Fiscal Highlights

Bond Refunding: Saving Money on Debt Service - Clare Tobin Lence

Bonds are used to finance large State initiatives, usually in the form of major infrastructure projects like roads and buildings. There are two main types of bonds: General Obligation (GO) bonds and State Building Ownership Authority (SBOA) bonds, both of which are paid through the Debt Service line item. The total GO bond amount is limited to 1.5% of the total value of taxable property in the State, commonly referred to as the Constitutional Debt Limit. GO bond payments are made through appropriations from the General and Education Funds for buildings and from transportation funds for highways. SBOA bonds are also known as revenue bond debt or lease revenue bonds. Agencies occupying buildings constructed with SBOA bonds make lease payments. These lease payments appear as Dedicated Credits (a funding source in the Debt Service line item), but are technically paid by the State through appropriations to those agencies.

The current status of State debt obligations can be viewed on the Fiscal Health Dashboard: http://le.utah.gov/fiscalhealth/.

Over time, and depending on market conditions, the State Treasurer may determine that it is advantageous to refund State bonds. In a refunding, an investment bank purchases the existing bonds, including any interest that will accrue prior to the bonds reaching maturity. The State then holds these funds in U.S. Treasury securities until the bonds mature and are paid. The State refunds bonds to reduce accrued interest and therefore both the total cost of bonding and debt service payments. These savings appear in the budget as reduced expenditures in the Debt Service line item.

Due to the administrative expenses associated with refunding, the Treasurer will only refund bonds if savings are expected to be above $5-$10 million. The exact amount saved is not known until all investment bank bids are received and the sale is final. The current market conditions have an impact as well. At the end of March 2015, the Treasurer completed refunding of certain series of GO and SBOA bonds. The sale resulted in significant total savings: $10,385,500 Net Present Value (NPV) for the GO bonds and $2,104,500 NPV for the SBOA bonds. This amounts to an annual savings of $1,130,900 -- $976,000 for GO and $154,900 for SBOA -- in debt service payments. In anticipation of this refunding, during the 2015 General Session, the Legislature reduced the appropriation to the debt service line item by $800,000.

Summary chart of debt service savings as a result of bonds refunded in March 2015:

	GO Bonds	*SBOA Bonds*
Par Amount (Principal)	$220,980,000	$30,015,000
NPV Savings ($)	$10,385,492	$2,104,466
NPV Savings (%)	4.63%	6.77%
Annual Debt Service Savings	$976,002	$154,933

Budget Policy Changes Enacted in 2015 G.S. - Steven M. Allred

During the 2015 General Session, the Legislature passed several bills that had an impact on budgetary policy. Many of these changes were based on recommendations from our office as we studied the State's funds and operations. This article highlights eight bills that passed and made budget policy changes. Bills are listed in alphabetical and numerical order.

H.B. 256, *Revenue Reviews for Certain Funds:* requires the Division of Finance to prepare an annual report that recommends closure of contribution dependent accounts that have not raised at least $30,000 in at least one of the last three fiscal years. The report must be presented to the Executive Appropriations Committee (EAC) at the end of each calendar year.

H.B. 312, *Reporting and Expenditure of Public Funds Amendments:* requires written agreements with recipients of pass-through funds appropriated by the Legislature, wherein the recipients must provide annual reports to GOMB on use of the funds. Also changes the deadline for GOMB to submit detailed budget reports to LFA from November 15 to 30 days before start of session (from November 15 to around December 25).

H.B. 333, *Budget Reserve Account Amendments:* changes caps for automatic deposits from year end surpluses. The General Fund Budget Reserve Account cap increases from 8 percent to 9 percent of appropriations; the Education Fund Budget Reserve Account cap increases from 9 percent to 11 percent of appropriations. The increased caps recognize increasing volatility in the state's revenue collections.

H.B. 341, *Constitutional Debt:* prioritizes General Fund appropriations for debt service above any other General Fund appropriation. Requires the Division of Finance to publish the current constitutional debt limit, and requires the Governor's proposed budget to include changes to debt service.

H.B. 349, *SITLA Budget Amendments:* allows SITLA to move money between line items if they receive approval from their board and the EAC. The EAC may recommend approval, disapproval, or a special session to review the matter.

H.B. 368, *Executive Office Compensation:* requires the salaries of the Governor, Lt. Governor, Attorney General, State Auditor, and State Treasurer be set annually in an appropriations act beginning January 1, 2017.

H.B. 409, *Amendments to the Procurement Code:* removes an exemption to provisions of the procurement code for "any action taken by a majority of both houses of the Legislature."

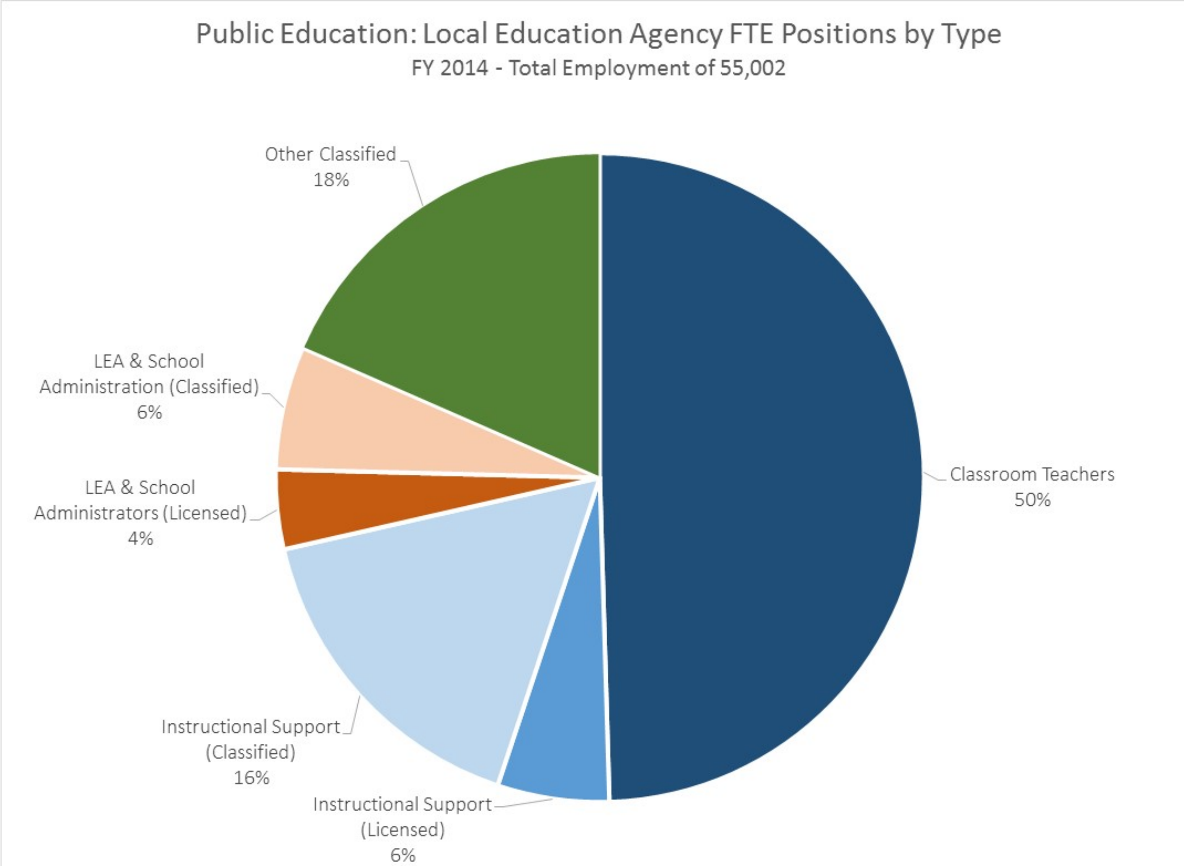
S.B. 47, *Temporary Assistance for Needy Families:* Removes a Temporary Assistance for Needy Families (TANF) request from exemption from federal funds review by the Legislature if the request is one-time in nature and greater than $1 million over the amount most recently approved by the Legislature. Like other federal funds, such requests must go to Legislature during a general session or to the EAC during an interim.

Although not highlighted above, several other bills passed that address the use of mathematical formulas in code, close outdated funds, and clarify certain budgetary procedures. No doubt we'll have a new list of things to work on for next session. We appreciate the opportunity to make improvements to the budget process.

Classroom Teachers in Utah's Public Schools - Ben Leishman

Do classroom teachers really only represent 50% of all full time equivalent (FTE) positions in the school districts and charter schools? This question was asked by several legislators following the distribution of our State Budget Quick Facts card last week. In short, the answer is yes. The ratio of classroom teachers compared to other employment categories has remained relatively flat at approximately 50% for at least the last eight years.
The Utah State Office of Education (USOE) reports FTE staff by position type in the Local Education Agencies (LEAs) each year in the Superintendent's Annual Report. The following pie chart shows the breakdown of FTE staff by major position type in FY 2014. FTE positions are categorized as follows:

- Classroom Teachers - licensed professionals with an active teaching assignment,
- Instructional Support (Licensed) - licensed professionals in a supporting role, includes teacher leaders and specialists, librarians, school counselors, etc.,
- Instructional Support (Classified) - non-licensed paraprofessionals and aides working in classroom or library support,
- LEA & School Administrators (Licensed) - licensed professionals working in school and LEA leadership positions, such as superintendent, assistant superintendent, principal, assistant principal, etc.,
- LEA & School Administration (Classified) - non-licensed administrative support positions,
- Other Classified - non-licensed general support positions such as cafeteria workers, bus drivers, maintenance, etc.



Combining the Classroom Teachers and Instructional Support categories shows that approximately 72% of all FTE positions are actively involved in student instruction activities. The ratio of these combined positions has also remained relatively flat over the past eight years. The following table shows a history of these FTE positions for the past eight years. The final column of the table provides the percent change for each position over that eight-year time span. Licensed administrative positions have grown the most at approximately 52%, followed by Other Classified positions at 17% and Classroom Teachers at 12%.

Public Education: Local Education Agency (LEA) Full Time Equivalent Positions by Type
FY 2008 to FY 2014

Position Category	2008	2009	2010	2011	2012	2013	2014	% Change 2008-14
Classroom Teachers	24,333	23,654	25,475	25,677	25,970	26,610	27,242	12.0%
Instructional Support (Licensed)	2,788	3,410	3,726	3,749	3,832	3,104	3,067	10.0%
Instructional Support (Classified)	8,181	8,434	8,682	8,672	8,507	8,858	8,987	9.9%
LEA & School Administrators (Licensed)	1,434	1,490	1,598	1,597	1,618	1,763	2,181	52.1%
LEA & School Administration (Classified)	3,128	3,226	3,106	3,084	2,810	3,039	3,379	8.0%
Other Classified	8,642	8,834	9,196	9,298	9,198	10,407	10,146	17.4%
State Total	**48,506**	**49,048**	**51,783**	**52,077**	**51,935**	**53,781**	**55,002**	

Source: Utah State Office of Education, Superintendent's Annual Reports. 2008-2014. Full Time Equivalent (FTE) Staff by Position Report.

Department of Environmental Quality Significant Changes - Brian Wikle

Executive Director

Amanda Smith, Executive Director of the Department of Environmental Quality (DEQ), announced that she will step down effective May 22, 2015 following six years of service to the State of Utah in that position. Governor Gary Herbert nominated Alan Matheson, his current Environmental Advisor, to head the agency. Mr. Matheson's appointment is subject to confirmation by the Senate.

Reorganization

Senate Bill 244, Department of Environmental Quality Modifications, enacted in the 2015 General Session consolidated the Division of Radiation Control (DRC) and the Division of Solid and Hazardous Waste (DSHW) into the new Division of Waste Management and Radiation Control (DWMRC) effective FY 2016. Senate Bill 3, the final appropriations act of the session, transferred all FY 2016 appropriations from DRC and DSHW to the new division. As shown in the following figure, S.B. 3 split appropriations to the Division of Waste Management and Radiation Control between two appropriation units that mirror the discontinued divisions.

S.B. 3 **Enrolled Copy**

ITEM 165 To Department of Environmental Quality - Division of Waste Management

From General Fund		769,900
From General Fund, One-time		3,900
From Federal Funds		1,365,000
From Dedicated Credits Revenue		1,533,300
From General Fund Restricted - Environmental Quality		5,893,600
From General Fund Restricted - Used Oil Collection Administration		781,200
From Waste Tire Recycling Fund		142,900
From Revenue Transfers - Within Agency		(255,600)
From Beginning Nonlapsing Appropriation Balances		425,000
Schedule of Programs:		
Solid and Hazardous Waste	6,871,400	
Radiation Control	3,787,800	

To implement the provisions of *Department of Environmental Quality Modifications* (Senate Bill 244, 2015 General Session).

If this arrangement was to continue, the agency would need to prepare budgets for both appropriation units. To improve efficiency of budgeting, the agency intends to transfer all funding for DWMRC to a single appropriation unit at the start of FY 2016, and it will request that beginning in the FY 2017 budget cycle appropriations be made to a single appropriation unit for the division.

DEQ expects that the consolidation will improve efficiency by reducing duplicate processes and positions that existed independently in DRC and DSHW. Work units and employees of the discontinued divisions will be integrated leading to cost savings.

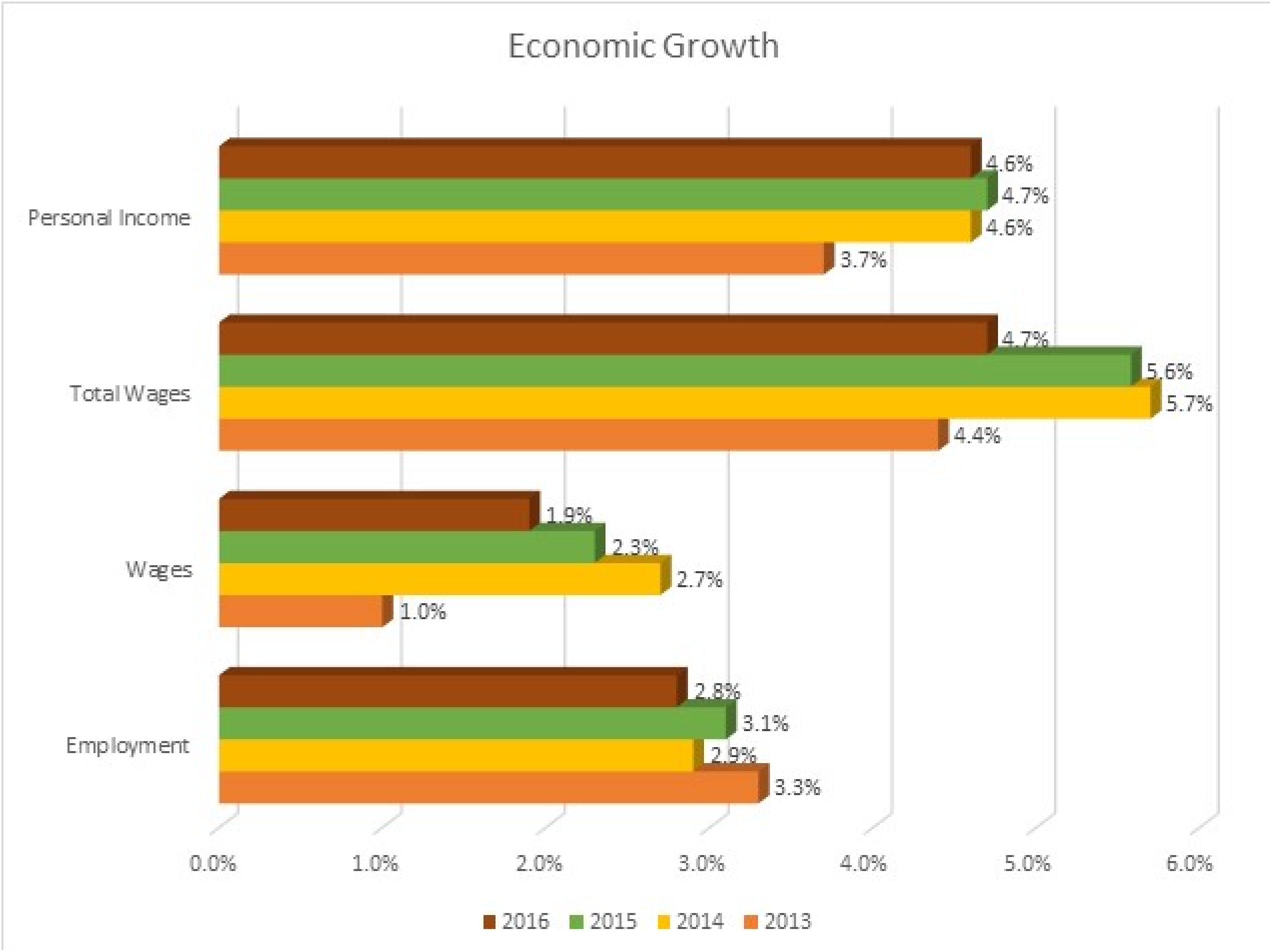
Two positions will be eliminated in the X-ray inspection program within DWMRC. Reductions will be accomplished through retirements and reassignment of retained x-ray inspection staff to open positions in the division. In anticipation of the reduction in x-ray inspection staff, the Legislature reduced ongoing General Fund appropriations to DEQ by $243,400.

Air quality funding changes
The Legislature appropriated $2.97 million for efforts to improve air quality as follows:

- $2.0 million for facilities for alternative fuel vehicles (ongoing);
- $700,000 for grants to encourage individuals and entities to convert engines to cleaner fuels (one-time);
- $200,000 for air quality research (one-time); and,
- $70,000 for modeling emissions from solid fuel burning devices (one-time).

Employment Drives Economic Growth - Andrea Wilko

Strong employment continues to be the largest factor in economic growth in Utah. Economists expect employment to continue to expand through 2015 and 2016 with growth rates of 3.1% and 2.8% respectively. Employment growth is widespread with eight of the ten primary sectors experiencing job growth. Mining is the one sector showing job losses. This is due to coal mine closures and a slowdown in copper production.
Wages are also contributing to economic growth in the state with growth of 2.3% in FY 2015 expected to moderate to 1.9% in 2016. Combining the estimated wage growth with employment forecasts, economists expect total wages to grow by 5.5% in FY 2015 and 4.7% for 2015. Personal Income, which consists of factors beyond wages, is expected to grow at 4.7% in FY 2015 and 4.6% in FY 2016. The information is shown in the chart below.



Overall, we expect the economy to continue at a brisk pace for the remainder of the year and into 2016. Next month, we will present a comprehensive report to the Legislature detailing the overall condition of the economy, and we will present a range forecast for FY 2015 state revenue. Stay tuned.

Justice Reinvestment Initiative Funding and Performance Goals - Gary R. Syphus

House Bill 348, Criminal Justice Programs and Amendments, amended current criminal justice statute, and legislators appropriated approximately $14 million ($12 million ongoing and $2 million one-time) to help meet the requirements in the bill. The changes in policy and funding are far-reaching.

Some of the new requirements include:

1. New standards for mental health and substance treatment,
2. Reduced penalties for certain offenses,
3. Enhanced tracking of offenders in order to better assess and treat, and
4. A requirement to create standardized graduated sanctions to address offender violations.

The new funding spans across four agencies and includes pass-through funds to local governments to meet the requirements in the new law. The table below provides a breakdown of the funding associated with the changes in the law.

	Ongoing	One-time
Executive Offices and Criminal Justice		
Board of Pardons and Parole		
Research/Data Collection	120,800	
Corrections		
Access to Recovery	500,000	
Clinical Therapists	1,805,900	
Mental Health Services	1,045,100	
Office Specialists	604,000	
Training for APP Agents/Board of Pardons/County Jails	200,000	
Transition specialists	893,000	
APP treatment agents	988,000	
CCJJ		
Researcher	120,000	
Program Manager	129,500	
County Incentive Grant Program/Screening/Assessment	2,218,700	
IT upgrades to county jail information systems	-	380,000
EOCJ Total	**8,625,000**	**380,000**
Social Services		
(DSAMH) Training for provider treatment staff	150,000	
(DSAMH) 2 FTE and development of web based system/maintenance	225,000	100,000
(DSAMH) Substance abuse/mental health treatment	2,980,000	1,520,000
SS Total	**$3,355,000**	**$1,620,000**
Grand Total	**$11,980,000**	**$2,000,000**

With this funding comes the expectation of certain desired results. The Commission on Criminal and Juvenile Justice submitted the following outcome measures in the performance note:

1. Reduce prison population (estimated CY 2016 prison population is 7,145 with a target to reduce population to 6,118 by CY 2020),
2. Increase successful discharges from prison (estimated FY 2016 parole success rate at 20% aimed to increase to 25% by FY 2020; and estimated FY 2016 successful probation rates from 37% to 47% by FY 2020), and
3. Reduce recidivism with targeted reentry, treatment, and recovery services (estimated FY 2016 parole recidivism rate at 71% with a goal to reduce it to 62%; and estimated FY 2016 probation recidivism rate at 19% to reduce to 16% by FY 2020).

The April Tax Payments are In - How Do They Look? - Thomas E. Young

Every year staff presents you with point estimates for year-end revenue collections to the General and Education funds. The year-end estimates represent the sum of such taxes as withholding, final income tax payments made in April, corporate tax, sales tax, severance taxes, and others.

Some of these revenue sources follow a fairly straight-forward pattern. Other taxes are lumpy, and show up only in certain months. One example is gross final payments.

Gross final payments, which are the payments individuals make around April 15th, are informally known as the "April surprise."

How does the April surprise look this year?

On the vertical axis of the figure below is the gross final payments by fiscal year. On the horizontal axis is the month. At the bottom is FY 2015 (the current year). April payments this year came in at about $570 million, about $82 million above last year's $488 million and $10 million below FY 2013's $580 million. The April surprise, combined with above-expected withholding, are the reason behind income tax coming in above target.

Income Tax Gross Final Payments
FY 2007 to FY 2015

UCAT Program Approvals - Angela J. Oh

Certificate programs provided by campuses of the Utah College of Applied Technology (UCAT) are developed and approved by direction of the UCAT Board of Trustees. Board policy provides for campus programs to meet documented needs of employers for technically-skilled workers in the campus' specific regional market. Each program must have an employer advisory committee that ensures desirable, relevant, and current practices of the occupation being taught, and must be approved by the campus board of directors. Programs that are 900 hours or longer, or that will be financial-aid eligible, must then be approved by the UCAT President, Robert Brems.
Campuses submit programs for approval to meet their regional needs throughout the year . The table below lists programs that have been approved between January and May of this year.

Campus	Program	Length (in hours)
Mountainland ATC	Composite Technology (Substantive Change)	665
Mountainland ATC	Surgical Technician	1,314
Mountainland ATC	Web Programming and Development	630
Ogden Weber ATC	Business (Substantive Change)	1,160
Ogden Weber ATC	Culinary Arts: Baking and Pastry	950
Ogden Weber ATC	Pharmacy Technician (Substantive Change)	600
Southwest ATC	Admin Technician	930
Southwest ATC	Advanced Swine Production (Occupational Upgrade)	943
Southwest ATC	Billing and Coding Specialist	750
Southwest ATC	Computer Science: Computer Programming	660
Southwest ATC	Computer Science: Information Technology	930
Southwest ATC	Computer Science: Web Development	600
Southwest ATC	Digital Media Multi Media	930
Southwest ATC	Entrepreneurship	1,200
Tooele ATC	Cosmetology Instructor	1,000

Utah System of Higher Education Increases Tuition by 3% for 2015-2016 - Spencer C. Pratt

During its regular meeting on March 27, 2015, the State Board of Regents approved a first-tier tuition increase of 3% for the 2015-2016 school year. Only one institution, the University of Utah, requested a second-tier tuition increase, which was also approved at 0.5%. The increases will add between $90 and $241 to the resident undergraduate tuition costs for students. The expected revenue from the increase is approximately $18.5 million. Of this amount, $13.4 million (72%) will be used for compensation-related expenses, including compensation increases, new hiring, promotion, and retention efforts. The remaining funds will be used for student support, utilities and maintenance, mandated costs, and IT support.

In addition to the tuition increases, the board also approved fee decreases/increases. Fees will go down at Utah Valley University (-2.75%) and at Southern Utah University (-0.07%). Fees will be increased at Snow College (1.54%), Salt Lake Community College (2.33%), Weber State University (3.01%), University of Utah (6.06%), Dixie State University (7.55%), and Utah State University (11.95%). Fees cover the following major items: student activities/support, building bonds, building support, athletics, health, technology, and other purposes.

In April 2015, the Utah College of Applied Technology (UCAT) Board of Trustees approved a 2.9% increase in tuition at the Ogden Weber Applied Technology College, the only campus to request an increase. The increase is expected to generate approximately $44,000. All of the other seven campuses will maintain their tuition at the current levels.

What Are We Doing to Reduce Catastrophic Wildfires in Utah? - Ivan D. Djambov

The Division of Forestry, Fire, and State Lands is tasked in S.B. 56, Wildland Fire Policy (2015 GS), to "coordinate the development of a comprehensive, state-wide wildland fire prevention, preparedness and suppression policy." The division has actually been working on this for a couple of years prior to the passage of the legislation. Their efforts started as a response to Governor Herbert's charge following the difficult 2012 fire season.

The division has been preparing to implement the National Cohesive Wildland Fire Management Strategy (NCS). The intent is to reduce the risk, cost, and impact of wildfire over time in Utah. The three goals of the NCS are:

1. Resilient landscapes,
2. Fire adapted communities, and
3. Enhanced suppression capacity and response.

Who are the partners?

The state fire managers' efforts are led by six regional work groups comprised of fire professionals and stakeholders from the respective region. A statewide steering committee advises the division and oversees the actions purposed by the regional groups.

A broad spectrum of stakeholders actively participate at both the regional and state-wide levels: county and municipal elected officials, state legislators, governor's office, Public Lands' Office, SITLA, Department of Agriculture and Food, Division of Wildlife Resources, the USDA, Forest Service, Natural Resources Conservation Service, Bureau of Land Management, and various NGOs, such as Trout Unlimited. These partners provide input into project and action planning, prioritization, funding and implementation.

What are the results?

In FY 2015, the Division of Forestry, Fire, and State Lands and its partners are working to complete 21 projects in 15 counties. Those include approximately 2,500 acres of fuels reduction and 3.5 miles of installed fencing (for better use of grazing as a fuels treatment tool).

In FY 2016, the Statewide Steering Committee has approved 27 projects in 12 counties and a state-of-the-art wildfire risk assessment. This risk assessment is key and will be the tool used by both the regional work groups and the steering committee to prioritize geographic areas and associated values at risk, as well as the actions proposed to reduce risk.

The division reported that the planning for FY 2017 has already begun through the regional work groups assessing values at risk, prevention, preparedness, and mitigation actions to reduce risk in their areas.

How are the efforts funded?

The initial appropriation was $1.9 million one-time in FY 2015 from the Sovereign Lands Management Restricted Account. This funding was limited to fuels reduction projects only, funding 21 projects. The Legislature appropriated for FY 2016 an additional $2.5 million one-time from the same source.

Along with state funding, the Division of Forestry, Fire, and State Lands has been able to receive other funds and in-kind contributions. In January 2015, the National Resource Conservation Service's (NRCS) Regional Conservation Partnership Program awarded $1.7 million (five-year award agreement) to the division. Of the total allocation, $1,050,000 will be used to fund catastrophic fire mitigation projects on private ground, $500,000 to support a coordinator position for five years, and $150,000 will be retained by NRCS for their technical assistance.

The US Forest Service also provided an initial $100,000 grant to the division in mid-2014 to support the administrative costs of developing and implementing the catastrophic wildfire reduction strategy.

Where Does the Department of Health's Fee Revenue Come From? - Russell T. Frandsen

The Department of Health estimates total revenue of $13.1 million for FY 2016 from 1,200 fees. The following 15 fees make up 2/3 of all the estimated revenue:

1. Newborn screening, laboratory testing - $3.9 million to test for 38 diseases in 52,000 newborns
2. Newborn screening, follow-up services - $1.5 million to follow up on positive test results from any of 38 diseases for 52,000 newborns
3. Initial copies of birth certificates - $1.0 million for 51,100 copies
4. C. trachomatis and N. gonorrhoeae detection by nucleic acid test - $0.5 million for about 21,100 tests
5. Review and authorize cremation - $0.3 million for the Medical Examiner to allow 6,300 cremations
6. Hospital license bed two year operating licenses - $0.2 million for 5,800 beds
7. Background checks for child care workers - $0.2 million from 13,900 workers
8. Health care facility two year operating licenses - $0.2 million from 400 facilities
9. Practical test for the basic level for emergency medical technicians - $0.2 million from 2,000 applicants
10. Institutional license (All-Payer Claims Database & Facilities Data) - $0.2 million from 1 license
11. Additional copies of birth certificates - $0.1 million
12. Birth certificates from adoptions - $0.1 million
13. Standardized limited data set - $0.1 million for 10 sets
14. Sound production w/ evaluation of language comprehension (92523) - $0.1 million for speech evaluation for about 650 individuals at the State's Children with Special Health Care Needs Clinics
15. Home health agencies two year operating licenses - $0.1 million from 70 agencies

The first three fees make up nearly 50% of all the estimated revenue from fees. For more information on all of the fees in the Department of Health, please see the interactive tool created by Thomas Young, Office of the Legislative Fiscal Analyst: https://public.tableau.com/shared/4RTN2FPJ7?:display_count=yes.

Workforce Services Will Report on $29 Million of Additional One-time TANF Projects - Stephen C. Jardine

The Legislature passed S.B. 47, *Temporary Assistance for Needy Families*, during its 2015 General Session. The bill removes the previous exemption for the Department of Workforce Services (DWS) for Temporary Assistance for Needy Families (TANF) funds from the state's Federal Funds Procedures Act by requiring that DWS now report one-time TANF requests greater than $1.0 million over the amount most recently approved by the Legislature. The Legislature also approved intent language requiring DWS to provide to the Office of the Legislative Fiscal Analyst a detailed report on its TANF reserve amount, including the current balance and any uses of the reserve since the 2015 General Session or planned and projected uses of the reserve in the future. DWS will also report on these additional one-time TANF projects to both the Social Services Appropriations Subcommittee and the Executive Appropriations Committee during the 2015 interim.

TANF Reserve Background:

The Department of Workforce Services administers the federal TANF program - a flexible funding source for states to assist needy families. The ongoing TANF block grant base budget for FY 2015 is $68 million. During the 2014 General Session, DWS indicated it had $107 million in excess TANF spending authority. This additional spending authority is referred to as TANF reserve. In response, the Legislature reviewed numerous potential uses of this TANF reserve and eventually authorized $17.3 million during its 2014 General Session for 12 programs that qualified by meeting one of the four specified TANF purposes.
The Legislature also approved intent language directing DWS to proceed with identifying other uses of its TANF reserve. DWS identified an additional $51.5 million in TANF uses and reported these items to the 2014 interim Social Services Appropriations Subcommittee. Subsequently, DWS estimated a $29 million increase in its TANF reserve for one-time collaborative TANF projects involving the divisions of Child and Family Services, Substance Abuse and Mental Health, and Juvenile Justice Services in the Department of Human Services, as well as other collaborative projects at the departments of Health and Corrections, and Salt Lake County. Additional details on TANF funds in Utah and plans for future spending can be found at:

- Issue Brief (2015 General Session): Workforce Services TANF Funds (http://le.utah.gov/interim/2015/pdf/00002452.pdf)
- $107 Million of Excess Federal TANF Spending Authority (2014 Interim Fiscal Highlights article) (http://le.utah.gov/lfa/LFADocs.jsp?month=5&pubid=5875&year=2014)
- Issue Brief (2014 Interim): Workforce Services STEM Initiative (http://le.utah.gov/interim/2014/pdf/00003467.pdf)