

Fiscal Highlights

Final Cost of House Investigative Committee - Steven M. Allred

One year ago, in July 2013, the House passed H.R. 9001, "House Rules Resolution Forming Special Investigative Committee" during the 2013 First House Session. Today, the House's investigation is complete and the final cost tallied to \$3.76 million.

The investigation was an unprecedented event in Utah. The fiscal note on H.R. 9001 stated the resolution could cost between \$500,000 and \$3 million one-time. However, it went on to say, "Actual costs will depend on a number of unpredictable factors. This estimate does not include indirect or induced costs that might occur as a result of this resolution, such as costs to defend the committee's powers should they be challenged in a court of law."

Information from the special counsel and investigators indicated that costs were indeed driven up by having to defend the committee's powers in court (particularly in having to issue and defend search warrants), investigating missing electronic data, and other possible areas of obstruction.

While the House resolution authorized the investigative committee to work for 18 months, the committee accelerated its work and essentially completed the investigation in half that time.

The investigative committee met all of the requirements in the resolution, including:

- Investigating allegations of misconduct against the former Attorney General;
- Investigating matters related to the former Attorney General that arose as part of the investigation;
- Reporting to the House;
- Presenting a final written report showing the information and evidence gathered; and
- Providing the House periodic accounting detailing the ongoing costs.

Following-up on Past Budget Items and Fiscal Notes - Stephen C. Jardine

The Fiscal Analyst's Office reports annually on the implementation of fiscal notes and budget actions from past legislative sessions. The report is intended to create a feedback loop regarding funded items. The report includes a stop-light coding system (green, yellow, and red) for each item in the following three categories:

- Implementation (was the item implemented on time and according to legislative intent);
- Budget accuracy; and
- Performance.

This year's report (<http://le.utah.gov/interim/2014/pdf/00003759.pdf>) followed up on 123 selected fiscal notes and budget actions from the past and included the following results:

- Implementation: 108 green, 9 yellow, 5 red,
 - Accuracy: 84 green, 14 yellow, 25 red, and
 - Performance: 50 green, 72 yellow, 0 red.
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From the 123 items included in the report, staff selected seven to present to the Executive Appropriations Committee representing four basic themes:

- 1) The initial estimate or fiscal note was higher than actual experience, thereby leaving excess funds available;
- 2) The initial estimate or fiscal note was lower than actual experience, thereby requiring an agency to absorb the additional costs;
- 3) The funded item reported positive outcomes (in light of the fact that 59% of the 123 items provided no outcome data); and
- 4) An item of general interest to the Legislature.

The seven items highlighted were:

- Funding for a School Bus for the Carmen Pingree School on page 56 (theme #1),
- H.B. 133 - Vehicle Registration Amendments on page 30 (theme #1),
- Savings from a Higher Federal Match Rate for Certain Medicaid Eligibility Systems on page 89 (theme #1),
- S.B. 72 - Prison Relocation and Development Amendments on page 123 (themes #1 and #4).
- The Disabilities Waiting List on page 75 (theme #2),
- Mental Health Early Intervention Services for Children and Youth on page 76 (theme #3), and
- Performance Based Funding for Higher Education on page 95 (theme #4).

FY 2015 Capital Development Projects - Mark Bleazard

The 2014 Legislature appropriated state funds totaling \$165.4 million for FY 2105 capital development projects in the state. In addition, authorization for \$145.1 million was given for FY 2105 non-state funded capital development projects as listed in the figure below.

During the 2014 General Session, the Legislature enacted S.B. 172, "Capital Improvement and Capital Development Project Amendments," that amends UCA 63A-5-104 to add the following new text: "It is the policy of the Legislature that a new building or facility be approved and funded for construction in a single budget action, therefore the Legislature may not fund the programming, design, and construction of a new building or facility in phases over more than one year unless the Legislature has approved each phase of the funding for the construction of the new building or facility by the affirmative vote of two-thirds of all the members elected to each house."

These amendments to the code could eliminate the dilemma of future occupants of those phase funded facilities likely anticipating those projects will get preference in the appropriations process during the next general session.

FY 2015 Capital Development Projects

State Funded Capital Development Projects

Millions

SWATC - Allied Health and Technology Building	\$19.30
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WSU - Science Laboratory Building	57.40
USU - Brigham City Campus Building	7.50
USU - Eastern Central Instructional Building	19.00
NG - Camp Williams South Infrastructure Improvements	3.90
Corrections - Gunnison Inmate Housing	36.00
DHS - American Fork Developmental Center Durable Housing	6.50
USOE - Utah Schools for the Deaf and Blind Salt Lake Facility	1.50
Juvenile Justice - Weber Valley Multiuse Youth Center Land Purchase	2.30
Huntsman Cancer Institute	8.00
Snow College Sevier Valley Center Lease Buyout	3.00
DSC East Elementary Building purchase	1.00
Total State Funded	165.40

**Non-State Funded Capital Development
Projects**

Millions

SUU Center for the Arts	\$35.00
USU Tooele Science & Technology Building	9.80
MATC - Technology Trades Building	10.68
DPS Price Communications & Driver License Building	1.50
DPS Vernal Communications & Driver License Building	0.88

U of U Infrastructure	32.00
U of U Lasonde Living Center	45.20
U of U Alumni House	10.00
Total Non-State Funded	\$145.06

Higher Education Completion Grants Approved - Spencer C. Pratt

The State Board of Regents recently awarded Completion Grants to each of the eight institutions in the Utah System of Higher Education, designed to improve graduation rates. The institutions' programs focus on one the following five completion strategies, as approved by the State Board of Regents in its July 2013 meeting:

- Establishing 15 credit hours as the standard for a full-time course load;
- Setting plateau tuition;
- Creating Degree maps;
- Providing support for students' success in math; and
- Implementing reverse transfer or stackable credentials.

Completion grants, ranging from \$18,000 to \$40,000, and requiring a 100% match, were awarded to the following institutions:

- Utah State University -- Stackable Credentials (Identify students who have completed requirements for an AA or AS and award the degree; invite students who have some completed requirements to return to finish): \$40,000.
- University of Utah -- 15 to Finish (block scheduling for general education requirements) and Math Success (math tutoring): \$39,500.
- Weber State University -- Degree Maps (Implement Smart Graduation Planner app): \$37,968.
- Southern Utah University -- Math Success (Double capacity in College Connections, which is required for students who are provisionally accepted): \$40,000.
- Utah Valley University -- 15 to Finish and Degree Maps (Implement College Scheduler to facilitate schedule options and registration): \$40,000.
- Snow College -- Math Success (Emphasize completion and success in developmental math so students will finish college math in two semesters): \$17,986.
- Dixie State University -- 15 to Finish, Degree Maps, and Math Success (Expand peer mentoring): \$40,000.
- Salt Lake Community College -- Degree Maps and Stackable Credentials (Emphasize Certificate of Completion when earned while in pursuit of a degree in the School of Technical Specialties): \$28,000.

Funding for the Completion Grants was from the College Readiness Assessment bill (S.B. 286, 2012 General Session).

Incremental Tax Changes - Ben Leishman

How much revenue is generated from an incremental change in one of the state taxes? In response to this question, representatives from the Legislative Fiscal Analyst's Office presented this [matrix](#) to the Education Taskforce during its July meeting. The matrix provides estimates for the Income Tax, Property Tax, Sales Tax, and Gas Tax. The incremental tax change and estimated revenue amounts are as follows:

- Income Tax: Increase 1% to 6% - \$585 million
- Property Tax: Increase \$100 per residence & business - \$120 million
- Property Tax: Freeze the Basic Rate at 0.001535 - \$12 million
- Sales Tax: Increase 1% - \$515 million
- Gas Tax: Increase one cent to \$25.5 cents per gallon - \$10 million

Estimates are based on economic indicators and revenue estimates used to build the FY 2015 budget. These estimates will change as the 2015 General Session approaches and economic indicators are updated.

The Taskforce members asked that staff include estimates for the following on the matrix:

- Revenue generated from certain tax policy changes, namely, income tax exemptions and sales tax earmarks.
- Impact of tax changes on taxpayer groups.

This matrix will be updated in the coming months to include the additional information requested by the Education Taskforce.

Law Library Self-Help Center - How has it fared? - Gary R. Syphus

How much does \$275,000 buy? For the Courts Self-Help Center, it buys service for estimated 16,000 patrons statewide.

During the 2012 General Session, the Legislature passed Senate Bill 100, "Law Library Self-Help Center" and appropriated \$275,000 of ongoing funds to help significantly expand the function and service of the self-help center located within the Matheson Courthouse. The funds were for staff, including licensed attorneys, mainly to (1) help assist court patrons to help fill out documents and (2) answer questions regarding court process, law and legal options where applicable. However, the funding was not to be used for legal advice or representation.

The bill met the requirement of needing a performance note because it significantly expanded a service to a new or larger population. In the performance note, the Courts stated that the funding would help assist approximately 16,000 patrons in FY 2013 and preliminary numbers for FY 2014 indicated that they will meet this goal again. The Courts reported that all funds were expended to cover the personnel costs estimated in the note with nominal related current expense.

Assuming the intent of the bill was to help the ever-increasing number of self-represented patrons navigate the Court system and avoid costly delays for Courts due to a single party's inexperience, there is data to indicate that it has been successful. Going forward, now that sufficient time has passed to review the performance data associated with this specific appropriation, the Legislature may evaluate the reported outcomes and determine if they want to make any adjustments - just as they can with any other appropriation.

State Economic Development Incentives - Andrea Wilko

The Governor's Office of Economic Development (GOED) utilizes several incentives to encourage business relocation and expansion in Utah. These programs include:

- The Economic Development Tax Increment Financing (EDTIF);
- The Industrial Assistance Fund including the following subsets:
 - Rural Fast Track Program;
 - Business Expansion and Retention Program (BEAR);
 - Smart Schools Program; and
 - Post-performance Grant Program.
- Enterprise Zones;
- Recycling Zones;
- Alternative Energy Manufacturing Tax Credits;
- Life Science and Technology Tax Credits;
- Motion Picture Incentive Program (MPIP); and
- Technology Commercialization and Innovation Program (TCIP).

Legislative staff offices (LRGC and LFA) collaborated with GOED to create a [summary of these incentives](#) which was presented to the Economic Development and Workforce Services Interim Committee on July 16. During that meeting, legislators questioned the adequacy and availability of performance information for these programs.

The Public Interest Research Group (PIRG) pointed to a lack of financial detail on incentives when it downgraded Utah's financial transparency website - [TransparentUtah.gov](#) - from B+ to B- in its [latest report](#).

The interim committee asked LFA and LRG to perform additional research to identify current data limitations and to recommend ways to measure return on investment. The additional information will be presented in the November interim meeting.

State Medicaid Costs \$17.5 m Less than Expected in FY 2014 - Russell T. Frandsen

State General Fund costs for the Medicaid program will be \$17.5 million lower than appropriated in FY 2014, according to the Departments of Health and Workforce Services. The lower state costs occurred for the following three reasons:

- Medicaid Caseload (Department of Health) - \$15 million from lower than expected federal health care reform related increases in Medicaid caseloads.
- Savings From Higher Federal Match Rate for Certain Medicaid Eligibility Systems Maintenance and Operations (Department of Workforce Services) - \$1.3 million from the department realizing higher than anticipated workload related to the Medicaid eligibility changes from federal health care reform. The federal government is providing the State of Utah a 75% rather than a 50% match on these activities.
- Affordable Care Act Mandatory Changes (Department of Workforce Services) - \$0.2 million from the department spending less on personnel related to handling new Medicaid caseloads due to changes from federal health care reform.

State-Local Partnership - Receiving Centers and Youth Services - Zackery N. King

The lawmakers have passed legislation and made appropriations in the last two general sessions to solidify a state-local funding model for receiving centers and youth services (RC&YS) programs provided by the Division of Juvenile Justice Services (DJJS). For example, in the 2014 General Session, the Legislature appropriated \$439,400 ongoing and \$290,000 one-time to DJJS for RC&YS programs in Blanding and Cedar City. This appropriation contained the following intent language:

It is the intent of the Legislature that the \$439,400 ongoing General Fund and \$290,000 one-time General Fund appropriations to receiving centers and youth services for the FY 2015 budget, be used for implementation of recommendations 1, 8, 9, 11, and 13 contained in the CCJJ working group report titled "Youth Services and Receiving Centers Working Group Report."

Recommendations 1, 8, 9, 11, and 13 of the CCJJ working group report, referenced above, focus on stabilizing funding for receiving centers and implementing a state matching program with local governments for RC&YS.

In its August 5, 2014 interim meeting, the Executive Offices and Criminal Justice Appropriations Subcommittee (EOCJ) will hear a presentation from DJJS on its plan to implement the state-local funding partnership for RC&YS, its activities so far to obtain local funding, and the status of local government contributions. Local funding for RC&YS would aid in keeping these programs fully operational statewide. In some cases, not only would local funding allow for RC&YS to be fully operational, but may even provide the means of keeping these programs from being closed. Additional details of legislative action and intent for the state-local funding model for RC&YS can be found [here](#).

FY 2013

During its August 2013 interim meeting, EOCJ received a report from DJJS wherein the table below was presented. The figure shows FY 2013 state and local funding amounts for RC&YS identifying the total budget and funding mix for each location, as well as the overall funding mix for RC&YS statewide.

Location	FY 2013 Total Budget	State \$'s	Federal & Grant \$'s	Federal Medicaid & Title IV-E	City & County & Local \$'s	City & County In-kind Donations	FTEs
Logan	369,700	369,700	-	-	-	-	5.5
Ogden	1,582,000	1,252,000	250,000	80,000	-	(\$129,000 saving in reduced county lease costs)	21
Salt Lake: Main and South	1,658,700	578,900	204,000	-	875,800	-	22.5
Provo	1,080,200	443,500	149,800	483,200	3,700	-	16
Richfield	337,500	337,500	-	-	-	-	6
Cedar City ^a	415,000	395,000	-	20,000	-	-	8.6
St. George ^b	420,900	364,900	-	-	56,000	-	8
Blanding ^a	355,000	355,000	-	-	-	-	6
Total	\$ 6,219,000	\$ 4,096,500	\$ 603,800	\$ 583,200	\$ 935,500	\$ -	93.6
^a Locations funded with one-time funding from the Utah Legislature for FY 14							
^b Location partially funded with \$85,000 in one-time funding for FY 14							

FY 2014

DJJS has provided an FY 2014 version of this table, which can be a starting point for analyzing the status of state-local partnerships in funding RC&YS statewide.

Location	FY 2014 Total Budget	State \$'s	Federal & Grant \$'s	Federal Medicaid & Title IV-E	City & County & Local \$'s	City & County In-kind Donations	FTEs
Logan	350,500	350,500	-	-	-	-	5.5
Ogden	1,551,800	1,271,800	200,000	80,000	-	(\$129,000 saving in reduced county lease costs)	21
Main and South	1,572,100	582,900	200,000	-	789,200	-	19.75
Provo	1,199,500	524,400	145,000	501,100	29,000	-	16
Richfield	335,800	335,800	-	-	-	-	6
Cedar City ^a	423,200	403,200	-	20,000	-	-	8.6
St. George ^b	370,900	314,900	-	-	56,000	-	8
Blanding ^a	365,100	365,100	-	-	-	-	6
Total	\$ 6,168,900	\$ 4,148,600	\$ 545,000	\$ 601,100	\$ 874,200	\$ -	90.85
^a Locations funded with one-time funding in FY 14							
^b Location partially funded with \$85,000 in one-time funding for FY 14							

FY 2014 to FY 2013 Comparison

Overall funding for RC&YS statewide has decreased by about 9%.

State funding as a percentage of overall spending has increased by about 6%. Spending on Vantage Point in Provo has increased by about \$119,000 or 11% (about 68% state funding and about 21% local funding).

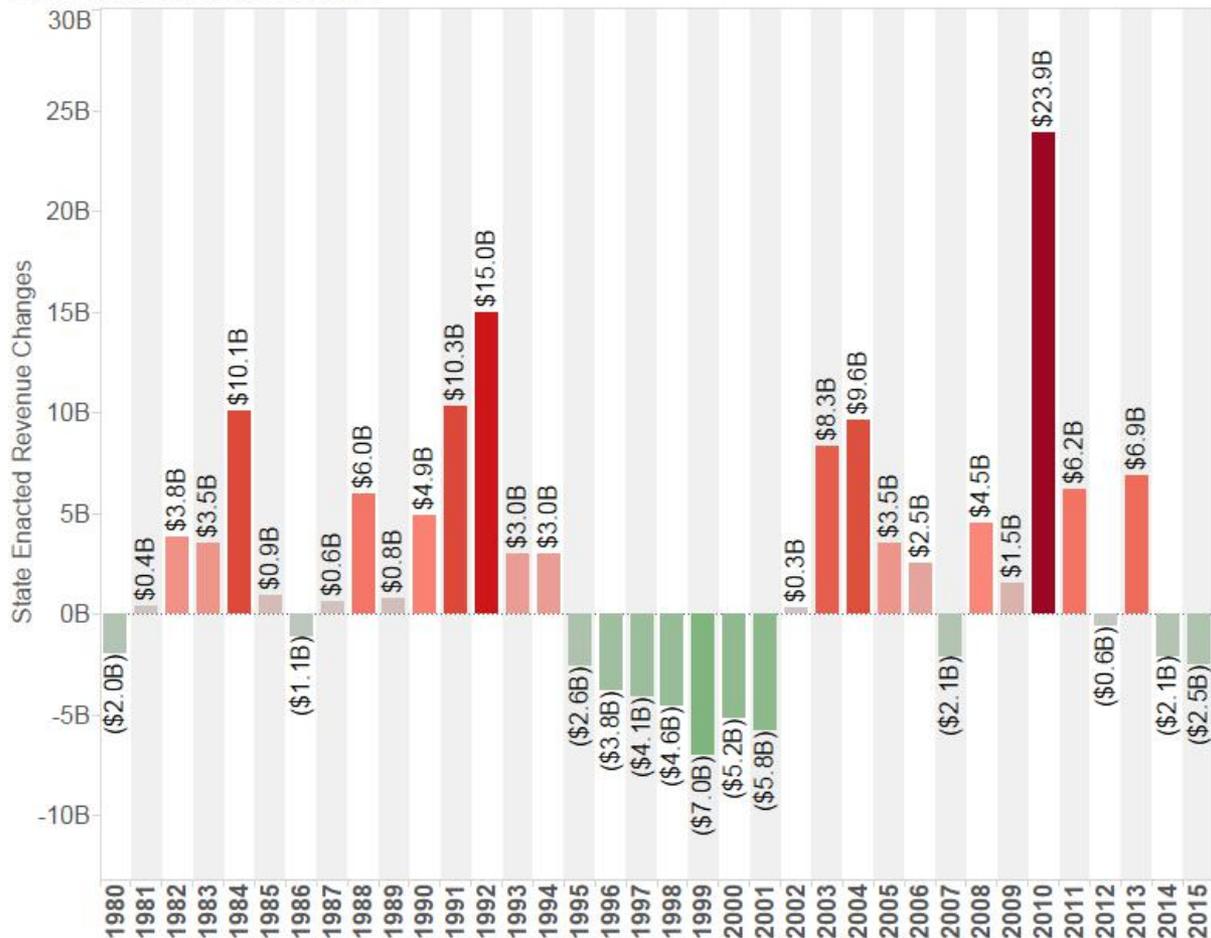
Local government contributions as a percentage of overall spending have increased by about 674%. Vantage Point in Provo increased from from \$3,700 to \$29,000 - a 684% increase.

States Pivot Towards Tax Burden Reductions - Thomas E. Young

With the economic recovery now approaching five years, states, on the net, are starting to look for ways to reduce the individual and business tax burden.

The figure below shows the net enacted state revenue changes from 1980 to 2014. The 2015 number is as recommended. If the recommended changes take effect, it would be the first time since 2001 that states on the net reduced individual and business tax burden for two consecutive years.

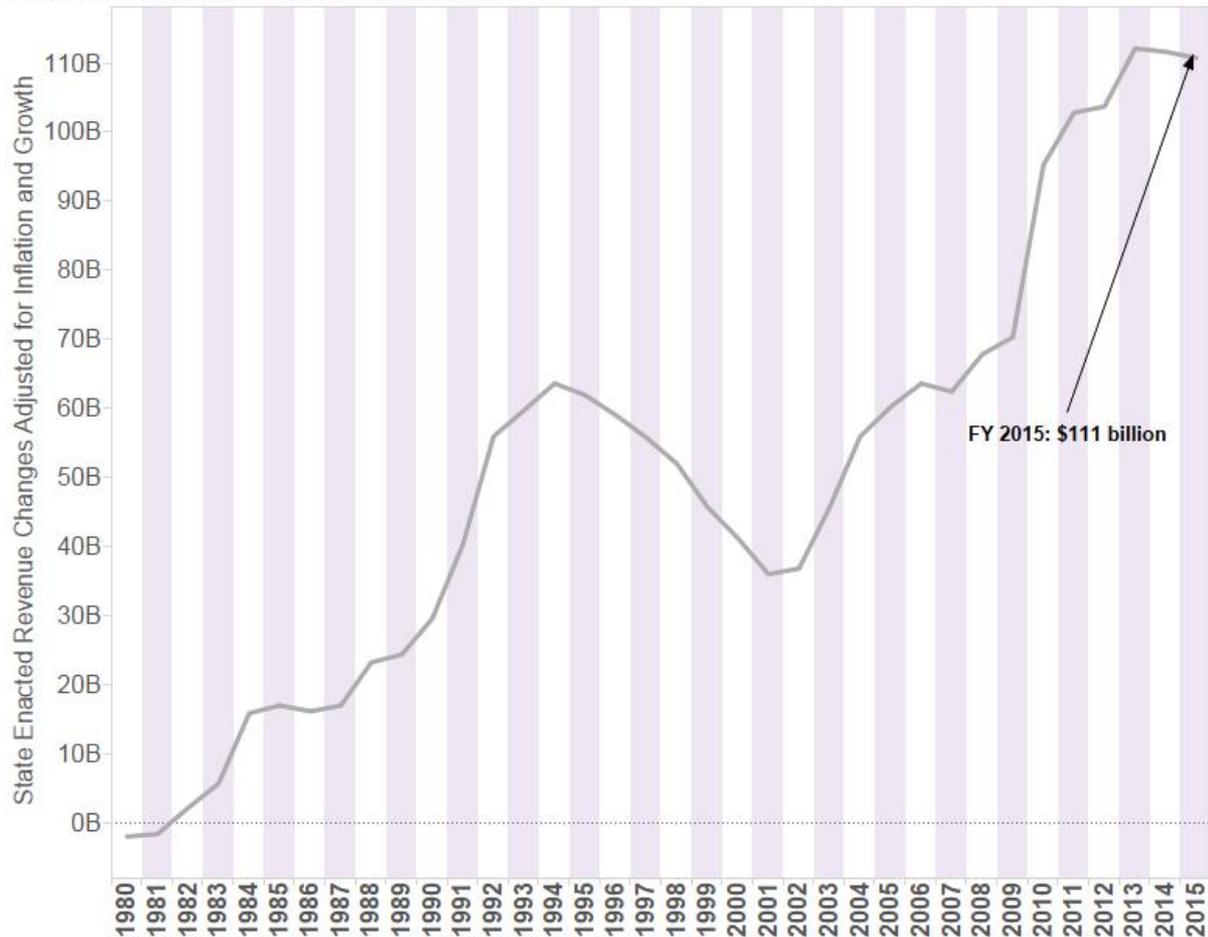
State Enacted Revenue Changes



Source: National Association of State Budget Officers, Haver Analytics
 Note: The numbers are as enacted through FY 2014 and as recommended in FY 2015.

In terms of the cumulative state revenue changes, the next figure has that look, adjusted for general growth and inflation. Overall, the net cumulative tax change from 1980 to recommended 2015 across all states is an increase of \$111 billion in the overall tax burden.

Cumulative State Enacted Revenue Changes

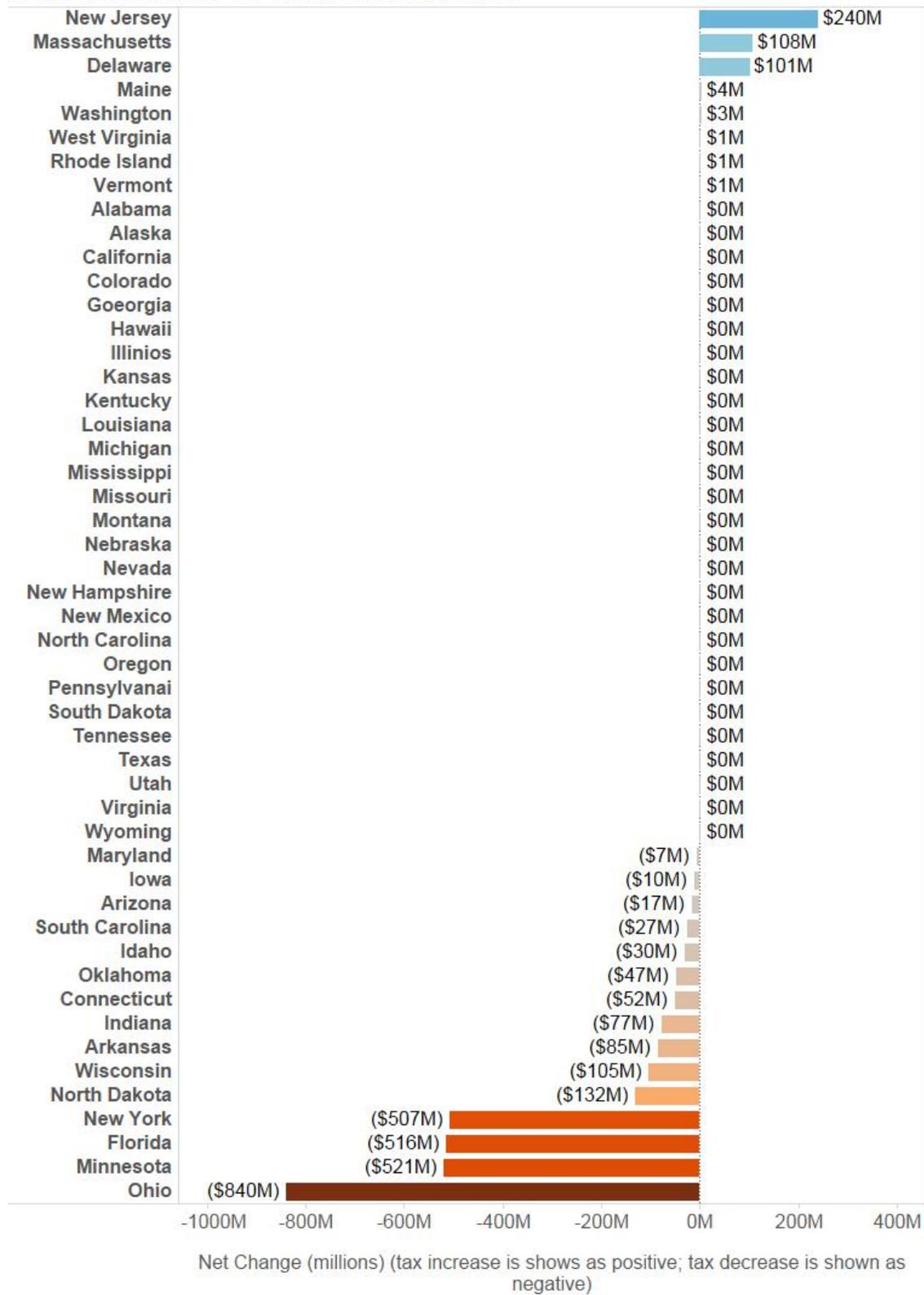


Source: National Association of State Budget Officers, Haver Analytics
 Note: The numbers are as enacted through FY 2014 and as recommended in FY 2015.
 Note2: The numbers are cumulative adjusted for general inflation and growth.

What states are making changes?

The state with the largest recommended tax burden increase in 2015 is New Jersey at \$240 million (see figure below). On the other end, the state with the greatest recommended reduction in individuals' and businesses' tax burden is Ohio at \$840 million.

FY 2015 Recommended Tax Changes according to NASBO



Source: NASBO

Where is Utah?

The last two "big" tax or fee changes in Utah occurred in 2009 and 2010. In 2010, the state increased cigarette and tobacco taxes by \$44 million. In 2009, the state increased motor vehicle registration fees for most vehicles by \$20 per vehicle, representing a budgeted fee increase of \$53 million.

Utah College of Applied Technology - High Demand Programs - Angela J. Oh

The eight regional campuses of the Utah College of Applied Technology (UCAT) provide nearly 300 programs throughout the state. The demand for technically-skilled workers in the state is high and in many cases UCAT cannot train people fast enough. "Employers are hungry for skilled workers," said UCAT President Rob Brems. "One problem we face is students being hired before they complete their programs."

Some of the high demand programs across the state are Machining, Manufacturing, Composites Training, and Industrial Automation. Most of the UCAT campuses offer training in these areas and are expanding these programs as funding will allow. Employers are leading a charge for more skilled workers in these areas and have expressed concern that not enough focus is being put on technical education in the state.

Todd Bingham, president of the Utah Manufacturers Association, told the Education Interim Committee that technical and manufacturing jobs suffer from an image issue, where those careers are viewed as inferior to others that require a bachelor's degree or higher. But the demand for those jobs is growing, Bingham said, and the potential earnings are high, even for entry-level workers. "People see manufacturing as the three Ds: dark, dangerous and dirty," he said. "Manufacturing is anything but that. This is not your grandfather's industry."

The Legislature appropriated \$6.5 million (\$3.0 million - campus capacity; \$3.0 million - campus equity; and \$0.5 million - Custom Fit) to UCAT during the 2014 General Session to help address high demand programs.

	Campus Capacity	Campus Equity	Custom Fit	Total
UCAT Admin	-	-	\$500,000	\$500,000
Bridgerland ATC	\$441,000	\$151,900	-	\$592,900
Davis ATC	\$488,200	\$502,800	-	\$991,000
Dixie ATC	\$294,000	\$311,700	-	\$605,700
Mountainland ATC	\$423,200	\$1,617,200	-	\$2,040,400
Ogden-Weber ATC	\$457,600	\$213,900	-	\$671,500
Southwest ATC	\$292,500	\$66,500	-	\$359,000
Tooele ATC	\$272,200	\$86,400	-	\$358,600
Uintah Basin ATC	\$331,300	\$49,600	-	\$380,900
Total	\$3,000,000	\$3,000,000	\$500,000	\$6,500,000

In addition to the table above, UCAT Admin received \$200,000 one-time for a marketing and messaging fund; UCAT has committed to focus on helping people rethink education to meet the growing demand.

Variety of Options for the State Fairpark Explored in a Land Use Study - Ivan D. Djambov

The Utah state fair was established in 1902 and is currently run by the Utah State Fair Corporation, an independent public nonprofit corporation ([UCA 63H-6-103](#)). The state leases over 65 acres of Fairpark property to the corporation for \$10 per year.

The management of the Fairpark was privatized in 1995, with directive to find a way to become self-sufficient. The legislation also allowed the new corporation to receive annual appropriations from the state until it could become self-sufficient.

Since 1995 the corporation has attempted various ways to increase revenues and become self-sustaining. These include having private groups build a science center, aquarium, amphitheater, and bonding to construct a large multipurpose arena and sports facility. For various reasons these proposals have all fallen through.

In FY 2014, the corporation experienced serious financial problems. The Department of Administrative Services hired CRSA to analyze the Fairpark conditions, research peer institutions, appraise land use values, and develop long-term options for the state fair and the Fairground property.

CRSA issued their final report on July 3, 2014 titled "UTAH STATE FAIRPARK & WHITE BALLPARK LAND USE STUDY" (https://www.dropbox.com/sh/xc9f2qxh6upvuts/AABrCzxeQYal_pA4U8RK5TtCa/Final%20Report/Final%20Report_2014.07.03.pdf).

Some of the key findings of the report include:

- Maintaining and upgrading the Fairground facilities and the infrastructure could cost more than \$33 million over the next 20 years.
- Constructing new commercial facilities, including rodeo grounds and arena, retail venues, convention center, and multi-sports arena could cost additional \$47 million.
- Several options for relocating the Fairpark were explored, ranging from rebuilding the same structures at a new location (\$160 million) to creating a traveling fair partnering with county fairs (\$380,000).