (S&P, Moody's, Fitch)

No new bonding recommended and \$171 million one-time (\$125 million from new funds) and \$110 million ongoing (\$23 million from new funds) to minimize bonding for the state prison relocation

Recommend building space utilization study completion before constructing major new buildings for the state or for higher education

\$35 million (\$25 million ongoing and \$10 million one-time) to extend the life of existing buildings through a new facility renovation fund

\$5.4 million to complete National Guard building

### Background

Well-functioning economies require reliable infrastructure, which, in turn, requires significant planning and funding. Ensuring an appropriate mix of bonding and cash financing for new infrastructure, along with adequate funds to operate and maintain existing buildings and transportation infrastructure, adds significant value to Utah's economy.

During the 2017 General Session, the legislature authorized \$1.6 billion in general obligation bonds for construction of the new state prison and various transportation projects throughout the state with the intent to issue the bonds over the course of several years. However, significant one-time revenues allowed the Governor and Legislature to jointly develop a solution to pay cash for prison relocation rather than bonding. The Governor's budget includes more than \$171 million in one-time revenues (\$125 million from new funds) and \$110 million ongoing (\$23 million from new funds) to minimize bonding for the state prison relocation.

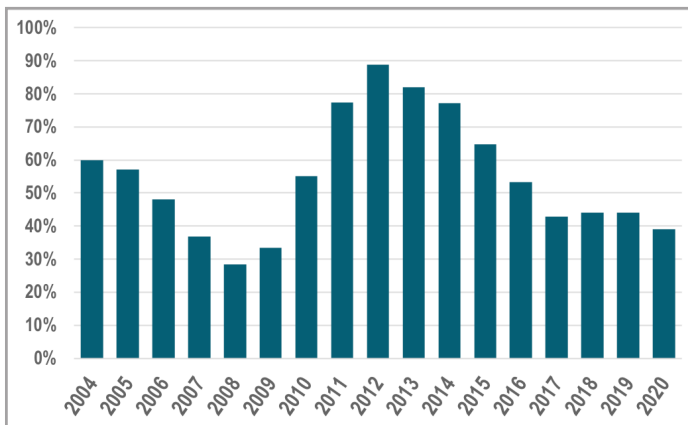
### Debt Management

Utah's longstanding "triple-triple" status—AAA rating from all three bond-rating agencies—results from conservative and responsible debt management. Utah is one of only 13 states with this rating, which is higher than the bond rating of the United States government.

As of October 2018, Utah's net general obligation debt for



FIGURE 1:  
General Obligation Debt As a Percentage of  
Constitutional Debt Limit



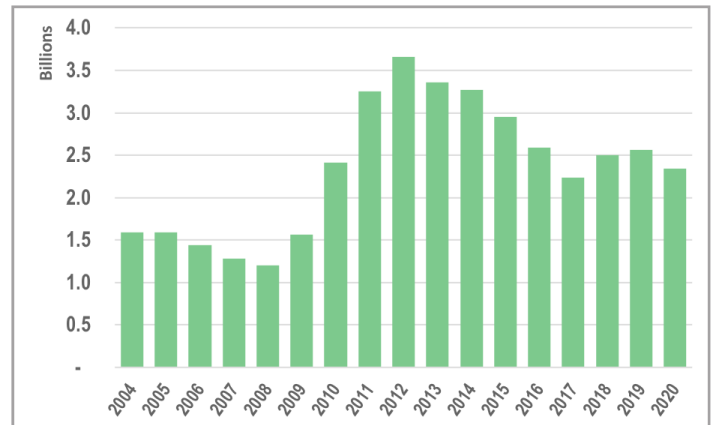
transportation and buildings is estimated at approximately \$2.6 billion. The Utah Constitution limits the state's general obligation debt for buildings and roads to 1.5 percent of the value of the state's taxable property. As Figure 1 shows, the State of Utah's general obligation debt for FY 2019 is approximately 44 percent of the constitutional debt limit. The state treasurer recommends the state strive to remain in the range of 25-50 percent of the constitutional debt limit at this expansionary stage of the business cycle.

Comparing debt levels to Utah's population and the size of the economy provides context to total debt levels. General obligation debt per capita peaked at a high of \$1,280 in FY 2012. After declining for a number of years, debt per capita began to increase in FY 2018 due to the issuance of new prison and transportation bonds. In FY 2020, this number is projected to reach \$699, lower than the FY 2012 peak but well above the pre-recession low in FY 2008.

Similar to the per capita debt peak, general obligation debt as a percentage of personal income reached a high of 3.9 percent in FY 2012. For FY 2020, the percentage is estimated to be about 1.5 percent. However, even though it has declined from earlier peaks, Utah's debt as a percent of personal income remains elevated compared to the AAA state median.

To ensure Utah maintains its AAA bond rating and continues best debt management practices, the state treasurer, in collaboration with the Governor's Office of Management and Budget and the Office of the Legislative Fiscal Analyst, completed a debt affordability study to identify and examine key debt measures. The study provides a strategic view on

FIGURE 2:  
Outstanding General Obligation Debt



the ongoing use of debt and a framework for evaluating the infrastructure needs of the state.

## New Facility Renovation Fund

Making investments to extend the life of existing infrastructure can help to minimize long-term state costs. To achieve this building longevity, the Governor recommends \$35 million (\$25 million ongoing and \$10 million one-time) to create a new Facility Renovation Fund to make investments exceeding \$3.5 million that extend the life of existing state buildings. Investing in renovation is a fiscally conservative practice that will extend the life of buildings by more than 30 years, has the opportunity to increase productivity of state employees through more efficient space utilization, and would negate the need for an estimated \$850 million in anticipated future capital development costs, including a new office building for state employees previously contemplated in a facilities master plan. The Department of Facilities and Construction Management has identified several buildings in need of renovation.

## Capital Improvements and Operations and Maintenance for State Buildings

In addition to long-term savings from major renovation projects, significant savings can be achieved over time with proper upkeep and regular maintenance of existing infrastructure. Capital improvements include remodeling, alteration, replacement or repairs of less than \$3.5 million, or the construction of a new facility of less than \$500,000. The Governor's budget includes \$126.8 million in capital

improvement funding at the statutorily required 1.1 percent of state building replacement value. Figure 4 depicts the recent history of capital improvement funding.

In addition to examining capital improvements, the state should continue to evaluate operations and maintenance (O&M) funding to more efficiently use these funds.

### Capital Development

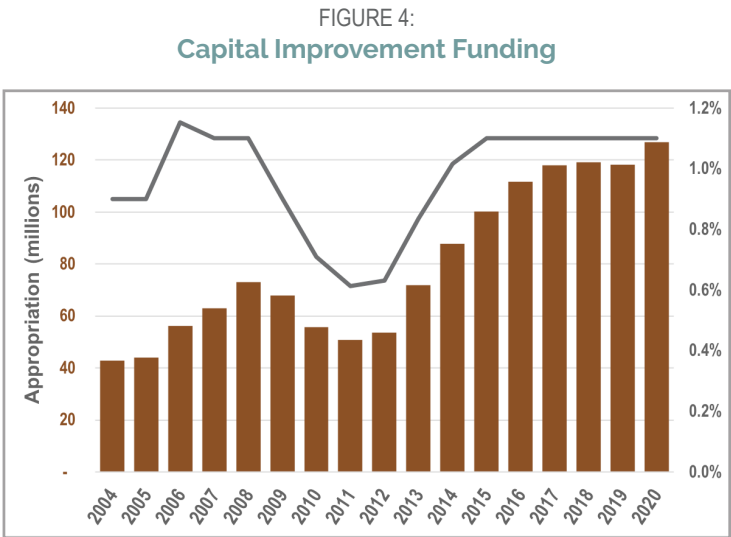
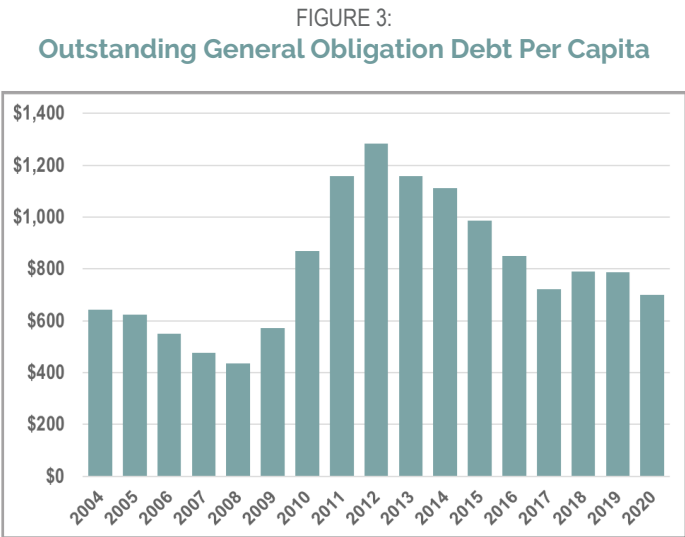
The Governor recommends \$5.4 million to complete the National Guard Nephi Readiness Center, which leverages \$17.6 million in federal funds and was recommended last year, \$2.2 million for planning and design for the Department of Agriculture and Food replacement building, and an additional \$17.8 million to be set aside for future construction once space utilization options are finalized.

Over the past year, Utah’s construction markets have experienced rapid cost escalation, with state projects experiencing an 18 percent average increase. Of this increase, 12 percent is attributable to scarce labor, 3.75 percent from steel tariffs, and 2.25 percent from increasing soft costs. The Governor recommends covering the cost overruns with \$7.4 million for Dixie State University’s Human Performance building and the Springville Schools for the Deaf and Blind building.

The Governor does not recommend constructing any new major state or higher education buildings until the state better understands how efficiently current buildings are being utilized. The State’s Division of Facilities and Construction Management (DFCM) and higher education entities have begun to study space utilization and implement a teleworking initiative pilot program.

Of 23 state buildings and 2.5 million square feet surveyed, preliminary findings of the space utilization study indicate that the average office space utilization across the state’s portfolio is a moderate 54 percent. DFCM has identified several low-capacity state buildings that, through targeted renovation/reconfiguration of work spaces and implementation of alternative workplace strategies (like telework), have the potential to house an additional 349 employees and increase utilization to 75 percent, in a moderate scenario.

By aggressively looking at space utilization and telework, the state is no longer including a new state office building in its master plan. Several years ago, a new building was viewed as necessary; however, this building is no longer necessary thanks to more efficient government and innovative ways to use existing space.



**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, 2018
2009 A Highway Issue	3/17/2009	2010 – 2018	2.00 % – 5.00 %	\$394,360	\$25,265
2009 C Highway/Capital Facility Issue	9/29/2009	2011 – 2018	2.00 % – 5.00 %	\$490,410	\$70,865
2009 D Highway Issue	9/29/2009	2019, 2024	4.15 %, 4.55 %	\$491,760	\$491,760
2010 B Highway Issue	9/30/2010	2019 – 2025	3.19 % – 3.54 %	\$621,980	\$621,980
2010 C Refunding Issue	10/21/2010	2016 – 2019	4.00 % – 5.00 %	\$172,055	\$114,910
2011 A Highway/Capital Facility Issue	7/6/2011	2012 – 2021	2.00 % – 5.00 %	\$609,920	\$175,965
2013 Highway Issue	7/30/2013	2014 – 2028	3.00 % – 5.00 %	\$226,175	\$71,225
2015 Refunding Issue	4/29/2015	2019 – 2026	3.50 % – 5.00 %	\$220,980	\$220,980
2017 Highway/Prison Issue	7/10/2017	2018 – 2032	3.00 % – 5.00 %	\$142,070	\$142,070
2017 Refunding Issue	12/15/2017	2018 - 2028	2.21%	\$118,700	\$118,700
2018 Highway/Prison Issue	2/28/2018	2018 - 2032	3.13 % – 5.00 %	\$343,155	\$343,155
Total General Obligation Bonds Outstanding					\$2,396,875
Unamortized Bond Premium					\$101,317
Total General Obligation Bonds Payable					\$2,498,192

State Building Ownership Authority Lease Revenue Bonds Payable (Thousands)					
Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2018
Government Activities					
Series 1998 C	8/15/1998	2000 – 2019	3.80 % – 5.50 %	\$101,557	\$2,025
Series 2009 E	9/9/2009	2018 – 2030	4.62 % – 5.77 %	\$89,470	\$85,460
Series 2010	11/30/2010	2011 – 2024	2.00 % – 5.00 %	\$24,555	\$12,306
Series 2011	10/25/2011	2012 – 2031	2.13 % – 4.00 %	\$5,250	\$2,780
Series 2012 A	11/20/2012	2017 – 2027	1.50 % – 5.00 %	\$11,755	\$10,005
Series 2012 B	11/20/2012	2013 – 2022	1.50 % – 2.25 %	\$9,100	\$2,330
Series 2015	4/29/2015	2016 – 2030	3.00 % – 5.00 %	\$785	\$65
Series 2016	4/5/2016	2016 – 2038	2.25 % – 5.00 %	\$93,625	\$93,625
Series 2017	12/15/2017	2020 – 2024	5.00%	\$25,910	\$25,910
Series 2018	2/21/2018	2020 – 2039	3.00 % – 5.00 %	\$2,920	\$2,920
Business-Type Activities					
Series 1998 C	8/15/1998	2000 – 2019	3.80 % – 5.50 %	\$3,543	\$85
Series 2009 A	3/25/2009	2011 – 2019	3.00 % – 5.00 %	\$25,505	\$1,125
Series 2009 B	9/9/2009	2012 – 2019	3.00 % – 5.00 %	\$8,455	\$1,240
Series 2009 C	9/9/2009	2024, 2029	5.29 %, 5.77 %	\$16,715	\$16,715
Series 2010	11/30/2010	2011 – 2024	2.00 % – 5.00 %	\$12,180	\$6,769
Series 2012 A	11/20/2012	2017 – 2027	1.50 % – 5.00 %	\$3,855	\$3,610
Series 2012 B	11/20/2012	2013 – 2022	1.50 % – 2.25 %	\$2,600	\$540
Series 2015	4/29/2015	2016 – 2030	3.00 % – 5.00 %	\$29,230	\$27,700
Series 2016	4/5/2016	2016 – 2038	2.25 % – 5.00 %	\$4,525	\$4,375
Series 2018	2/21/2018	2020 – 2039	3.00 % – 5.00 %	\$15,545	\$15,545
Total Lease Revenue Bonds Outstanding					\$315,130
Unamortized Bond Premium					\$12,025
Total Lease Revenue Bonds Payable					\$327,155

**Legal Debt Margin (Millions)**

	2014	2015	2016	2017	2018
Taxable Value	\$207,211	\$221,650	\$235,273	\$251,598	\$271,649
Fair Market Value	\$282,489	\$303,725	\$323,367	\$347,716	\$377,260
Debt Limit Amount (1.5%)	\$4,237	\$4,556	\$4,851	\$5,216	\$5,659
Net General Obligation Bonded Debt	\$3,271	\$2,950	\$2,585	\$2,235	\$2,498
Legal Debt Margin	\$966	\$1,606	\$2,266	\$2,981	\$3,161
Net General Obligation Bonded Debt Percent of Limit	77.20%	64.75%	53.29%	42.85%	44.14%

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)**

	2014	2015	2016	2017	2018
Appropriations Limitation Amount	\$3,250	\$3,315	\$3,469	\$3,567	\$3,738
Statutory Debt Limit (45%)	\$1,463	\$1,492	\$1,561	\$1,605	\$1,682
Net General Obligation Bonded Debt	\$3,271	\$2,950	\$2,585	\$2,235	\$2,498
Exempt Highway Construction Bonds	\$2,860	\$2,622	\$2,402	\$2,180	\$2,282
Net General Obligation Bonded Debt Subject to Limit	\$411	\$328	\$183	\$55	\$217
Additional General Obligation Debt Incurring Capacity	\$1,051	\$1,164	\$1,378	\$1,550	\$1,466

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

# REVENUE EARMARKS



The Governor proposes reducing General Fund earmarks and replacing them with user fees

### Highlights

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

48 percent of new sales tax revenue growth is earmarked in FY 2020

26 percent of all state sales tax is earmarked in FY 2020

### Sales Tax Earmarks

Over the past decade the Legislature dramatically increased the use of earmarks<sup>1</sup>, particularly sales tax earmarks (see Figure 1). The Legislature previously resisted revenue earmarks because earmark-funded programs often avoid the level of scrutiny and prioritization experienced by programs subject to the intense annual examination of the standard budget process.

Under current law, 48 percent of new sales tax revenue growth for FY 2020, including the new Medicaid earmark enacted by Proposition 3, and 26 percent of total sales tax

is earmarked—primarily for transportation, Medicaid, and water (see Table 5).

Figure 1 illustrates that since the Great Recession, revenues that were historically deposited into the General Fund have grown steadily, while actual General Fund growth was tepid. One reason for the slow General Fund revenue growth since the Great Recession is the earmarking of a significant portion of sales tax revenue growth.

If earmarking General Fund revenue continues to be viewed as a successful budget strategy for permanent program funding, program advocates will likely continue to advance proposals to dedicate general revenues for other programs and services to bypass the annual scrutiny and prioritization of the budget process. The Governor believes a rigorous, annual prioritization process is healthy for the state's fiscal wellbeing.

### Earmarks Are Problematic

Statutory earmarks of General Fund revenues are problematic because they are not fully transparent. Such earmarks tend to be viewed as captured revenue—revenue that belongs to the program benefiting from the earmark—rather than as general taxpayer dollars to be prioritized for

<sup>1</sup> As used in this summary, the term “earmark” refers to revenue set aside for a specific purpose that would otherwise be directed to the General Fund.

the highest priority use. Programs funded with earmarked revenues are not required to fully compete against other state needs (including education), which can result in a less efficient allocation of state dollars.

Commonly used budget terminology illustrates the lack of transparency with earmarks. References to “new revenue” have historically included only Education Fund and General Fund increases, even though actual growth in state tax collections, which includes earmarked revenue, exceeds the reported revenue. Similarly, the term “state funds” has historically been used synonymously with Education Fund and General Fund revenue—implying that earmarked general state tax revenues outside of the General Fund are somehow not fully available state funds subject to policy decisions, despite being generated by a general state tax.

## Reforming Earmarks - A Better Approach

A better approach than earmarking general revenues for infrastructure is to align cost with use through user fees instead of taxes. Some state user fees for infrastructure exist, such as registration fees and fuel taxes to pay for roads. However, revenue produced by the existing user fee structure does not meet service demands. That is, drivers and water users do not currently pay the full costs of services.

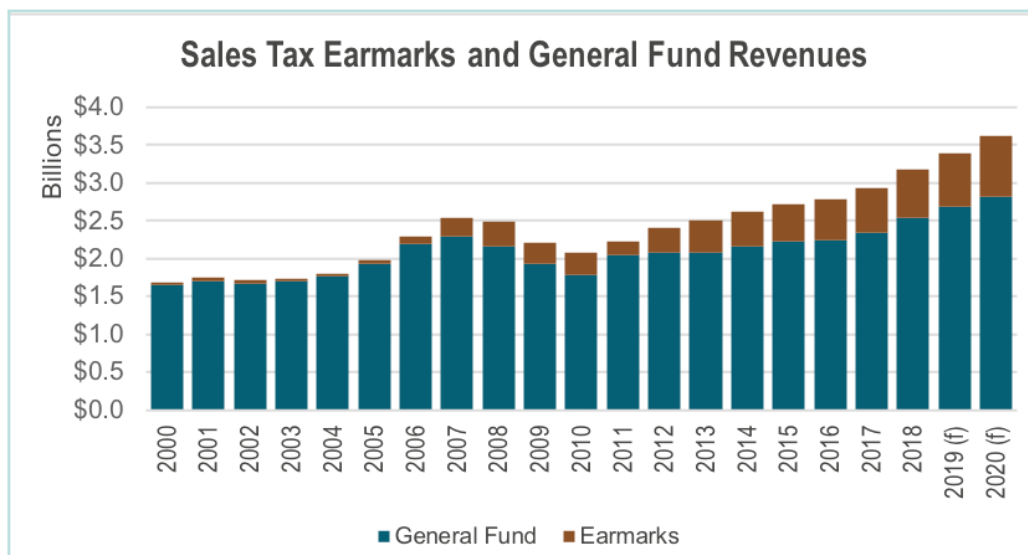
Requiring drivers to pay a higher share of transportation costs through higher user fees, such as road usage charges,

transportation service taxes and fees, and fuel taxes would lead to both a more economically efficient transportation system and a reduction in sales tax earmarks. Legislation enacted during the 2018 session made significant strides in this direction.

Similarly, state funds for water projects can be shifted from sales tax earmarks to a statewide water user fee. As further explained in *Tax Modernization: A Call to Action* budget and policy brief, the Governor recommends replacing sales tax earmarks for water with a statewide water usage fee on the usage of municipal and industrial (M&I) water, including institutional water use. Under the proposed fee, an amount would be collected for every 1,000 gallons of water use to pay for state water-related costs. For residential water use, the Governor recommends that a basic level of water use be exempted from the fee to ensure that essential water use remains affordable. This user-fee-based funding mechanism will provide state revenues for water projects, while encouraging more efficient use of limited water in the state and requiring those who use the most water to pay a higher share of water project costs.

In addition to replacing existing water earmarks, any future state funding increase for proposed major water projects should come from water user fees. Historically, the state has played a limited role in building local water infrastructure. However, proposals for the Lake Powell and Bear River Development could leave the state on the hook for billions of dollars. If policymakers decide that the state

FIGURE 1:



should play a major role in these projects, the costs should be borne through a statewide water fee and local water fees rather than general funds or sales tax earmarks. User fees not only ensure water is used more efficiently, but they also help ensure water users only demand as much water infrastructure as they are willing to pay for. Earmarks, on the other hand, hide the true cost from the public.

Lastly, the Governor proposes repealing the earmark of insurance premium taxes currently going to the Fire

Academy Support Account and the Firefighters' Retirement Trust & Agency Fund and replacing the earmarked funding with General Fund monies.

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

## Table 5 - General Fund Earmarks and Set-Asides FY 2020

Earmarks are revenues set aside for a certain purpose. This table includes earmarks from revenues that have historically been deposited into the General Fund. As shown in the table, General Fund earmarks total about 862 million in FY 2020. All numbers are in thousands of dollars.

Earmark Item	Statute	Actual FY 2018	Authorized FY 2019	Consensus FY 2019	% Chg. FY 18 - FY 19	Consensus FY 2020	% Chg. FY 19 - FY 20
<b>Sales and Use Tax</b>							
<b>Transportation:</b>							
Transportation Investment Fund of 2005 (1/16%)	59-12-103(6)	30,993	24,243	24,650	-20.5%	17,175	-30.3%
Transportation Investment Fund of 2005 (8.3% of sales tax)	59-12-103(8)	220,969	230,425	234,565	6.2%	245,129	4.5%
Transportation Investment Fund of 2005 (30% of growth)	59-12-103(8)	231,618	241,530	245,870	6.2%	256,943	4.5%
Transportation Investment Fund of 2005 (.05%)	59-12-103(11)	22,929	19,114	19,468	-15.1%	15,246	-21.7%
Transportation Investment Fund of 2005 (3.68% of sales tax)	59-12-103(9)	63,000	102,165	104,000	65.1%	108,684	4.5%
<b>Subtotal - Sales and Use Tax Transportation</b>		<b>569,510</b>	<b>617,477</b>	<b>628,553</b>	<b>10.4%</b>	<b>643,178</b>	<b>2.3%</b>
<b>Water:</b>							
Water development (94% of \$ over \$18.5M gen. by 1/16%)	59-12-103(5)(d)	17,503	18,916	19,494	11.4%	21,070	8.1%
Water Infrastructure Account	59-12-103(6)	7,748	16,162	16,433	112.1%	25,763	56.8%
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)	3,089	3,338	3,440	11.4%	3,718	8.1%
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	175	175	0.0%	175	0.0%
Cloud seeding (\$ over \$18M gen by 1/16%, up to \$150K)	59-12-103(5)(c)	150	150	150	0.0%	150	0.0%
<b>Subtotal - Sales and Use Tax Water</b>		<b>46,490</b>	<b>56,566</b>	<b>57,517</b>	<b>23.7%</b>	<b>68,701</b>	<b>19.4%</b>
<b>Other:</b>							
Qualified Emergency Food Agency Fund	59-12-103(10)	534	534	534	0.0%	534	0.0%
Throughput Infrastructure	59-12-103(12)	27,000	0	0	-100.0%	0	0.0%
Prop 3 Medicaid Expansion		0	0	12,394	0.0%	88,813	0.0%
<b>Subtotal - Sales and Use Tax Other</b>		<b>27,534</b>	<b>534</b>	<b>12,928</b>	<b>-53.05%</b>	<b>89,347</b>	<b>0</b>
<b>Subtotal - All Sales and Use Tax Earmarks</b>		<b>643,533</b>	<b>674,576</b>	<b>698,998</b>	<b>8.6%</b>	<b>801,226</b>	<b>14.6%</b>
<b>Severance Tax:</b>							
Permanent State Trust Fund (begins FY 2016-17)**	Article XIII, Sec. 5	0	9,657	13,597	0	15,320	0.0%
<b>Subtotal - Severance Tax</b>		<b>0</b>	<b>9,657</b>	<b>13,597</b>	<b>0.0%</b>	<b>15,320</b>	<b>0.0%</b>
<b>Cigarette Tax:</b>							
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%
<b>Subtotal - Cigarette Tax Earmarks</b>		<b>7,950</b>	<b>7,950</b>	<b>7,950</b>	<b>0.0%</b>	<b>7,950</b>	<b>0.0%</b>
<b>Beer Tax:</b>							
Alcohol law enforcement	59-15-109	5,406	5,856	5,856	8.3%	5,577	0.0%
<b>Subtotal - Beer Tax</b>		<b>5,406</b>	<b>5,406</b>	<b>5,856</b>	<b>8.3%</b>	<b>5,577</b>	<b>-4.8%</b>
<b>Insurance Premium Tax:</b>							
Fire Academy Support Account	53-7-204(2)	2,221	2,251	2,326	4.7%	2,477	6.5%
Relative Value Study Restricted Account	59-9-105	135	137	141	4.7%	151	6.5%
Workplace Safety Account	34A-2-701	1,305	1,323	1,367	4.7%	1,456	6.5%
Employers' Reinsurance Fund	34A-2-702	15,902	16,116	16,657	4.7%	17,738	6.5%
Uninsured Employers' Fund	34A-2-704	1,397	1,416	1,463	4.7%	1,558	6.5%
Firefighters' Retirement Trust & Agency Fund	49-11-901(5)	4,442	4,502	4,653	4.7%	4,955	6.5%
<b>Subtotal - Insurance Premium Tax</b>		<b>25,402</b>	<b>25,744</b>	<b>26,607</b>	<b>4.7%</b>	<b>28,335</b>	<b>6.5%</b>
<b>General Fund Set-Asides</b>							
Economic Development - Tax Increment Financing	63N-2-109	3,100	3,255	3,255	5.0%	3,255	0.0%
Economic Development - Tourism Marketing Performance Account	63N-7-301	21,000	24,000	24,000	14.3%	0	0.0%
<b>Subtotal - General Fund Set-Asides</b>		<b>24,100</b>	<b>24,100</b>	<b>27,255</b>	<b>13.1%</b>	<b>3,255</b>	<b>-88.1%</b>
<b>Total - General Fund Earmarks</b>		<b>706,391</b>	<b>747,433</b>	<b>780,263</b>	<b>10.5%</b>	<b>861,662</b>	<b>10.4%</b>

# MAJOR REVENUE SOURCES



Utah's economy continues to grow, creating revenue growth

## Highlights

\$5.1 billion Education Fund revenue

\$2.8 billion General Fund revenue

\$4.5 billion individual income tax

\$3 billion state sales and use tax

26 percent of state sales tax is earmarked

\$0.5 billion corporate tax

\$0.5 billion fuel taxes

\$5.4 billion of federal funds flow through the state budget

## State Taxes and Fees

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

**Sales and Use Tax.** The sales and use tax is the largest revenue source for state government operations, generating an estimated \$3 billion in revenue for FY 2020. A large portion of sales and use tax revenues (\$2.24 billion) is deposited into the General Fund. Of the \$801 million in earmarked sales taxes that is not deposited into the General Fund, \$643 million is for transportation while \$89 million is for Medicaid as enacted by Proposition 3 and more than \$69 million is for water and other purposes. In addition to sales tax earmarks, additional revenues are set aside for economic development and other purposes from the General Fund.

As explained in *Tax Modernization: A Call to Action* budget and policy brief, the Governor recommends modernizing the state's sales tax structure to better align with the economy.

**Individual/Corporate Income Tax.** The Utah Constitution requires that income taxes support public and higher education. Based on this constitutional directive, revenues from both individual income



taxes (\$4.53 billion) and corporate franchise and income taxes (\$497 million) are not deposited into the General Fund. Rather, these revenues are segregated into the Education Fund and used only to support the state’s public and higher education systems.

**Gas Tax.** The Utah Constitution also requires that “proceeds from fees, taxes, and other charges related to the operation of motor vehicles on public highways and proceeds from an excise tax on liquid motor fuel” be used for transportation purposes. Consequently, motor and special fuel taxes or “gas taxes” (\$518 million) are deposited into a separate Transportation Fund to be used for transportation purposes.

**General Fund Revenue Sources.** State sales and use taxes are the primary revenue source for the General Fund (\$2.24 billion). Other taxes deposited into the General Fund include severance taxes on oil, gas, and mineral extraction (\$46 million); beer, cigarette, and tobacco taxes (\$108 million); insurance premium taxes (\$149 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 (\$125 million), investment income (\$37 million), and other sources including legal settlements, and transfers of certain fee revenues and credits (net \$80 million). In FY 2020, an estimated \$15 million of severance tax revenue historically available to the General Fund will be deposited to the state Permanent Fund.

**Earmarked Sales Tax.** As the *Revenue Earmarks* budget and policy brief highlights in greater detail, over the past

decade the legislature has significantly increased earmarks of sales and use tax revenues to other funds, thereby restricting General Fund revenues. For FY 2020, total earmarks and set-asides are estimated at about \$862 million, including \$801 million in sales tax earmarks that would have been deposited into the General Fund if the earmark were not in place. In addition to creating funding challenges, revenue earmarking makes it difficult to create a meaningful historical comparison of General Fund allocations or combined General Fund and Education Fund allocations across previous years.

**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 \$820 million. Revenue collected from fees is intended to tie the cost of providing specific government services or regulation directly to the user of the service. State statute requires that state-imposed fees be “reasonable, fair, and reflect the cost of services provided” and that a public hearing be held prior to fee adoption.

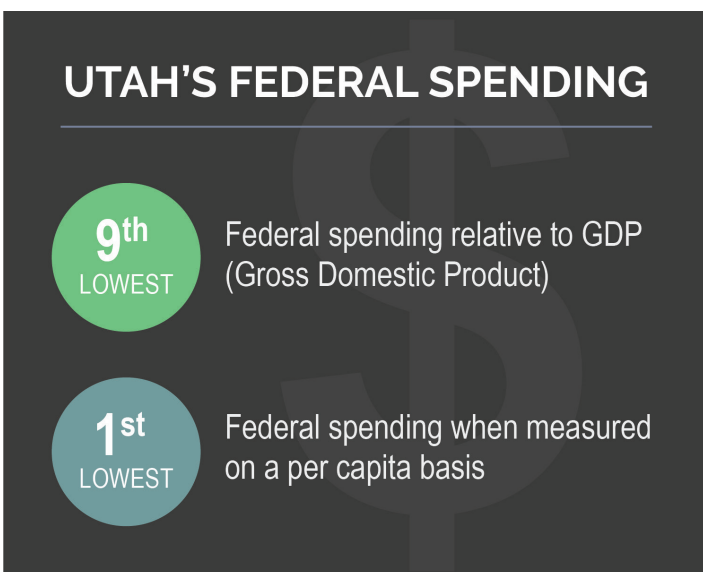
Examples of state-imposed fees include business registrations and licenses, motor vehicle registration, hunting and fishing licenses, and fees imposed on regulated businesses (e.g. state regulatory fees imposed on banks by the Department of Financial Institutions or insurance company fees imposed by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

The Department of Commerce imposes various fees on businesses to cover its regulatory costs. To continue its work to provide more efficient services, the Governor and the Department of Commerce propose reducing business fees for the state construction registry and single state sign-on website, which reduces fees by more than \$1.5 million.

Because fees ensure that government services are paid by those who benefit from them, the Governor’s tax modernization proposal recommends an increased reliance on user fees rather than taxes, particularly for transportation and water.

## Lapsing and Non-lapsing Balances

Amounts appropriated to state agencies but not expended during the year of appropriation remain available for use in future years—either when returned to the fund from which



they came (lapsing balances) or remaining with the agency for expenditure (non-lapsing balances).

## Federal Funds

**Federal Taxes.** Based on IRS data for the 2017 federal fiscal year, taxpayers from Utah paid over \$22.5 billion in taxes to the federal government, including over \$20.3 billion in individual income, FICA, and employment taxes, \$1.3 billion in business income taxes, and over \$854 million in excise, estate, and other taxes.

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

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

having to send the money to the federal government.

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

## Comparing Utah's Reliance on Federal Funds to Other States

A recent Pew Charitable Trust report on federal spending shows that Utah has the ninth lowest total federal spending relative to gross domestic product (GDP) when accounting for all federal spending. And according to a 2018 study published by Federal Funds Information for States (FFIS), in FY 2017, Utah had the lowest total federal spending when measured on a per capita basis.

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

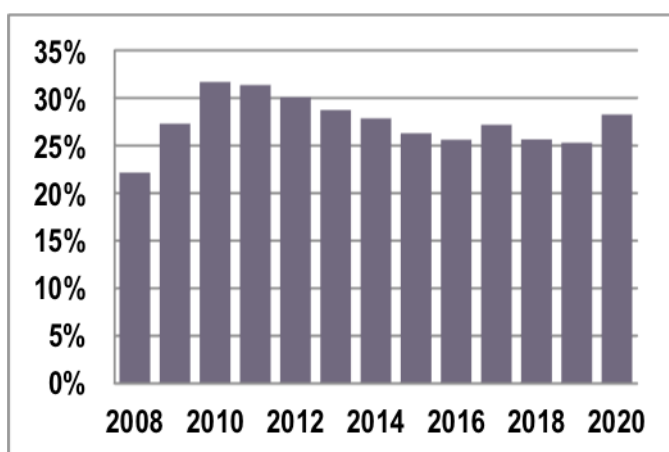
As of 2016, Utah was one of only 12 states that received less than 30 percent of its total budget state revenue from federal funds. Although there is a lag in data for comparisons with other states, Utah's percentage of federal funds appropriated through the state budget is projected at 28 percent in FY 2020.

## Federal Funding in the State Budget

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

Figure 1 shows the overall percentage of federal funds in the state budget. As illustrated, federal funding as a percent of the state budget increased during the Great Recession when state tax revenues plummeted and federal

FIGURE 1:  
Percentage Of Federal Funds In The State Budget



aid to states increased. Federal increases came through longstanding programs such as Medicaid and new federal assistance programs such as the American Recovery and Reinvestment Act (ARRA). As Utah's economy recovered, the ratio of federal funds to the total state budget declined overall. However, the Medicaid expansion approved by voters reverses the downward trend, as \$842 million in federal funds are incorporated into the state budget.

Figure 2 shows some of the largest federally funded program areas. These programs account for about 74 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 salaries of citizen soldiers in Utah's National Guard. Moreover, Utah's public education system is projected to receive over \$520 million in federal assistance in FY 2020, including a number of federally authorized child nutrition programs that provide financial assistance for meals to eligible children; special education funding authorized in the Individuals with Disabilities Education Act (IDEA); and funding authorized in Title I of the Elementary and Secondary Education Act that provides additional support for students living in poverty, migrant students, and neglected students.

Although Utah should exercise caution to not become overly reliant on federal funding, the state should also seek to get the best value possible for the taxes paid by Utah citizens to the federal government.

FIGURE 2:  
**SELECTED FEDERAL FUNDING AREAS FLOWING THROUGH THE  
STATE BUDGET (\$ IN MILLIONS)**

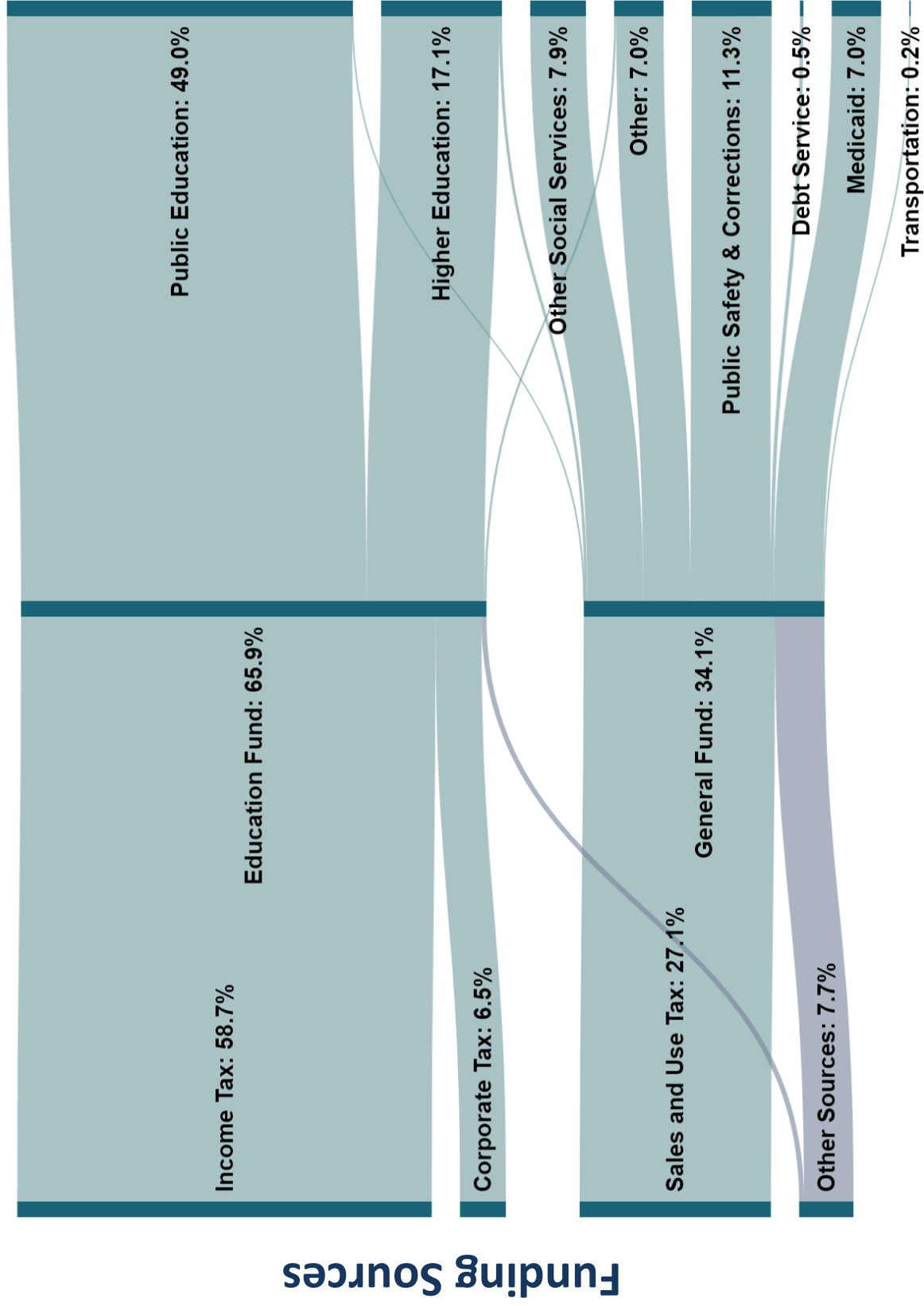
Program Area	FY 2020 Budget
Medicaid, including voter-approved Medicaid expansion	\$2,447
Education (including special education, school lunch, and Title 1 for disadvantaged students)	\$520
Transportation	\$458
Supplemental Nutrition Assistance (SNAP)	\$286
Temporary Assistance for Needy Families (TANF)	\$98
National Guard	\$58
Office of Rehabilitation (USOR)	\$58
Women, Infants, and Children (WIC)	\$42

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

(In Thousands of Dollars)

Sources	FY 2018 Actual	Governor's Recommendations					
		FY 2019 Authorized	FY 2019 Adjustments	FY 2019 Total	FY 2020 Base	FY 2020 Adjustments	FY 2020 Total
General Fund	2,437,330	2,614,166	0	2,614,166	2,614,166	-8,289	2,605,877
General Fund, One-time	18,932	95,884	14,526	110,410	0	67,854	67,854
Education Fund	4,168,072	4,475,026	0	4,475,026	4,475,026	483,280	4,958,306
Education Fund, One-time	84,033	100,689	375,281	475,970	0	220,575	220,575
Uniform School Fund	27,500	27,500	0	27,500	27,500	0	27,500
Uniform School Fund, One-time	3,500	10,000	0	10,000	0	0	0
<b>Grand Total</b>	<b>6,739,366</b>	<b>7,323,265</b>	<b>389,807</b>	<b>7,713,072</b>	<b>7,116,692</b>	<b>763,420</b>	<b>7,880,112</b>
Programs	FY 2018 Actual	FY 2019 Authorized	FY 2019 Adjustments	FY 2019 Total	FY 2020 Base	FY 2020 Adjustments	FY 2020 Total
<b>Operating</b>							
Administrative Services	18,631	19,401	50,160	69,561	23,754	4,339	28,094
Agriculture and Food	16,226	14,176	1,120	15,296	13,535	16,381	29,916
Attorney General	44,082	44,720	500	45,220	43,151	-5,068	38,082
Auditor	3,136	3,410	0	3,410	3,392	104	3,497
Board of Pardons and Parole	5,493	5,876	0	5,876	5,758	303	6,062
Capitol Preservation Board	4,365	4,621	0	4,621	4,617	34	4,651
Career Service Review Office	281	284	0	284	281	8	289
Commerce	69	70	0	70	70	2	72
Corrections	300,536	314,907	0	314,907	312,035	11,085	323,120
Courts	135,933	139,555	373	139,928	138,582	6,287	144,869
Environmental Quality	15,165	17,225	98,276	115,501	17,120	584	17,705
Governor and Lieutenant Governor	33,707	36,995	285	37,279	30,867	33,814	64,681
Governor's Office of Economic Dev.	42,499	43,437	17,050	60,487	33,833	4,667	38,499
Governor's Office of Energy Dev.	1,722	2,124	0	2,124	1,617	191	1,808
Health	511,904	530,696	-14,452	516,244	554,871	-6,056	548,815
Heritage and Arts	19,258	20,264	250	20,514	16,219	6,549	22,767
Higher Education	938,274	1,011,662	0	1,011,662	1,003,829	105,044	1,108,872
Human Resource Management	20	55	0	55	42	0	42
Human Services	376,807	397,929	-2,162	395,767	391,449	27,479	418,928
Insurance	4	4	0	4	4	0	5
Juvenile Justice Services	93,449	92,704	0	92,704	92,668	1,210	93,878
Labor Commission	6,468	6,614	0	6,614	6,593	183	6,776
Legislature	28,576	34,720	0	34,720	32,100	802	32,903
National Guard	6,935	6,830	0	6,830	7,169	296	7,464
Natural Resources	71,319	42,895	39,800	82,695	42,019	13,505	55,523
Public Education	3,272,975	3,369,538	70,281	3,439,819	3,368,229	199,317	3,567,545
Public Lands Policy Coordination	3,854	3,123	0	3,123	2,669	145	2,814
Public Safety	80,063	84,450	1,610	86,060	83,962	14,559	98,520
Tax Commission	50,622	51,246	0	51,246	51,021	2,940	53,961
Technical Colleges	85,924	94,135	0	94,135	95,533	16,653	112,186
Technology Services	3,128	1,804	-62	1,742	1,800	153	1,952
Transportation	1,100	4,475	1,000	5,475	2,500	14,542	17,042
Treasurer	1,007	1,029	0	1,029	1,027	51	1,077
Utah Education and Telehealth Network	26,827	31,568	0	31,568	27,868	6,918	34,786
Utah Science, Technology, and Research	22,124	14,298	0	14,298	5,071	1,019	6,090
Veterans and Military Affairs	3,507	4,470	-104	4,366	3,367	651	4,018
Workforce Services	78,798	89,766	0	89,766	87,725	3,894	91,619
<b>Subtotal Operating Budget</b>	<b>6,304,785</b>	<b>6,541,076</b>	<b>263,927</b>	<b>6,805,003</b>	<b>6,506,345</b>	<b>482,581</b>	<b>6,988,927</b>
<b>Capital</b>							
Capital Budget	182,099	132,332	0	132,332	122,069	48,182	170,251
Natural Resources	689	1,089	0	1,089	689	0	689
Public Education	14,500	14,500	0	14,500	14,500	25,000	39,500
Transportation	40	0	0	0	0	0	0
<b>Subtotal Capital Budget</b>	<b>197,328</b>	<b>147,921</b>	<b>0</b>	<b>147,921</b>	<b>137,258</b>	<b>73,182</b>	<b>210,440</b>
Debt Service	71,532	40,003	-4,440	35,563	71,758	-33,552	38,205
Enterprise/Loan Funds	2,061	5,000	0	5,000	0	37,000	37,000
Internal Service Funds	149	149	35	184	149	0	149
Transfers to Rest. Funds/Accts.	163,512	411,159	130,321	541,479	305,182	256,209	561,391
Fiduciary Funds	0	9,000	0	9,000	9,000	0	9,000
Capital Project Funds	0	168,958	0	168,958	87,000	-52,000	35,000
<b>Total</b>	<b>6,739,366</b>	<b>7,323,265</b>	<b>389,842</b>	<b>7,713,107</b>	<b>7,116,692</b>	<b>763,420</b>	<b>7,880,112</b>

## Sources and Uses of Unrestricted General Fund and Education Fund FY 2020 Recommendations



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



**Table 7 - Recommended State-collected Funds**

(Operating and Capital Budgets, in Thousands of Dollars)

Governor's Recommendations							
Sources	FY 2018 Actual	FY 2019 Authorized	FY 2019 Adjustments	FY 2019 Total	FY 2020 Base	FY 2020 Adjustments	FY 2020 Total
General Fund	2,378,611	2,459,002	0	2,459,002	2,459,002	-122,352	2,336,650
General Fund, One-time	-13,071	3,900	-115,795	-111,895	0	-32,144	-32,144
Education Fund	4,056,572	4,228,859	0	4,228,859	4,228,859	463,633	4,692,492
Education Fund, One-time	120,533	-260	375,281	375,021	0	213,075	213,075
Uniform School Fund	27,500	27,500	0	27,500	27,500	0	27,500
Uniform School Fund, One-time	3,500	10,000	0	10,000	0	0	0
Transportation Fund	597,600	603,848	-1,743	602,105	603,848	7,379	611,227
Transportation Fund, One-time	-15,429	-17,851	4,043	-13,808	0	775	775
General Fund Restricted	404,816	441,305	151,101	592,406	330,734	210,060	540,793
Education Special Revenue	164,644	288,131	792	288,923	227,980	108,354	336,334
Transportation Special Revenue	53,711	61,284	825	62,109	58,526	3,403	61,929
Dedicated Credits	623,835	641,591	14,415	656,006	648,028	98,507	746,535
Restricted Revenue	15,622	14,270	0	14,270	14,270	0	14,270
Special Revenue	116,632	124,686	125	124,811	147,571	232	147,803
Private Purpose Trust Funds	4,512	4,565	0	4,565	4,550	237	4,786
Other Trust and Agency Funds	2,479	19,326	0	19,326	19,427	4,000	23,427
Capital Project Funds	3,521	172,490	535	173,025	3,582	627	4,210
Transportation Investment Fund	863,224	873,614	187,454	1,061,068	873,614	225,671	1,099,285
Internal Service Funds	0	200	0	200	0	0	0
Enterprise Funds	174,855	184,652	2,402	187,053	172,873	13,033	185,906
Transfers	554,421	540,491	944	541,435	524,005	58,970	582,975
Other Financing Sources	155,905	5,250	0	5,250	5,250	3	5,253
Pass-through	10,739	6,180	0	6,180	6,227	12	6,240
Beginning Balance	1,384,684	1,481,768	500	1,482,268	1,172,861	1,000	1,173,861
Non-lapsing Balance	-1,474,128	-1,172,861	-1,000	-1,173,861	-1,179,922	0	-1,179,922
Lapsing Balance	-577,640	-14,048	0	-14,048	-616	0	-616
<b>Total</b>	<b>9,637,646</b>	<b>10,987,892</b>	<b>619,878</b>	<b>11,607,770</b>	<b>10,348,168</b>	<b>1,254,473</b>	<b>11,602,641</b>

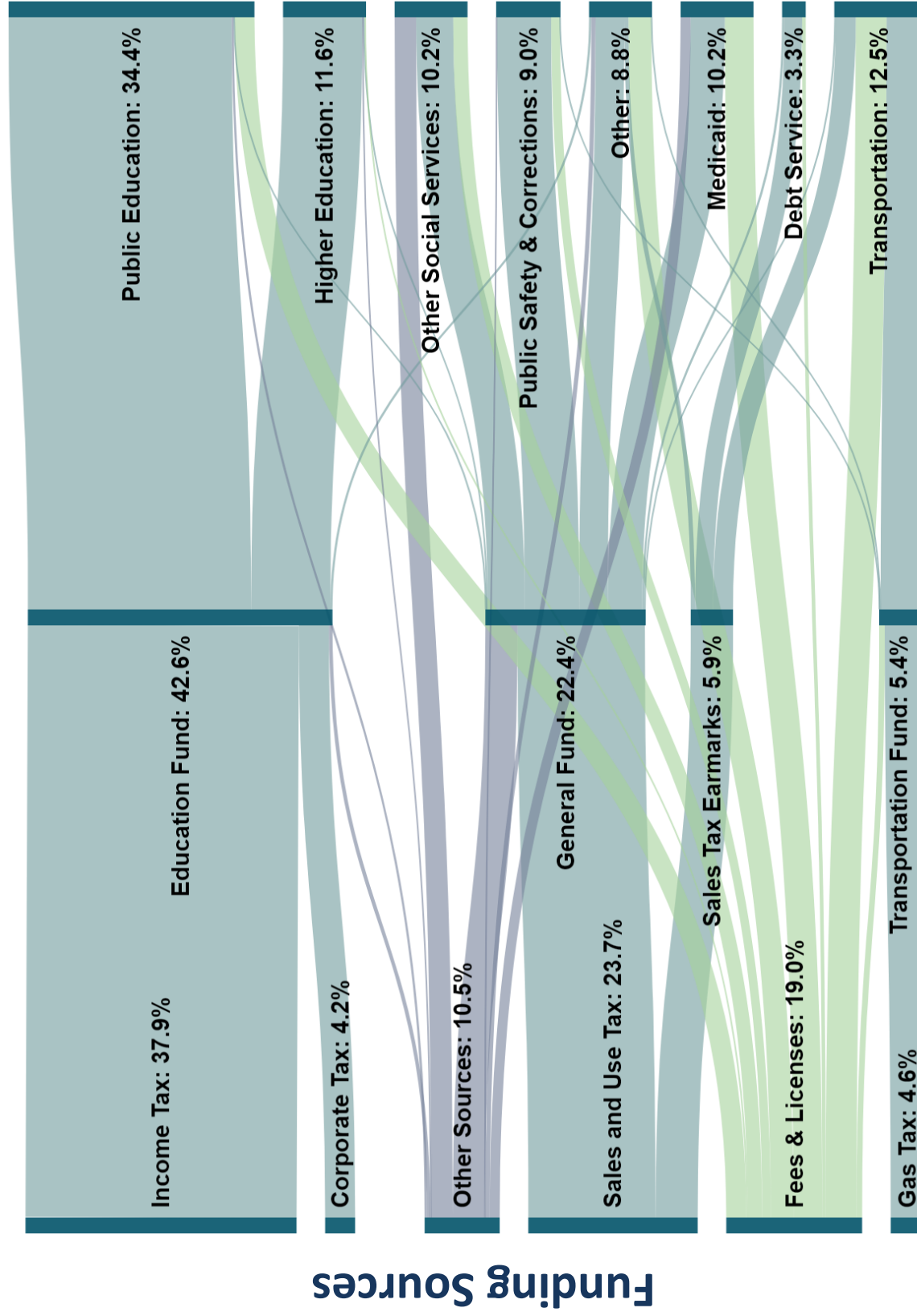
*This table includes operating and capital budgets, including expendable special revenue funds and accounts, from all state-collected sources of funding. Sources of funding include not only the General Fund and the Education Fund, but also earmarked tax revenue, funding from restricted funds and accounts,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

**Table 7 - Recommended State-collected Funds Continued**

(Operating and Capital Budgets, in Thousands of Dollars)

Governor's Recommendations							
Programs	FY 2018 Actual	FY 2019 Authorized	FY 2019 Adjustments	FY 2019 Total	FY 2020 Base	FY 2020 Adjustments	FY 2020 Total
<b>Operating Budget</b>							
Administrative Services	35,281	35,906	50,795	86,701	40,858	5,486	46,344
Agriculture and Food	34,876	35,982	2,637	38,619	34,419	18,473	52,892
Alcoholic Beverage Control	51,265	54,985	-108	54,877	55,004	4,116	59,120
Attorney General	67,847	61,213	500	61,713	58,472	-3,461	55,012
Auditor	6,131	6,763	0	6,763	6,544	194	6,738
Board of Pardons and Parole	5,233	6,356	0	6,356	5,761	303	6,064
Capitol Preservation Board	4,871	5,273	0	5,273	5,292	36	5,328
Career Service Review Office	255	284	0	284	281	8	289
Commerce	31,489	43,736	0	43,736	34,244	1,745	35,990
Corrections	309,323	328,468	300	328,768	318,498	11,385	329,883
Courts	151,822	169,503	373	169,876	164,639	6,291	170,930
Environmental Quality	40,900	44,750	99,871	144,621	48,145	3,207	51,352
Financial Institutions	7,027	7,832	0	7,832	7,799	396	8,195
Governor and Lieutenant Governor	47,773	65,642	285	65,927	57,511	38,972	96,483
Governor's Office of Economic Dev.	68,006	92,449	17,200	109,649	69,407	4,902	74,308
Governor's Office of Energy Dev.	2,211	2,608	0	2,608	2,092	201	2,294
Health	1,080,411	1,225,234	-1,269	1,223,965	1,229,618	98,361	1,327,979
Heritage and Arts	23,266	25,017	6	25,023	21,544	6,356	27,899
Higher Education	957,703	1,131,680	0	1,131,680	1,028,847	105,051	1,133,898
Human Resource Management	279	323	0	323	311	0	311
Human Services	638,168	702,450	-2,163	700,287	689,098	66,256	755,354
Insurance	12,731	14,556	0	14,556	14,251	282	14,533
Juvenile Justice Services	93,558	96,128	0	96,128	91,787	2,202	93,989
Labor Commission	11,608	12,563	0	12,563	12,427	324	12,752
Legislature	27,321	34,630	0	34,630	32,359	806	33,165
National Guard	10,793	8,108	0	8,108	8,389	302	8,690
Natural Resources	185,354	194,105	45,281	239,387	179,462	26,604	206,066
Public Education	3,474,731	3,749,219	71,073	3,820,292	3,647,358	307,991	3,955,349
Public Lands Policy Coordination	4,750	4,650	0	4,650	4,162	156	4,318
Public Safety	167,240	190,766	1,827	192,594	171,713	20,622	192,335
Public Service Commission	14,818	17,537	0	17,537	17,437	72	17,508
School and Inst. Trust Fund Office	910	965	0	965	965	266	1,231
School and Inst. Trust Lands Admin.	11,446	22,415	0	22,415	22,034	642	22,676
Tax Commission	89,364	97,111	0	97,111	97,790	3,762	101,552
Technical Colleges	86,155	95,301	0	95,301	96,934	16,653	113,587
Technology Services	3,100	5,534	-62	5,472	3,341	302	3,643
Transportation	288,305	324,446	5,167	329,613	263,368	23,024	286,392
Treasurer	3,269	4,016	218	4,234	3,821	547	4,368
Utah Communications Authority	14,139	16,856	18,447	35,303	9,991	12,000	21,991
Utah Education and Telehealth Network	42,276	59,872	0	59,872	45,702	8,539	54,241
Utah Science, Technology, and Research	25,357	22,497	0	22,497	5,528	1,030	6,557
Veterans and Military Affairs	5,436	5,334	-104	5,230	3,904	660	4,564
Workforce Services	190,828	178,880	3,331	182,211	124,597	23,818	148,414
<b>Subtotal Operating Budget</b>	<b>8,327,625</b>	<b>9,201,942</b>	<b>313,607</b>	<b>9,515,549</b>	<b>8,735,702</b>	<b>818,880</b>	<b>9,554,582</b>
<b>Capital Budget</b>							
Capital Budget	182,099	347,230	125,000	472,230	122,069	204,182	326,251
Natural Resources	5,008	12,019	0	12,019	4,127	12,000	16,127
Public Education	33,250	33,250	0	33,250	33,250	25,000	58,250
School and Inst. Trust Lands Admin.	5,899	12,052	0	12,052	12,052	3,653	15,705
Transportation	547,615	927,295	179,791	1,107,086	947,759	205,250	1,153,009
Workforce Services	27,417	93,060	0	93,060	93,060	0	93,060
<b>Subtotal Capital Budget</b>	<b>801,287</b>	<b>1,424,905</b>	<b>304,791</b>	<b>1,729,696</b>	<b>1,212,317</b>	<b>450,085</b>	<b>1,662,401</b>
Debt Service	508,735	361,045	1,480	362,525	400,149	-14,492	385,658
<b>Total</b>	<b>9,637,646</b>	<b>10,987,892</b>	<b>619,878</b>	<b>11,607,770</b>	<b>10,348,168</b>	<b>1,254,473</b>	<b>11,602,641</b>

## Sources and Uses of State-collected Funds FY 2020 Recommendations



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

**Table 8 - Recommended Operating and Capital Budget**

(All Sources of Finance, in Thousands of Dollars)

Sources	Governor's Recommendations						
	FY 2018 Actual	FY 2019 Authorized	FY 2019 Adjustments	FY 2019 Total	FY 2020 Base	FY 2020 Adjustments	FY 2020 Total
General Fund	2,378,611	2,459,002	0	2,459,002	2,459,002	-122,352	2,336,650
General Fund, One-time	-13,071	3,900	-115,795	-111,895	0	-32,144	-32,144
Education Fund	4,056,572	4,228,859	0	4,228,859	4,228,859	463,633	4,692,492
Education Fund, One-time	120,533	-260	375,281	375,021	0	213,075	213,075
Uniform School Fund	27,500	27,500	0	27,500	27,500	0	27,500
Uniform School Fund, One-time	3,500	10,000	0	10,000	0	0	0
Transportation Fund	597,600	603,848	-1,743	602,105	603,848	7,379	611,227
Transportation Fund, One-time	-15,429	-17,851	4,043	-13,808	0	775	775
General Fund Restricted	404,816	441,305	151,101	592,406	330,734	210,060	540,793
Education Special Revenue	164,644	288,131	792	288,923	227,980	108,354	336,334
Local Education Revenue	813,818	912,130	0	912,130	912,130	171,437	1,083,567
Transportation Special Revenue	53,711	61,284	825	62,109	58,526	3,403	61,929
Federal Funds	3,923,500	4,408,039	161,899	4,569,938	4,899,987	451,117	5,351,104
Dedicated Credits	1,463,746	1,470,713	14,415	1,485,128	1,477,061	108,367	1,585,427
Federal Mineral Lease	53,294	78,968	0	78,968	78,985	93	79,078
Restricted Revenue	15,622	14,270	0	14,270	14,270	0	14,270
Special Revenue	116,632	124,686	125	124,811	147,571	232	147,803
Private Purpose Trust Funds	4,512	4,565	0	4,565	4,550	237	4,786
Other Trust and Agency Funds	2,479	19,326	0	19,326	19,427	4,000	23,427
Capital Project Funds	3,521	172,490	535	173,025	3,582	627	4,210
Transportation Investment Fund	863,224	873,614	187,454	1,061,068	873,614	225,671	1,099,285
Internal Service Funds	0	200	0	200	0	0	0
Enterprise Funds	174,855	184,652	2,402	187,053	172,873	13,033	185,906
Transfers	554,421	540,491	944	541,435	524,005	58,970	582,975
Other Financing Sources	155,905	5,250	0	5,250	5,250	3	5,253
Pass-through	10,739	6,180	0	6,180	6,227	12	6,240
Beginning Balance	1,384,684	1,481,768	500	1,482,268	1,172,861	1,000	1,173,861
Non-lapsing Balance	-1,474,128	-1,172,861	-1,000	-1,173,861	-1,179,922	0	-1,179,922
Lapsing Balance	-577,640	-14,048	0	-14,048	-616	0	-616
<b>Total</b>	<b>15,268,169</b>	<b>17,216,151</b>	<b>781,777</b>	<b>17,997,928</b>	<b>17,068,302</b>	<b>1,886,980</b>	<b>18,955,282</b>

*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.*

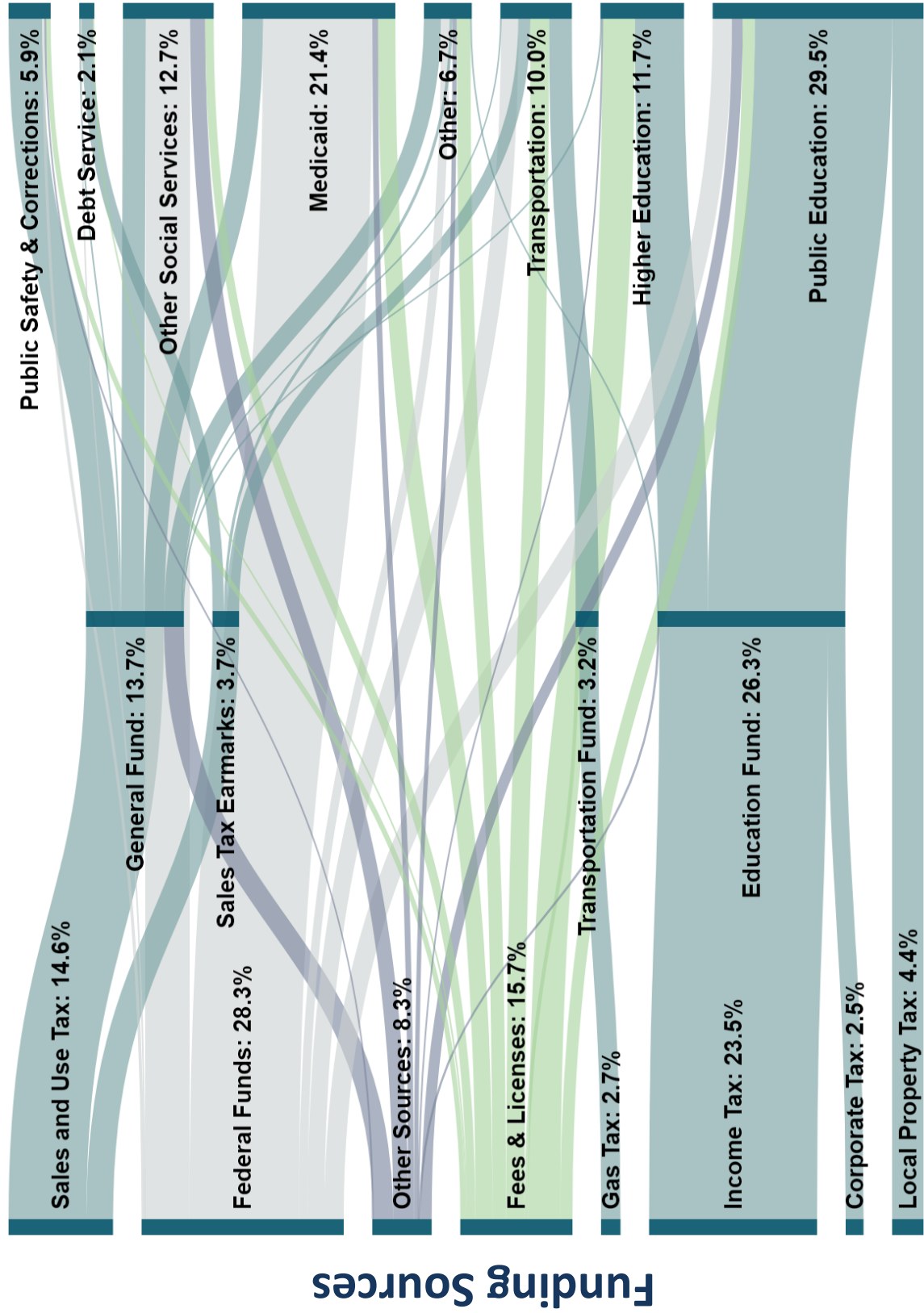
**Table 8 - Recommended Operating and Capital Budget Continued**

(All Sources of Finance, in Thousands of Dollars)

Governor's Recommendations							
Programs	FY 2018 Actual	FY 2019 Authorized	FY 2019 Adjustments	FY 2019 Total	FY 2020 Base	FY 2020 Adjustments	FY 2020 Total
<b>Operating Budget</b>							
Administrative Services	36,237	36,558	83,551	120,109	41,511	38,243	79,754
Agriculture and Food	40,268	44,166	2,637	46,803	42,604	18,679	61,283
Alcoholic Beverage Control	51,265	54,985	-108	54,877	55,004	4,116	59,120
Attorney General	70,177	64,186	500	64,686	61,445	-3,386	58,060
Auditor	6,131	6,763	0	6,763	6,544	194	6,738
Board of Pardons and Parole	5,233	6,356	0	6,356	5,761	303	6,064
Capitol Preservation Board	4,871	5,273	0	5,273	5,292	36	5,328
Career Service Review Office	255	284	0	284	281	8	289
Commerce	31,851	44,152	0	44,152	34,661	1,783	36,443
Corrections	309,323	328,913	300	329,213	318,894	11,385	330,279
Courts	152,341	170,283	373	170,657	165,409	6,306	171,715
Environmental Quality	59,004	71,180	99,871	171,051	76,653	3,207	79,860
Financial Institutions	7,027	7,832	0	7,832	7,799	396	8,195
Governor and Lieutenant Governor	66,335	103,451	285	103,736	102,630	39,056	141,686
Governor's Office of Economic Dev.	68,600	93,241	17,200	110,441	70,622	4,907	75,529
Governor's Office of Energy Dev.	2,878	3,759	0	3,759	2,909	231	3,140
Health	3,170,847	3,611,099	152,930	3,764,029	4,034,753	552,683	4,587,436
Heritage and Arts	30,392	33,558	6	33,564	30,726	6,419	37,145
Higher Education	1,796,072	1,958,464	0	1,958,464	1,855,542	114,911	1,970,452
Human Resource Management	279	323	0	323	311	0	311
Human Services	771,331	860,333	-2,163	858,171	837,219	67,730	904,948
Insurance	13,175	15,231	0	15,231	14,551	312	14,863
Juvenile Justice Services	95,601	100,837	0	100,837	95,198	2,274	97,471
Labor Commission	14,407	15,443	0	15,443	15,306	410	15,716
Legislature	27,321	34,630	0	34,630	32,359	806	33,165
National Guard	63,647	75,828	0	75,828	66,158	-9,105	57,053
Natural Resources	232,859	253,179	55,281	308,461	242,946	27,352	270,299
Public Education	4,783,026	5,183,140	71,073	5,254,213	5,081,438	479,799	5,561,237
Public Lands Policy Coordination	4,750	4,650	0	4,650	4,162	156	4,318
Public Safety	184,492	219,878	1,827	221,705	203,764	20,775	224,538
Public Service Commission	14,818	17,537	0	17,537	17,437	72	17,508
School and Inst. Trust Fund Office	910	965	0	965	965	266	1,231
School and Inst. Trust Lands Admin.	11,446	22,415	0	22,415	22,034	642	22,676
Tax Commission	89,945	97,709	0	97,709	98,385	3,833	102,218
Technical Colleges	94,442	103,656	0	103,656	105,290	16,653	121,942
Technology Services	3,613	6,188	-62	6,126	3,841	309	4,150
Transportation	321,221	372,693	3,367	376,060	311,615	21,858	333,473
Treasurer	3,269	4,016	218	4,234	3,821	547	4,368
Utah Communications Authority	14,139	16,856	18,447	35,303	9,991	12,000	21,991
Utah Education and Telehealth Network	45,969	63,851	0	63,851	49,681	8,616	58,297
Utah Science, Technology, and Research	25,357	22,497	0	22,497	5,528	1,030	6,557
Veterans and Military Affairs	32,822	46,454	-104	46,351	45,018	693	45,711
Workforce Services	779,701	856,651	3,331	859,982	803,847	28,142	831,989
<b>Subtotal Operating Budget</b>	<b>13,537,643</b>	<b>15,039,465</b>	<b>508,762</b>	<b>15,548,227</b>	<b>14,989,901</b>	<b>1,484,644</b>	<b>16,474,545</b>
<b>Capital Budget</b>							
Capital Budget	182,099	347,230	125,000	472,230	122,069	204,182	326,251
Natural Resources	7,447	16,489	0	16,489	9,446	12,000	21,446
Public Education	33,250	33,250	0	33,250	33,250	25,000	58,250
School and Inst. Trust Lands Admin.	5,899	12,052	0	12,052	12,052	3,653	15,705
Transportation	946,499	1,293,903	146,535	1,440,437	1,390,030	171,993	1,562,023
Workforce Services	30,720	96,901	0	96,901	96,901	0	96,901
<b>Subtotal Capital Budget</b>	<b>1,205,913</b>	<b>1,799,824</b>	<b>271,535</b>	<b>2,071,359</b>	<b>1,663,749</b>	<b>416,828</b>	<b>2,080,577</b>
Debt Service	524,612	376,862	1,480	378,342	414,652	-14,492	400,161
<b>Total</b>	<b>15,268,169</b>	<b>17,216,151</b>	<b>781,777</b>	<b>17,997,928</b>	<b>17,068,302</b>	<b>1,886,980</b>	<b>18,955,282</b>



## Sources and Uses of All Funds FY 2020 Recommendations



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

**Table 9 - Recommended General Fund and Education Fund Adjustments****FY 2019 Adjustments**

	<b>Adjustment</b>	<b>One-time</b>	<b>Ongoing</b>
<b>Administrative Services</b>			
Office of Inspector General Staffing		100,000	
State Employee Compensation - Pay Down Retiree Health Care Net Liability (Other Post-employment Benefits - OPEB)		50,000,000	
Telework Initiative		60,000	
<b>Agriculture and Food</b>			
Medical Cannabis Special Session Bill		1,000,000	
Predator Control Staff Increase		120,000	
<b>Attorney General</b>			
Outside Counsel for Sage Grouse Litigation		500,000	
<b>Capital Budget</b>			
Cash Payment to Minimize Prison Bonding		125,000,000	
<b>Courts</b>			
Establish Backup Information Technology Site		373,400	
<b>Debt Service</b>			
Debt Service Adjustments		-4,440,200	
<b>Environmental Quality</b>			
High Impact Air Quality Projects		100,000,000	
<b>Governor and Lieutenant Governor</b>			
Econometric Analysis - GOMB and LFA		93,000	
Enterprise-Wide Grants Management System		79,900	
Grants System Project Manager		50,000	
<b>Governor's Office of Economic Dev.</b>			
Columbus Community Center		2,000,000	
Data Analyst Staffing for Compliance Validation		50,000	
World-class Training Center for Aeronautics and Other Workforce Needs		15,000,000	
<b>Health</b>			
Children's Health Insurance Program (CHIP) Savings from Enhanced Federal Match and Adjustments		-331,300	
Medicaid Consensus		-17,998,500	
Medical Cannabis Special Session Bill		4,000,000	
Public Health Laboratory - Testing Related to Drug-Facilitated Sexual Assault		455,800	
Proposition 3 Medicaid Expansion		3,019,100	
<b>Heritage and Arts</b>			
State Golden Spike celebration - Display Historic Railroad Artifacts in Gold Room		250,000	
<b>Human Services</b>			
Operation Rio Grande - Sober Living Program		716,100	
Proposition 3 Medicaid Expansion		-3,019,100	
Operation Rio Grande Substance Abuse and Mental Health Services		141,100	
<b>Natural Resources</b>			
Fire Suppression and Rehabilitation Costs		19,800,000	
General Fund Set Aside for Tabby Mountain Acquisition		20,000,000	
<b>Public Education</b>			
Enrollment Growth (Estimated 6,750 New Students)		4,281,200	
School Facilities - Flexible Allocation for Safety and Other Facility Needs (Local Match Required)		66,000,000	
<b>Public Safety</b>			
Operation Rio Grande-Law Enforcement		1,610,400	
<b>Transportation</b>			
Local Government Land Use Planning Technical Assistance		1,000,000	
<b>Veterans and Military Affairs</b>			
Efficiency Savings		-103,700	
<b>Total FY 2019 Recommended Adjustments for the General Fund and Education Fund</b>		<b>\$389,807,200</b>	

**FY 2020 Adjustments**

	<b>Adjustment</b>	<b>One-time</b>	<b>Ongoing</b>
<b>Administrative Services</b>			
	Office of Inspector General Staffing		200,000
	Small Agency Internal Auditors		200,000
	State Employee Compensation - 1% Equivalent One-time Bonus or 401(k) / 457 Contribution for High-performing Agencies and Employees	7,900,000	
<b>Agriculture and Food</b>			
	Investment in Statewide Water Efficiency Through Local Matching Grants	15,000,000	
	Predator Control Staff Increase		300,000
	State Fair Park	550,000	
<b>Attorney General</b>			
	AG Staffing - Allocated at AG's Discretion		400,000
	AG staffing - Native American Legal Assistance		250,000
	Outside Counsel for Gold King Mine Litigation for FY 2019 and 2020	500,000	
<b>Capital Budget</b>			
	Capital Improvements at 1.1% of Replacement Value		7,742,000
	Cash Payment to Minimize Prison Bonding	46,000,000	110,000,000
	Cash Payment to Minimize Prison Bonding - Reallocation		-87,000,000
	Department of Agriculture and Food Building Planning and Design	2,200,000	
	Dixie State University Human Performance Building Cost Overrun	4,400,000	
	Facility Renovation Fund	10,000,000	25,000,000
	Operation Rio Grande Street Clean Up	100,000	
	Road Home Land Bank	5,400,000	
	Schools for the Deaf and Blind Springville Building Cost Overrun	3,000,000	
	Set-aside for Future Construction for Building Board Priorities	17,800,000	
	State Capitol Facility Updates	75,000	
	State Facility Water Efficiency Improvements	2,000,000	
	Utah Army National Guard - Nephi Readiness Center	5,464,300	
<b>Corrections</b>			
	Hire Staff to Write Pre-Sentence Reports to Relieve Pressure on Supervision Agents	90,000	1,750,000
	Jail Contracting - Increase From 73% of Statutory Rate to 75.5% of Statutory Rate		1,000,000
<b>Courts</b>			
	Drug Court Clerk		67,800
	Establish Backup Information Technology Site		70,500
	Expand Services to Help Citizens File Court Documents		97,400
	Hire Additional Judges and Clerks for Third Judicial District		1,809,900
<b>Debt Service</b>			
	Build America Bond Subsidy	12,931,700	
	Debt Service Adjustments	-46,260,900	-223,000
<b>Environmental Quality</b>			
	Harmful Algal Bloom Response		200,000
	High Impact Air Quality Projects		300,000
	Local Community Water Infrastructure Assistance Grant Match	150,000	
	Water Quality Study Grant Fund	1,000,000	
<b>Governor and Lieutenant Governor</b>			
	2020 Census Outreach	75,000	
	Econometric Analysis - GOMB and LFA		18,000
	Extraditions - Return Felons to Utah For Court		70,000
	Indigent Defense Funding		5,000,000
	Jail Reimbursement - Increase from 77% of Statutory Rate to 93% of Statutory Rate		3,000,000
	Judicial Performance Evaluation Commission - Computerized Judicial Evaluation Tracking Tools		60,000
	Open Space - LeRay McAllister Critical Lands Conservation Fund	2,600,000	

Adjustment	One-time	Ongoing
Privatization Board Staffing		70,000
Quality Growth Commission - Regionally Significant Parks and Open Space Grants Tied to Efficient Land Use, Transit-Oriented Development, and Affordable Housing	25,000,000	
State Planning Coordinator - Long-Term Planning Efforts	2,000,000	
SUCCESS Projects	200,000	
Telework Initiative	285,000	
<b>Governor's Office of Economic Dev.</b>		
Data Analyst Staffing for Compliance Validation		150,000
Talent Ready Utah - K-12 Technology Curriculum		3,865,000
World Trade Center Utah		350,000
<b>Governor's Office of Energy Dev.</b>		
Energy Incentives Compliance Specialist		128,000
State Match for Federal "State Energy Program" Grant		23,200
<b>Health</b>		
Accountable Care Organization (ACO) Rate Increases		2,503,900
Asthma Home Visiting Program		80,000
Benefits & Administration for 2,000 Individuals on New Limited Supports Home & Community Based Services Waiver	-2,251,000	4,238,000
Children's Health Insurance Program (CHIP) Savings from Enhanced Federal Match and Adjustments	-18,332,600	-369,100
Children's Hearing Aid Program		191,600
Health Care Workforce Financial Assistance Program	-300,000	300,000
Increase Screening for Sexually Transmitted Infections, Including Gonorrhea		130,000
Integrated Substance Abuse / Mental Health Services at Physical Sites		1,500,000
Local Health Departments - Public Health Testing, Surveillance, and Vital Records		500,000
Medicaid Consensus	-2,156,000	16,418,500
Medicaid Consensus Medicaid Expansion Fund Adjustment	-200,000	
Medicaid Management Information System (MMIS)	3,000,000	
Porcelain Crown Coverage - Medicaid Dental		483,300
Public Health Laboratory - Testing Related to Drug-Facilitated Sexual Assault		105,800
Proposition 3 Medicaid Expansion		5,076,600
Transitioning 250 Intermediate Care Facility Residents to the Community through FY 2024 (150 in FY 2020)	574,000	-1,440,000
Quality Improvement Incentives for Intermediate Care Facilities	-967,000	2,419,000
<b>Heritage and Arts</b>		
Artifacts Collections Manager		95,000
Arts Sustainability Grant Program		6,000,000
<b>Higher Education</b>		
3-year Bachelor's Degree		6,150,000
Endow Scholarship Fund - Scholarships Based on Financial Need	50,000,000	
Equity Funding for Technical Education Tuition in Rural Utah		1,379,000
Post-secondary Education - 2.5% COLA		24,464,200
Post-secondary Education - 4.35% Health Insurance Increase		5,730,600
Regents' Scholarship		4,000,000
Statewide Advising Corps	-2,997,500	5,995,000
Suicide Prevention - Increase Seats and Enrollment at University of Utah Medical School for Psychiatrists		1,500,000
Systemwide Cyber Security		7,150,000
Technical Education Program Expansion in Rural Utah		655,000
University of Utah Reading Clinic for K-12 Students		525,000
<b>Human Services</b>		
Adding Nursing Services Benefits to Current Community Supports Waiver Members		4,047,000
Adult Protective Services Staff		366,400
Benefits & Administration for 2,000 Individuals on New Limited Supports Home & Community Based Services Waiver	-4,002,000	8,034,000
Employment Services		1,200,000
Medicaid Consensus		5,414,300
Office of Public Guardian Staffing		86,000
Operation Rio Grande - Sober Living Program		1,200,000
Operation Rio Grande Substance Abuse and Mental Health Services		100,000
Safe and Healthy Schools - Public Safety Liaison, Mental Health Specialist, and State Oversight and Training		150,000

Adjustment	One-time	Ongoing
Division of Services for People with Disabilities (DSPD) Waiting List - 148 People		1,000,000
Youth in State Custody Aging Into Division for People with Disabilities (DSPD) Services and Additional Needs for DSPD Service Recipients	-1,300,000	3,800,000
Proposition 3 Medicaid Expansion		-5,076,600
Transitioning 250 Intermediate Care Facility Residents to the Community through FY 2024 (150 in FY 2020)	-3,572,000	8,765,000
<b>Juvenile Justice Services</b>		
Medicaid Consensus		59,900
<b>Legislature</b>		
Econometric Analysis - GOMB and LFA		27,000
Legislative Fiscal Analyst Grants Management Dashboard	75,000	
<b>National Guard</b>		
Camp Williams Buffer Zone	1,000,000	
Expand Tuition Assistance for National Guard Employees		200,000
<b>Natural Resources</b>		
Aquatic Invasive Species (Quagga Mussel) Decontamination Equipment	200,000	
Aquatic Invasive Species (Quagga Mussel) Watercraft Inspection Specialists	205,000	
Fire Rehabilitation Fund	1,000,000	
Geologic Data Coordinator		60,000
Investment in Statewide Water Efficiency Through Local Matching Grants, Focused on Water Metering	20,000,000	
School Facilities - Grants to Improve School Outdoor Water Efficiency	10,000,000	
<b>Public Education</b>		
Add-on for Students At Risk of Academic Failure		15,275,000
Business Cycle Management - Pre-fund Future Enrollment Growth for Times of Fiscal Stress	7,500,000	35,000,000
Educator Bonuses	30,000,000	
Enrollment Growth (Estimated 6,750 New Students)		14,710,300
Enrollment Growth for Four Additional Below-the-line Programs		238,500
Increase Weighted Pupil Unit (WPU) Value by 4%		126,979,800
New WPU Add-on for Students in Rural Utah (Including Those in Necessarily Existent Small Schools)		3,000,000
Safe and Healthy Schools - Public Safety Liaison, Mental Health Specialist, and State Oversight and Training		100,000
School Counseling		31,745,000
State Board of Education Information Management System	5,000,000	
Utah Schools for the Deaf and the Blind (USDB) Steps and Lanes - Statutory Increase		2,030,800
Utah State Instructional Materials Access Center (USIMAC) Braille Transcription	500,000	
School Facilities - Capital Outlay Foundation Program	25,000,000	
<b>Public Lands Policy Coordination</b>		
Finance and Administration Staff		120,000
<b>Public Safety</b>		
Crime Lab Sexual Assault Kit Processing		500,000
Investigate Restricted Persons Trying to Obtain a Gun	120,000	340,000
National Governor's Association Meeting Security	400,000	
Operation Rio Grande-Law Enforcement	6,441,300	
Peace Officer Standards and Training (POST) Restricted Fund Shortfall	500,000	
Renovate Camp Williams Shooting Range & Replace Outdated Driver Training Simulators	225,000	
Safe and Healthy Schools - Public Safety Liaison, Mental Health Specialist, and State Oversight and Training		150,000
Software for Public Safety Intelligence	1,500,000	
Update Equipment and Maintenance at 911 Locations	503,000	
Utah Highway Patrol Equipment		216,000
Utah Statewide Information and Analysis Center Integration and Data Sharing System for Law Enforcement Agencies		450,000
<b>Tax Commission</b>		
Tax Collection Agents		222,000
<b>Technical Colleges</b>		
Commissioner's Office Data Analyst and Software Developer		250,000
Custom Fit Program (Including Expansion of Sector Focus)		1,000,000
Employer-Driven Technical College Program Expansion		7,000,000
Post-secondary Education - 2.5% COLA		1,629,900



Adjustment	One-time	Ongoing
Post-secondary Education - 4.35% Health Insurance Increase		473,500
Technical College Equipment Funding	6,000,000	
<b>Technology Services</b>		
Utah Geospatial Enterprise Data Fund		125,000
<b>Transportation</b>		
Aeronautics Fleet Replacement	12,510,000	
Local Government Land Use Planning Technical Assistance		2,000,000
<b>Utah Education and Telehealth Network</b>		
Equipment Replacement	2,200,000	
Extend Fiber Network to San Juan County Schools	2,250,000	85,000
Network Connections for New K-12 Schools	200,000	75,000
Network Operations Center 24/7 Staffing		150,000
Post-secondary Education - 2.5% COLA		242,800
Post-secondary Education - 4.35% Health Insurance Increase		58,400
State Network Backbone Upgrade	1,650,000	
<b>Utah Science, Technology, and Research</b>		
USTAR Transition	6,000,000	-5,071,000
<b>Veterans' and Military Affairs</b>		
Continue Veteran First Time Home Buyer Program		500,000
USS Utah Submarine Commissioning Committee	100,000	
<b>Workforce Services</b>		
Affordable Housing Programs - Olene Walker Housing Fund	15,000,000	2,000,000
Assistive Technology and Equipment	500,000	
Intergenerational Poverty Grants	500,000	
Operation Rio Grande - Dignity of Work		380,000
USTAR Transition	-5,071,000	5,071,000
Administrative Costs for New Limited Supports Home & Community Based Services Waiver	28,000	91,000
Pamela Atkinson Account - Homeless Case Management		900,000
<b>Compensation</b>		
State Employee - 2.5% COLA (Maximum of Range)		924,200
State Employee - 2.5% COLA	58,700	17,586,300
State Employee - 4.35% Health Insurance Increase	11,900	5,905,500
State Employee - 401(k) Match	355,400	
State Employee - Discretionary Increase	11,700	922,500
State Employee - Retirement Rate Change		17,000
State Employee - Targeted Increase		2,538,400
State Employee - Unemployment Rate Change	400	107,000
State Employee - Workers Compensation Rate Change	-2,100	-651,700
<b>Internal Service Fund (ISF) Rate Impact</b>		
Attorney General ISF Adjustment		-1,324,300
Facilities ISF Adjustments		122,800
Fleet ISF Adjustments		-423,000
Learning Management System		9,300
Risk Mgmt Auto ISF Adjustment		488,300
Risk Mgmt Liability ISF Adjustment		800,000
Risk Mgmt Property ISF Adjustment		32,400
Risk Mgmt Workers Comp ISF Adjustment		-643,900
Technology Services ISF Adjustments		429,300
<b>Total FY 2020 Adjustments for the General Fund and Education Fund</b>	<b>\$288,428,300</b>	<b>\$474,991,300</b>

**FY 2019 Adjustments to Other Funds That Impact General Fund Revenue**

Adjustment	One-time	Ongoing
<b>Alcoholic Beverage Control</b>		
Back Out Syracuse Staffing Costs	-108,300	
<b>Total FY 2019 General Fund Renee Impacts</b>	<b>-\$108,300</b>	

**FY 2020 Adjustments to Other Funds That Impact General Fund Revenue**

Adjustment	One-time	Ongoing
<b>Alcoholic Beverage Control</b>		
DABC Store Staffing - Herriman, Kaysville, Saratoga Springs		2,088,000
Package Agency - Boulder and Garden City		36,000
Package Agency Compensation Increase		231,000
SUCCESS Framework Project - Inventory Control		268,400
<b>Commerce</b>		
Electronic Processing Fee Payments		450,000
<b>Compensation</b>		
State Employee - 2.5% COLA (Maximum of Range)		78,200
State Employee - 2.5% COLA		960,300
State Employee - 4.35% Health Insurance Increase		328,800
State Employee - 401(k) Match	246,300	
State Employee - Targeted Increase		504,300
State Employee - Unemployment Rate Change		6,300
State Employee - Workers Compensation Rate Change		-37,700
<b>Internal Service Fund (ISF) Rate Impact</b>		
Attorney General ISF Adjustment		265,000
Facilities ISF Adjustments		120,000
Fleet ISF Adjustments		-4,700
Risk Mgmt Auto ISF Adjustment		9,800
Risk Mgmt Liability ISF Adjustment		18,600
Risk Mgmt Property ISF Adjustment		200
Risk Mgmt Workers Comp ISF Adjustment		-34,400
Technology Services ISF Adjustments		-24,200
<b>Total FY 2020 General Fund Revenue Impacts</b>	<b>\$246,300</b>	<b>\$5,263,900</b>

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

FY 2019 Adjustments			
Adjustment	Funding Source	One-time	Ongoing
<b>Administrative Services</b>			
Mineral Lease Adjustments	1326 (FIN) Mineral Lease Account	32,756,400	
Office of Inspector General Staffing	Transfers	100,000	
Technical Funding Adjustment	3000 (FCM) Capital Projects Fund	535,000	
<b>Agriculture and Food</b>			
Invasive Species Mitigation Fund Increase	1036 (DAG) Invasive Species Account	750,000	
Large Scale Truck Purchase	Dedicated Credits	267,200	
Regulatory Management Computer System	Dedicated Credits	500,000	
<b>Capital Budget</b>			
Cash Payment to Minimize Prison Bonding	1342 (FIN) Prison Development Restricted Account	125,000,000	
<b>Corrections</b>			
Expand Vocational Training for Inmates	1329 (FIN) Prison Telephone Surcharge Account	300,000	
<b>Debt Service</b>			
Debt Service Adjustments	Transportation Investment Fund	5,920,100	
<b>Environmental Quality</b>			
Environmental Quality Restricted Account Funding Adjustment	1082 (DEQ) Environmental Quality Restricted Account	1,595,000	
<b>Governor's Office of Economic Dev.</b>			
Salt Palace Doors for RV Trade Show	1054 (GED) Industrial Assistance Account	150,000	
<b>Health</b>			
Medicaid Consensus Additional Buffer	1222 (DOH) Medicaid Restricted Account	800,000	
Proposition 3 Medicaid Expansion	Dedicated Credits	11,538,900	
Proposition 3 Medicaid Expansion	Federal Funds	154,198,800	
Proposition 3 Medicaid Expansion	Transfers	844,100	
<b>Heritage and Arts</b>			
Bookmobile Dedicated Credits	Dedicated Credits	-206,900	
Digitization Dedicated Credits	Dedicated Credits	-62,200	
History Day Sponsorship	Dedicated Credits	25,000	
<b>Human Services</b>			
Restricted Fund Adjustment	1116 (DHS) Choose Life Adoption Support Restricted Account	-900	
<b>Natural Resources</b>			
UGS Increase Contract Revenue, Dedicated Credit	Dedicated Credits	481,400	
Habitat Conservation	Dedicated Credits	1,000,000	
Habitat Conservation	Federal Funds	10,000,000	
Habitat Conservation	1170 (DNR) Wildlife Resources Account	3,000,000	
Habitat Conservation	1171 (DNR) Wildlife Resources Trust Account	1,000,000	
<b>Public Education</b>			
Increased Allocations from Permanent State Trust Fund	2470 (PED) Trust Distribution Account	791,900	
<b>Public Safety</b>			
Increase Dedicated Credits Third-Party Tester Fees	Dedicated Credits	16,900	
Increase in Fuel Costs from Nonlapsing Balances	Beginning Balance	500,000	
Real ID - Place Gold Star on Driver's License Cards to Comply with Federal Requirements	2865 (DPS) Department of Public Safety Restricted Account	700,000	
<b>Transportation</b>			
FTE for Collecting Airplane Registration Fees	2820 (DOT) Aeronautics Restricted Account	124,700	
Mineral Lease Adjustments	1326 (FIN) Mineral Lease Account	-32,756,400	
Storm Drain Maintenance for EPA Audit Compliance	Transportation Fund	-1,742,600	
Storm Drain Maintenance for EPA Audit Compliance	Transportation Fund	1,742,600	
Transportation Investment Fund Capacity	Transportation Investment Fund	181,533,600	
<b>Treasurer</b>			
Land Trusts Protection and Advocacy Office	5497 (TRS) Land Trusts Protection and Advocacy Account	217,800	
<b>Utah Communications Authority</b>			
Upgrade Computer Aided Dispatch Center in West Valley	1341 (FIN) Comp Aided Dispatch Rest Acct	447,000	
Upgrade Radio System Used for Emergency Communications	1343 (FIN) Utah Statewide Radio System Restricted Account	18,000,000	
<b>Workforce Services</b>			
Cost Allocation Plan	5285 (FIN) Permanent Community Impact Loan Fund	254,300	
Cost Allocation Plan	5426 (DWS) OWHT-Fed Home	507,000	
Cost Allocation Plan	5432 (DWS) OWHTF-Housing Loan Fund	511,000	
Cost Allocation Plan	5438 (DWS) OWHTF-Low Income Housing	509,000	
Cost Allocation Plan	5441 (DWS) OWHTF-Low Income Housing-PI	1,700	
Cost Allocation Plan	5452 (DWS) Housing Opportunities for Low Income Households	509,000	
Cost Allocation Plan	1287 (DWS) Homeless to Housing Reform Restr Acct	59,500	
Cost Allocation Plan	2115 (DWS) Navajo Revitalization Fund	62,000	
Cost Allocation Plan	2135 (DWS) Uintah Basin Revitalization Fund	23,500	
Cost Allocation Plan	2151 (DWS) Qualified Emergency Food Agencies Fund	39,500	
Proposition 3 Medicaid Expansion	Dedicated Credits	854,800	
<b>Total FY 2019</b>		<b>\$523,398,700</b>	

**FY 2020 Adjustments**

<b>Adjustment</b>	<b>Funding Source</b>	<b>One-time</b>	<b>Ongoing</b>
<b>Administrative Services</b>			
Finance Fee Technical Adjustment	Dedicated Credits		13,400
Mineral Lease Adjustments	1326 (FIN) Mineral Lease Account		32,756,400
Office of Inspector General Staffing	Transfers		200,000
Proposition 3 Medicaid Expansion	Dedicated Credits		50,000
Technical Funding Adjustment	3000 (FCM) Capital Projects Fund		535,000
<b>Agriculture and Food</b>			
Create New Emergency Insect Infestation Account	Dedicated Credits		250,000
Industrial Hemp and Cannabidiol (CBD) Inspection and Testing	Dedicated Credits		600,000
Regulatory Management Computer System	Dedicated Credits	800,000	
Weights and Measures - Fuel Lab Equipment	Dedicated Credits	133,000	
<b>Attorney General</b>			
Expand AG Staff to Coordinate Legal Services for Military Persons	Dedicated Credits		146,100
Expand AG staff to include UTA attorneys	Dedicated Credits		1,095,500
<b>Capital Budget</b>			
Cash Payment to Minimize Prison Bonding	1342 (FIN) Prison Development Restricted Account	46,000,000	110,000,000
<b>Commerce</b>			
Nursing Education	1003 (CRC) Nurse Education & Enforcement Account		34,600
<b>Corrections</b>			
Expand Vocational Training for Inmates	1329 (FIN) Prison Telephone Surcharge Account		300,000
<b>Debt Service</b>			
Debt Service Adjustments	Transportation Investment Fund		20,337,900
Debt Service Adjustments	2845 (DOT) County of Ist Class Hwy Prj Fund		-1,277,200
<b>Environmental Quality</b>			
Environmental Quality Restricted Account Funding Adjustment	1082 (DEQ) Environmental Quality Restricted Account		1,595,000
<b>Financial Institutions</b>			
Examiner Laptop Replacements	1300 (FIN) Financial Institutions	80,500	
<b>Governor and Lieutenant Governor</b>			
Indigent Defense Funding	1411 (GOV) Indigent Defense Resources Restricted Account		5,000,000
<b>Governor's Office of Economic Dev.</b>			
Motion Picture Cash Incentive - Technical Adjustment	1402 (GED) Motion Picture Incentive Account		200,000
<b>Health</b>			
Accountable Care Organization (ACO) Rate Increases	Federal Funds		5,367,500
Adding Nursing Services Benefits to Current Community Supports	Federal Funds		9,441,600
Waiver Members			
Adding Nursing Services Benefits to Current Community Supports	Transfers		4,047,000
Waiver Members			
Administrative Costs for New Limited Supports Home & Community Based Services Waiver	Federal Funds	294,000	272,000
Administrative Costs for New Limited Supports Home & Community Based Services Waiver	Transfers	28,000	91,000
Asthma Home Visiting Program	Federal Funds		80,000
Asthma Home Visiting Program	Transfers		0
Benefits & Administration for 2,000 Individuals on New Limited Supports Home & Community Based Services Waiver	Federal Funds	-14,316,000	27,706,000
Benefits & Administration for 2,000 Individuals on New Limited Supports Home & Community Based Services Waiver	Transfers	-4,002,000	8,034,000
Children's Hearing Aide Program	1230 (DOH) Children's Hearing Aid Prog Rest Acct		191,600
Medicaid Consensus	Federal Funds		30,574,000
Porcelain Crown Coverage - Medicaid Dental	Federal Funds		1,112,200
Proposition 3 Medicaid Expansion	Dedicated Credits		82,980,200
Proposition 3 Medicaid Expansion	Federal Funds		379,839,700
Proposition 3 Medicaid Expansion	Transfers		6,899,200
Quality Improvement Incentives for Intermediate Care Facilities	Federal Funds	-2,258,000	5,645,000
Transitioning 250 Intermediate Care Facility Residents to the Community through FY 2024 (150 in FY 2020)	Federal Funds	-6,444,000	15,179,000
Transitioning 250 Intermediate Care Facility Residents to the Community through FY 2024 (150 in FY 2020)	Transfers	-3,572,000	8,727,000
<b>Heritage and Arts</b>			
Bookmobile Dedicated Credits	Dedicated Credits		-206,900
Digitization Dedicated Credits	Dedicated Credits		-62,200
History Day Sponsorship	Dedicated Credits		25,000

Adjustment	Funding Source	One-time	Ongoing
<b>Human Services</b>			
Adding Nursing Services Benefits to Current Community Supports Waiver Members	Transfers		9,441,600
Benefits & Administration for 2,000 Individuals on New Limited Supports Home & Community Based Services Waiver	Transfers	-9,267,000	17,819,000
Division of Services for People with Disabilities (DSPD) Waiting List - 148 People	Transfers		2,245,200
Employment Services	Transfers		2,694,200
Medicaid Consensus	Federal Funds		-300,600
Medicaid Consensus	Transfers		-4,802,600
Office of Public Guardian Staffing	Transfers		54,000
Proposition 3 Medicaid Expansion	Dedicated Credits		2,786,100
Transitioning 250 Intermediate Care Facility Residents to the Community through FY 2024 (150 in FY 2020)	Transfers	-7,786,000	18,671,000
Youth in State Custody Aging Into Division for People with Disabilities (DSPD) Services and Additional Needs for DSPD Service Recipients	Transfers	-2,918,700	8,531,700
<b>Juvenile Justice Services</b>			
Medicaid Consensus	Federal Funds		-13,700
Proposition 3 Medicaid Expansion	Dedicated Credits		29,900
<b>National Guard</b>			
Technical Adjustment For Reduced Federal Funds	Federal Funds		-10,000,000
<b>Natural Resources</b>			
Antelope Island State Park - Additional Entrance Lane	1157 (DPR) State Park Fees Restricted Account	500,000	
Antelope Island State Park - Bridger Bay Campground	1157 (DPR) State Park Fees Restricted Account	5,000,000	
Bear Lake State Park- East Side Improvements	1157 (DPR) State Park Fees Restricted Account	2,000,000	
Catastrophic Wildfire Reduction Strategy	1185 (DNR) Sovereign Lands Management Account	1,000,000	
Echo State Park-Phase II	1157 (DPR) State Park Fees Restricted Account	3,000,000	
Escalante Petrified Forest Entrance Station	1157 (DPR) State Park Fees Restricted Account	1,500,000	
Geologic Data Coordinator	Dedicated Credits		60,000
Sovereign Lands Phragmites Removal	1185 (DNR) Sovereign Lands Management Account		500,000
Sovereign Lands Projects	1185 (DNR) Sovereign Lands Management Account	500,000	
State Parks Campground Improvements	1157 (DPR) State Park Fees Restricted Account	2,000,000	
State Parks Employee Housing	1157 (DPR) State Park Fees Restricted Account	500,000	
State Parks Lodging Expansion	1157 (DPR) State Park Fees Restricted Account	2,000,000	
State Parks Restroom Improvements	1157 (DPR) State Park Fees Restricted Account		1,000,000
State Parks Salary Improvement Plan	1157 (DPR) State Park Fees Restricted Account		750,000
State Parks Seasonal Employee Wages	1157 (DPR) State Park Fees Restricted Account		500,000
Transparent Water Billing and Water Conservation Efforts	5275 (FIN) Water Resources Conservation & Development Fund	2,154,000	
UGS Increase Contract Revenue, Dedicated Credit	Dedicated Credits	314,700	
<b>Public Education</b>			
Equity Pupil Unit	2436 (PED) Local Levy Growth Account		12,880,700
Equity Pupil Unit	9985 Local Revenue		100,667,100
Enrollment Growth (Estimated 6,750 New Students)	2476 (PED) Charter School Levy Account		3,091,400
Enrollment Growth (Estimated 6,750 New Students)	9985 Local Revenue		52,003,500
Flexible Allocation - For Local Priorities, Including Support for Counseling and Mental Health Needs	2437 (PED) Teacher and Student Success Account		83,916,500
Increase Weighted Pupil Unit (WPU) Value by 4%	9985 Local Revenue		18,766,500
Increased Allocations from Permanent State Trust Fund	2470 (PED) Trust Distribution Account		8,663,100
School Trust Section Budget - HB 404	2470 (PED) Interest & Dividends Account		-211,100
<b>Public Safety</b>			
Increase Dedicated Credits Third-Party Tester Fees	Dedicated Credits		16,900
Peace Officer Standards and Training (POST) Restricted Fund Shortfall	2855 (DPS) Uninsured Motorist Identification Restricted Account	500,000	
Real ID - Place Gold Star on Driver's License Cards to Comply with Federal Requirements	2865 (DPS) Department of Public Safety Restricted Account	2,700,000	
<b>School and Inst. Trust Fund Office</b>			
Investment Analyst FTE, Compensation, and Operations	5496 (TFO) School & Inst Trust Fund Mgt Acct		244,800
<b>School and Inst. Trust Lands Admin.</b>			
Capital Development Projects	Trust & Agency - Other	4,000,000	
<b>Tax Commission</b>			
Liquor Distribution - Statutory Required Adjustment	1500 (TAX) Alcoholic Bev & Sub Abuse Enforce & Treatment Rest Acc		-278,800
Tax Collection Agents	1502 (TAX) State Tax Commission Administrative Charge Account		58,800
<b>Technology Services</b>			
Utah Geospatial Enterprise Data Fund	Dedicated Credits		125,000
<b>Transfers</b>			
Build America Bond Subsidy	4000 (FIN) General Obligation Debt Service	12,931,700	



Adjustment	Funding Source	One-time	Ongoing
<b>Transportation</b>			
FTE for Collecting Airplane Registration Fees	2820 (DOT) Aeronautics Restricted Account		124,700
Maintenance for New Additions to Highway System	Transportation Fund		0
Mineral Lease Adjustments	1326 (FIN) Mineral Lease Account		-32,756,400
Transportation Investment Fund Capacity	Transportation Investment Fund	181,533,600	23,799,100
<b>Treasurer</b>			
Land Trusts Protection and Advocacy Office	5497 (TRS) Land Trusts Protection and Advocacy Account		356,600
<b>Utah Communications Authority</b>			
Upgrade Radio System Used for Emergency Communications	1343 (FIN) Utah Statewide Radio System Restricted Account	12,000,000	
<b>Utah Education and Telehealth Network</b>			
Utah Futures Career Counseling Data Website	Dedicated Credits		1,600,000
<b>Utah Science, Technology, and Research</b>			
USTAR Transition	Dedicated Credits	456,500	-456,500
<b>Workforce Services</b>			
Accelerated Credentialing to Employment (ACE) for Veterans	1281 (DWS) Special Administrative Expense Account	400,000	
Administrative Costs for New Limited Supports Home & Community Federal Funds		315,000	
Administrative Costs for New Limited Supports Home & Community Transfers		-21,000	272,000
Based Services Waiver			
Cost Allocation Plan	5285 (FIN) Permanent Community Impact Loan Fund		254,300
Cost Allocation Plan	5426 (DWS) OWHT-Fed Home		509,000
Cost Allocation Plan	5432 (DWS) OWHTF-Housing Loan Fund		509,000
Cost Allocation Plan	5438 (DWS) OWHTF-Low Income Housing		509,000
Cost Allocation Plan	5441 (DWS) OWHTF-Low Income Housing-PI		1,700
Cost Allocation Plan	5452 (DWS) Housing Opportunities for Low Income Households		509,000
Cost Allocation Plan	1287 (DWS) Homeless to Housing Reform Restr Acct		59,500
Cost Allocation Plan	2115 (DWS) Navajo Revitalization Fund		62,000
Cost Allocation Plan	2135 (DWS) Uintah Basin Revitalization Fund		23,500
Cost Allocation Plan	2151 (DWS) Qualified Emergency Food Agencies Fund		39,500
Homeless Shelter Cities Mitigation Restricted Account Spending Authority	1049 (DWS) Homeless Shelter Cities Mitigation Restrictied Account		5,500,000
Proposition 3 Medicaid Expansion	Dedicated Credits		4,178,100
Special Administrative Expense Account Administrative and Collection Costs	1281 (DWS) Special Administrative Expense Account	1,140,000	
Successful Transition Requires Independence, Vocation & Education (STRIVE) Program - Employment Skills Program for Blind Youth	1281 (DWS) Special Administrative Expense Account	75,000	
Talent Ready Utah	1281 (DWS) Special Administrative Expense Account	1,635,000	
Unemployment Insurance Modernization	5110 (DWS) Unemployment Compensation Fund	3,200,000	
<b>Compensation</b>			
State Employee - 2.5% COLA (Maximum of Range)	Various Sources		1,342,300
State Employee - 2.5% COLA	Various Sources	7,200	17,272,500
State Employee - 4.35% Health Insurance Increase	Various Sources	1,400	5,813,700
State Employee - 401(k) Match	Various Sources	5,003,000	
State Employee - Discretionary Increase	Various Sources	1,400	323,100
State Employee - Retirement Rate Change	Various Sources		43,700
State Employee - Targeted Increase	Various Sources		3,463,800
State Employee - Unemployment Rate Change	Various Sources		106,800
State Employee - Workers Compensation Rate Change	Various Sources	-300	-554,600
<b>Higher Education Compensation</b>			
Post-secondary Education - 2.5% COLA	Various Sources		7,756,700
Post-secondary Education - 4.35% Health Insurance Increase	Various Sources		1,816,900
<b>Internal Service Fund (ISF) Rate Impact</b>			
Attorney General ISF Adjustment	Various Sources		2,636,700
Facilities ISF Adjustments	Various Sources		62,300
Fleet ISF Adjustments	Various Sources		-347,300
Learning Management System	Various Sources		8,000
Risk Mgmt Auto ISF Adjustment	Various Sources		386,200
Risk Mgmt Liability ISF Adjustment	Various Sources		963,100
Risk Mgmt Property ISF Adjustment	Various Sources		-7,700
Risk Mgmt Workers Comp ISF Adjustment	Various Sources		-410,000
Technology Services ISF Adjustments	Various Sources		1,080,500
<b>Total FY 2020</b>		<b>\$243,119,000</b>	<b>\$1,134,540,600</b>

**Table 11 - Funding Reallocations**

**FY 2019 Adjustments**

<b>Adjustment</b>	<b>Funding Source</b>	<b>One-time</b>	<b>Ongoing</b>
<b>Administrative Services</b>			
Post Conviction Defense Reallocation			
2000 Restricted Special Revenue	Dedicated Credits	-100,000	
FKAA DAS Post Conviction Indigent Defense	Dedicated Credits	100,000	
Telework Initiative			
2105 Office of State Debt Collection Fund	Dedicated Credits	-300,000	
FAAA DAS Executive Director	Dedicated Credits	300,000	
Transfer From Worker's Compensation to Liability Program			
Worker's Compensation	1960 Workers Compensation Premiums	-3,000,000	
Risk Management-Liability	1960 Workers Compensation Premiums	3,000,000	
<b>Agriculture and Food</b>			
Chemistry Lab Reallocation			
SAAA DAG Agriculture & Food - Administration	Dedicated Credits	-141,500	
SAAA DAG Agriculture & Food - Administration	Federal Funds	-1,600	
SAAA DAG Agriculture & Food - Administration	General Fund	-743,500	
SIAA DAG Plant Industry	Dedicated Credits	141,500	
SIAA DAG Plant Industry	General Fund	343,300	
SJAA DAG Regulatory Services	Federal Funds	1,600	
SJAA DAG Regulatory Services	General Fund	400,200	
Reallocate Grazing Improvement Funding			
SGAA DAG Rangeland Improvement	General Fund	500,000	
SIAA DAG Plant Industry	General Fund	-500,000	
<b>Corrections</b>			
Reallocate Funding for Inmate Medical Care			
MDAA DOC Medical Services	General Fund	1,500,000	
MFAA DOC Jail Contracting	General Fund	-1,500,000	
Reallocate Funds for Medication and Treatment for Inmates with Hepatitis C			
MAAA DOC Programs & Operations	Beginning Balance	-301,800	
MDAA DOC Medical Services	Beginning Balance	301,800	
<b>Environmental Quality</b>			
Air Quality Reallocation			
NAAA DEQ Executive Director	General Fund	-950,000	
NABA DEQ Air Quality	General Fund	950,000	
Radioactive Waste Fee Amendment Reallocation			
1000 General Fund	General Fund	1,724,200	
NAAA DEQ Executive Director	General Fund	-1,724,200	
<b>Governor and Lieutenant Governor</b>			
2017 Closing Packet Correction			
CEAA GOV Criminal & Juvenile Justice	1400 (GOV) Criminal Forfeiture Restricted Account	-115,600	
CEAA GOV Criminal & Juvenile Justice	1407 (GOV) Law Enforcement Operations Account	115,600	
JRI Social Services Data Coordination System			
CBAA GOV Office of Management & Budget	General Fund	61,900	
Sexual Assault Nurse Examiner Forensic Medical Records Database			
Utah Office for Victims of Crime	General Fund	-50,000	
Commission on Criminal and Juvenile Justice	General Fund	50,000	
<b>Health</b>			
Reallocate Base Budget			
Reallocation Within Line Items	General Fund	55,668,100	
Reallocation Within Line Items	General Fund	-55,668,100	
Reallocation Within Line Items	2241 (DOH) Hospital Provider Assess Exp Spec Rev Fund	800,000	
Reallocation Within Line Items	2241 (DOH) Hospital Provider Assess Exp Spec Rev Fund	-800,000	
Reallocation Within Line Items	2243 (DOH) Nursing Care Facilities Provider Assessment Fund	700,900	
Reallocation Within Line Items	2243 (DOH) Nursing Care Facilities Provider Assessment Fund	-700,900	
Reallocation Within Line Items	2252 (DOH) Medicaid Expansion Fund	109,300	
Reallocation Within Line Items	2252 (DOH) Medicaid Expansion Fund	-109,300	
Reallocate Medicaid Expansion Funds to Proper Line Item			
LGAA DOH Medicaid and Health Financing	2252 (DOH) Medicaid Expansion Fund	-200,000	
LIAA DOH Medicaid Services	2252 (DOH) Medicaid Expansion Fund	200,000	
Reallocate Safe Haven Funds to Proper Line Item			
LEAA DOH Disease Control & Prevention	General Fund	-25,000	
LFAA DOH Family Health & Preparedness	General Fund	25,000	
Reallocate Student Loan Repayment Program Federal Funds to Proper Line Item			
LFAA DOH Family Health & Preparedness	Federal Funds	-202,500	
LQAA DOH Workforce Financial Assistance	Federal Funds	202,500	

Adjustment	Funding Source	One-time	Ongoing
<b>Higher Education</b>			
Balance Between Funding Sources	General Fund	-305,000,000	
Balance Between Funding Sources	Education Fund	305,000,000	
<b>Public Safety</b>			
Trooper Overtime from Nonlapsing Balances			
JAAA DPS Programs & Operations	Non-lapsing Balance	-1,000,000	
<b>Technology Services</b>			
JRI Social Services Data Coordination System			
HQAA DTS Chief Information Officer	General Fund	-61,900	
<b>Transportation</b>			
Federal Funding - Training			
XBAA DOT Support Services	Federal Funds	500,000	
XEAA DOT Construction Management	Federal Funds	-500,000	
Technical Reallocation - Federal/State Shift			
XCAA DOT Engineering Services	Federal Funds	-2,300,000	
XCAA DOT Engineering Services	Transportation Fund	2,300,000	
Transportation Governance - 2018 GS HB 3			
XBAA DOT Support Services	Transportation Fund	-646,500	
XCAA DOT Engineering Services	Transportation Fund	646,500	
<b>Workforce Services</b>			
Consolidate Child Care Budget			
NCAA DWS Office of Child Care	Federal Funds	-2,002,700	
NCAA DWS Office of Child Care	General Fund	-202,600	
NCAA DWS Office of Child Care	Transfers	-279,900	
NJBA DWS Operations & Policy	Federal Funds	2,002,700	
NJBA DWS Operations & Policy	General Fund	202,600	
NJBA DWS Operations & Policy	Transfers	279,900	
Cost Allocation Plan			
NBAA DWS State Office of Rehabilitation	General Fund	-1,900,000	
NJAA DWS Administration	General Fund	600,000	
NJBA DWS Operations & Policy	General Fund	1,250,000	
NLAA DWS Unemployment Insurance	General Fund	50,000	
<b>Total FY 2019</b>		<b>-\$1,000,000</b>	

**FY 2020 Adjustments**

Adjustment	Funding Source	One-time	Ongoing
<b>Agriculture and Food</b>			
Chemistry Lab Reallocation			
SAAA DAG Agriculture & Food - Administration	Dedicated Credits		-141,500
SAAA DAG Agriculture & Food - Administration	Federal Funds		-1,600
SAAA DAG Agriculture & Food - Administration	General Fund		-742,500
SIAA DAG Plant Industry	Dedicated Credits		141,500
SIAA DAG Plant Industry	General Fund		343,300
SJAA DAG Regulatory Services	Federal Funds		1,600
SJAA DAG Regulatory Services	General Fund		399,200
Reallocate Grazing Improvement Funding			
SGAA DAG Rangeland Improvement	General Fund		500,000
SIAA DAG Plant Industry	General Fund		-500,000
<b>Corrections</b>			
Reallocate Base Budget to Add Medical Staff in Gunnison			
MAAA DOC Programs & Operations	General Fund	-39,500	-425,800
MDAA DOC Medical Services	General Fund	39,500	425,800
<b>Environmental Quality</b>			
Air Quality Reallocation			
NAAA DEQ Executive Director	General Fund		-950,000
NABA DEQ Air Quality	General Fund		950,000
Radioactive Waste Fee Amendment Reallocation			
1082 Environmental Quality Restricted Account	General Fund		1,724,200
NAAA DEQ Executive Director	General Fund		-1,724,200
<b>Governor and Lieutenant Governor</b>			
Sexual Assault Nurse Examiner Forensic Medical Records Database			
Utah Office for Victims of Crime	General Fund		-50,000
Commission on Criminal and Juvenile Justice	General Fund		50,000
<b>Health</b>			
Reallocate Base Budget			
Reallocation Within Line Items	General Fund		55,668,100
Reallocation Within Line Items	General Fund		-55,668,100
Reallocation Within Line Items	2241 (DOH) Hospital Provider Assess Exp Spec Rev Fund		800,000
Reallocation Within Line Items	2241 (DOH) Hospital Provider Assess Exp Spec Rev Fund		-800,000
Reallocation Within Line Items	2243 (DOH) Nursing Care Facilities Provider Assessment Fund		700,900
Reallocation Within Line Items	2243 (DOH) Nursing Care Facilities Provider Assessment Fund		-700,900

Adjustment	Funding Source	One-time	Ongoing
Reallocation Within Line Items	2252 (DOH) Medicaid Expansion Fund		109,300
Reallocation Within Line Items	2252 (DOH) Medicaid Expansion Fund		-109,300
Reallocate Safe Haven Funds to Proper Line Item			
LEAA DOH Disease Control & Prevention	General Fund		-25,000
LFAA DOH Family Health & Preparedness	General Fund		25,000
Reallocate Student Loan Repayment Program Federal Funds to Proper Line Item			
LFAA DOH Family Health & Preparedness	Federal Funds		-202,500
LQAA DOH Workforce Financial Assistance	Federal Funds		202,500
<b>Higher Education</b>			
Balance Between Funding Sources	General Fund	-83,000,000	-225,000,000
Balance Between Funding Sources	Education Fund	83,000,000	225,000,000
<b>Human Services</b>			
Integrated Service Delivery			
KAAA DHS Executive Director	General Fund		2,515,300
KAAA DHS Executive Director	Transfers		-2,515,300
KBAA DHS Substance Abuse & Mental Health	General Fund		-124,100
KBAA DHS Substance Abuse & Mental Health	Transfers		124,100
KFAA DHS People with Disabilities	General Fund		-869,100
KFAA DHS People with Disabilities	Transfers		869,100
KHAA DHS Child & Family Services	General Fund		-593,800
KHAA DHS Child & Family Services	Transfers		593,800
<b>Juvenile Justice Services</b>			
Integrated Service Delivery			
KJAA DHS Juvenile Justice Services	General Fund		-928,300
KJAA DHS Juvenile Justice Services	Transfers		928,300
<b>Public Education</b>			
Equity Pupil Unit			
2436 (PED) Local Levy Growth Account	Education Fund		12,880,700
PPAA PED Basic School Program	Education Fund		-12,880,700
Flexible Allocation - For Local Priorities, Including Support for Counseling and Mental Health Needs			
2437 (PED) Teacher and Student Success Account	Education Fund		18,766,500
PPAA PED Basic School Program	Education Fund		-18,766,500
<b>Public Safety</b>			
Trooper Overtime from Nonlapsing Balances			
JAAA DPS Programs & Operations	Beginning Balance	1,000,000	
<b>School and Inst. Trust Lands Admin.</b>			
Easement Research RS2477			
TLAA School Trust Lands Administration	Other Trust and Agency Funds		46,300
TLRA Trust Lands - Land Stewardship & Restoration	Other Trust and Agency Funds		-46,300
Land Exchange Funding			
TLAA School Trust Lands Administration	Other Trust and Agency Funds		300,000
TLRA Trust Lands - Land Stewardship & Restoration	Other Trust and Agency Funds		-300,000
<b>Transportation</b>			
Federal Funding - Training			
XBAA DOT Support Services	Federal Funds		500,000
XEAA DOT Construction Management	Federal Funds		-500,000
Technical Reallocation - Federal/State Shift			
XCAA DOT Engineering Services	Federal Funds		-2,300,000
XCAA DOT Engineering Services	Transportation Fund		2,300,000
Transportation Governance - 2018 GS HB 3			
XBAA DOT Support Services	Transportation Fund		-646,500
XCAA DOT Engineering Services	Transportation Fund		646,500
<b>Workforce Services</b>			
Consolidate Child Care Budget			
NCAA DWS Office of Child Care	Federal Funds		-2,002,100
NCAA DWS Office of Child Care	General Fund		-202,600
NJBA DWS Operations & Policy	Federal Funds		2,002,100
NJBA DWS Operations & Policy	General Fund		202,600
Cost Allocation Plan			
NBAA DWS State Office of Rehabilitation	General Fund		-1,900,000
NJAA DWS Administration	General Fund		600,000
NJBA DWS Operations & Policy	General Fund		1,250,000
NLAA DWS Unemployment Insurance	General Fund		50,000
<b>Total FY 2020</b>		<b>\$1,000,000</b>	<b>\$0</b>



# STAFF

## Executive Director's Office

Kristen Cox, Executive Director  
kristencox@utah.gov, 801-538-1705

Jessica Larsen, Communications Director  
jessicalarsen@utah.gov, 801-814-3491

Lorie Davis, Administrative Coordinator  
lorie@utah.gov, 801-538-1705

Chris Boone, Support Services Specialist  
cboone@utah.gov, 801-538-1027

Cadi Sande, Support Services Specialist  
csande@utah.gov, 801-538-1536

---

## Budget and Policy Office

Phil Dean, Budget Director and Chief Economist  
phildean@utah.gov, 801-538-1714

Taylor Kauffman, Fiscal Operations Specialist  
tkauffman@utah.gov, 801-538-1543

Nate Talley, Budget and Policy Manager  
natetalley@utah.gov, 801-538-1556

Ken Matthews, Fiscal Operations Specialist  
kmatthews@utah.gov, 801-538-1149

Duncan Evans, Budget Manager  
devans@utah.gov, 801-538-1592

Colby Oliverson, Fiscal Operations Specialist  
coliverson@utah.gov, 801-891-8536

James Bowman, Fiscal Operations Specialist  
jbowman@utah.gov, 801-538-1571

David Walsh, Budget, Revenue, and Policy Analyst  
dwalsh@utah.gov, 801-538-1058

Evan Curtis, State Planning Coordinator  
ecurtis@utah.gov, 801-538-1427

Richie Wilcox, Fiscal Operations Specialist  
rwilcox@utah.gov, 801-538-1702

Peter Donner, Budget, Revenue, and Policy Analyst  
peterdonner@utah.gov, 801-538-1529

Jacob Wright, Budget, Revenue, and Policy Analyst  
jacobwright@utah.gov, 801-538-1573

Miranda Jones Cox, Fiscal Operations Specialist  
mirandajones@utah.gov, 801-538-1703

---

## Office of Operational Excellence

Steve Cuthbert, Director, Operational Excellence  
scuthbert@utah.gov, 801-538-1028

Greg Gardner, Director, Operational Excellence  
greggardner@utah.gov, 801-538-1502