

FISCAL HIGHLIGHTS

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EXECUTIVE APPROPRIATIONS COMMITTEE

MEETING SUMMARY - AUGUST 19, 2008

SENATOR LYLE HILLYARD & REPRESENTATIVE RON BIGELOW, CO-CHAIRS

Report: Restricted Funds, Dedicated Credits, and Other Revenue Types

Ivan Djambov and Richard Amon presented a report that examines statutory requirements relating to restricted funds. They reviewed the major revenue types, assessed Utah's compliance with the proposed GASB (Governmental Accounting Standards Board) requirements, and addressed the impact of restricted funds on the General Fund. The report made a number of recommendations which the committee deferred to a future meeting.

Staff Contacts: Ivan Djambov & Richard Amon

Report: Federal Funds/Non-Federal Funds Grants Reports

Tenielle Young from the Governors Office of Planning and Budget and Danny Schoenfeld from the Legislative Fiscal Analyst Office presented the Federal Fund report. There were three new applications and three reapplications that required Legislative action. The Legislature approved both the new applications and reapplications.

Staff Contact: Danny Schoenfeld

Report: Options for Facilitating Quorums in Appropriations Subcommittees

Jonathan Ball presented a study on ways in which the Legislature might address quorum issues in appropriations subcommittees. The study was requested by Executive Appropriations Committee members in the committee's April meeting.

The Fiscal Analyst reviewed six alternatives that included options for exceptions, consolidation, separation, and scheduling. The Analyst recommended adding members to the existing appropriations sub-

committees and scheduling meetings so that legislators can serve on more than one appropriations subcommittee. The Executive Appropriations Committee took no action on the recommendation at this time.

Staff Contact: Jonathan Ball

Report: Public Education: One-Time Performance-Based Compensation Plans

Dr. Larry Shumway, Deputy Superintendent, provided a summary of the one-time performance-based compensation plans submitted by school districts and charter schools. This one-time performance-based compensation program was approved during the 2008 General Session. Legislators passed Senate Bill 281 "Use of Minimum School Program Nonlapsing Balances" which provided \$25 million for one-time signing bonuses for new teachers and one-time performance-based compensation.

Authorized funding was divided among the two programs, with \$5 million dedicated to the one-time signing bonuses and the remaining \$20 million dedicated to performance-based compensation.

(Continued on page 2)

UPCOMING MEETINGS

- **Economic Development & Revenue:**
August 28, 2008 - State Capitol
- **Executive Offices & Criminal Justice:**
September 3, 2008 - Site TBA
- **Commerce & Workforce Services:**
September 10, 2008 - State Capitol
- **Health & Human Services:**
September 15, 2008 - State Capitol
- **Executive Appropriations:**
September 16, 2008 - State Capitol
- **Natural Resources:**
September 18, 2008 - Tour
- **Economic Development & Revenue:**
September 29, 2008 - State Capitol



EXECUTIVE APPROPRIATIONS

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Participating school districts and charter schools receive the performance-based compensation funding on a per pupil basis.

In order to receive an allocation, a school district or charter school was required to submit a performance-based compensation plan to the State Board of Education by July 1, 2008. All but three school districts submitted a plan, with Daggett, Tintic, and Uintah school districts opting not to participate in the program. A total of 51 charter schools submitted plans, with 18 charter schools not participating. All approved performance-based compensation plans may be found on the Utah State Office of Education's website at:

www.schools.utah.gov/OTPBPCP/index.htm.



PUBLIC & HIGHER EDUCATION

Staff Contacts: Spencer Pratt, Ben Leishman & Patrick Lee

Joint Education Meeting

A Joint Education Meeting was held on July 10, 2008 at Southern Utah University. Meeting participants included: the Public Education Appropriations Subcommittee, the Higher Education Appropriations Subcommittee, Education Interim Committee, the State Board of Education, and the State Board of Regents.

Three sessions were held throughout the day. The morning session focused on public education topics, the lunch session focused on the entire K-16 system, and the afternoon session focused on issues faced by higher education. Major presentation topics for each session included the following:

- **Morning** - The Governor's Blue Ribbon Panel on Assessment; early childhood education; Teacher Performance Pay; and provision of educational services to school districts and charter schools
- **Lunch** - Keynote speaker Kim Clark, President Brigham Young University Idaho, detailed the University's new teaching/learning methodology. Other agenda items included: the 21st Century Workforce Initiative; concurrent enrollment funding; preparing teachers to teach; and Educator Licensing at the State Office of Education
- **Afternoon** - Funded FTE student target levels; a review of higher education funding methods used by other states; attracting, recruiting and retaining students to higher education; meeting high workforce demands of employers in targeted professions; and a tour of the Southwest Applied Technology College.



CAPITAL FACILITIES

Staff Contact: Steve Allred

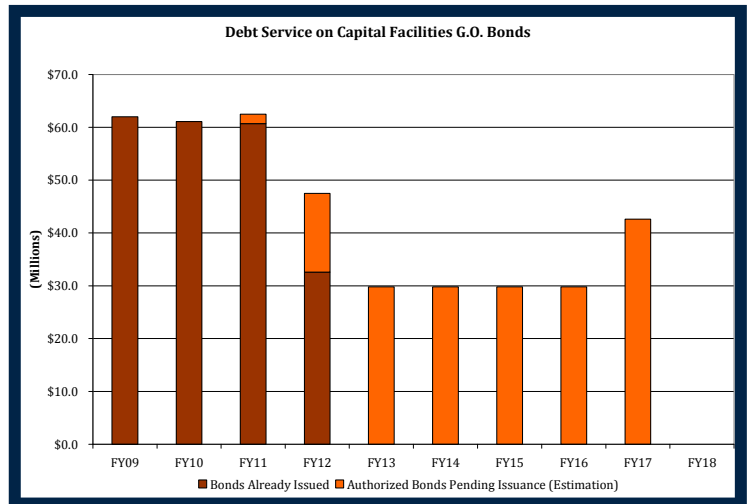
Bonding for State Buildings

The last time the State of Utah issued general obligation (G.O.) bonds for construction of state buildings was 2007, in the amount of \$6 million to complete an engineering building addition at Utah State University. Prior to 2007, the last time the state issued G.O. bonds for buildings was 2004. The years 2002-2004 were years of significant G.O. bonding for state buildings, averaging \$120 million per year. At least three reasons contributed to this peak period of bonding.

1. A slow economy limited available cash to the state and led to favorable bidding from contractors.
2. The state's excellent credit rating combined with investor demand for these particular securities led to low interest rates.
3. Policymakers opted to meet the state's building needs while stimulating the economy through construction projects.

Since 2004 the Legislature has authorized three G.O. bonded projects totaling \$155.8 million which are still pending issuance. These include \$2.7 million for a National Guard building, \$110 million for USTAR buildings, and \$43.1 million for a classroom building at USU.

The state's practice is to repay G.O. facility bonds in six years. The following chart shows that existing capital facilities bonds will be paid off in FY 2012. Assuming the three additional bond authorizations are issued in 2009, debt service will extend to FY 2017.





HEALTH AND HUMAN SERVICES

Staff Contact: Russell Frandsen

Medicaid – Closing Out FY 2008, Looking Forward to FY 2009

Medicaid services finished FY 2008 expenditures 3% below budget. This translated to a surplus of \$13.3 million General Fund. As per UCA 26-18-402, the Medicaid Restricted Account received all the surplus General Fund. Caseload growth has risen each of the last eight months with a 5% total caseload increase from November 2007 to July 2008.

CHIP – Closing Out FY 2008, Looking Forward to FY 2009

HB 326 from the 2008 General Session gave the Children’s Health Insurance Program (CHIP) ongoing nonlapsing authority for its funds. CHIP finished FY 2008 with a surplus of \$3.2 million, which should be adequate to fund open enrollment year round in FY 2009. In order to use all of the ongoing \$2 million General Fund increase given in FY 2008, CHIP needed to add about 7,000 children in the last 7 months. They have added just under 4,300.

July 2008

- **166,000 July 2008 Medicaid caseloads**
- **1,900 member increase over June 2008**
- **5.2% increase over July 2007**
- **8 months of increasing caseloads**



ECONOMIC DEVELOPMENT & REVENUE

Staff Contacts: Thomas Young & Andrea Wilko

FY 2008 Economic Update

Economic growth in Utah is slowing. As a result, projected economic indicators and revenue collections are lower now than expected in February. Based on these indicators we expect General Fund revenues for FY 2008 to be close to the February target (+/- \$5 million). However, we anticipate that the Education Fund revenue will be below the February target by \$60 to \$80 million for that same year partially due to a change in income tax withholding tables. Total General and Education Fund revenues are therefore expected to be \$55 to \$85 million below February targets for FY 2008. Final balances will depend on adjustments yet to be made by the Tax Commission and the Division of Finance.

Weak Utah home construction and concern over financial markets have contributed to the slow Utah economic

growth. Growth is expected to remain stagnant with employment slowing from 4 percent in 2007 to 0.4 percent in 2008. Employment has been adjusted down 1.6 percent from February forecasts. On a positive note wages continue to hold steady. However, wages could potentially be outpaced by inflation by 1 percent in the coming year; as a result disposable income will likely decrease. Residential construction is also expected to continue its decline. Continued strong nonresidential construction growth will not be enough to offset the residential sector decline. Even non - residential construction has been adjusted down from February estimates due to financial constraints and corporate caution in expansion.

The Transportation Fund has been particularly hard hit by the economic slowdown. The decrease in vehicle miles traveled as a result of high gas prices has caused a decline in Transportation Fund revenue on both the state and federal level.



PUBLIC EDUCATION

Staff Contacts: Ben Leishman & Patrick Lee

Public Education Appropriations Subcommittee Meeting on July 11, 2008

A second interim meeting of the Public Education Appropriations Subcommittee was held on July 11, 2008, directly following the joint meeting for Public and Higher Education Appropriations in Cedar City. This meeting included subcommittee members, the State Board of Education, and the Utah State Office of Education (USOE). The meeting was held at Iron Springs Elementary School in Cedar City.

Agenda items for the meeting included the following topics: teacher supplies; professional development programs offered by USOE; Career and Technical Education testing; overview and status of the Carson Smith Scholarship Program; and discussion of Civic and Character Education.

USOE presented to the committee members on the importance of professional development programs for teachers and successes that have occurred in the classroom as a result, particularly connected to student achievement. Additionally, the results of a CTE computer lab testing survey were shared with the committee showing growth of 72% for online testing from 2006-07 to 2007-08 school years. Lastly, increases in the number of scholarships and participating schools for the Carson Smith Scholarship Program were presented to the committee. These data showed an increase in scholarships from 108 in 2005-06 to 545 in 2007-08.



Implementation of the "Working 4 Utah" Initiative

In late June, Governor Huntsman announced his "Working 4 Utah" initiative, which extends state government service hours from 7 a.m. to 6 p.m., Monday through Thursday. Certain administrative offices will close Fridays (generating cost savings) while essential public services operations will remain open.

Following details the extent of participation by Executive Offices and Criminal Justice Agencies in the Initiative.

The **State Treasurer** has established its office hours from 7 a.m. to 6 p.m., Monday through Thursday. Most of the staff still comes in Friday mornings to early afternoon, however.

The **State Auditor** is implementing the initiative seasonally. The Office will be open Monday through Friday from September to the end of November. The rest of the year it will operate on the four day schedule.

The **Attorney General** is attempting to implement the plan as far as possible. Most of the Office is now on the schedule, but inasmuch as the Courts (see **Judiciary** below) must remain open, Attorney General Employees will periodically have to work Fridays.

The Office of the **Governor** has implemented the initiative.

The **Department of Public Safety** has implemented the plan with a few exceptions. The Bureau of Criminal Identification (BCI) Telecommunications Section must remain open 24 hours a day, 7 days a week. Also, the BCI Brady Gun Section must also remain open Fridays and weekends to be available to assist retail stores which sell guns.

The **Judiciary** cannot participate in the Initiative. Statutory requirements and Constitutional timelines absolutely require the Courts to remain open at least five days per week.

The **Department of Corrections** has implemented the plan for its administrative offices, but Department executives remain on 24 hour emergency call. All other prison system operations continue to function 24 hours a day, 7 days a week.

The **Board of Pardons and Parole** has implemented the plan.

The **Division of Juvenile Justice Services** has implemented the initiative for its administrative offices and training center. The Division is evaluating whether other facilities which are not open 24 hours a day, 7 days a week could implement the four day schedule.



Helping the Greater Sage-Grouse

In December 2003, a group of organizations petitioned the U.S. Fish and Wildlife Service (USFWS) to consider a range-wide listing of the greater sage-grouse under the Endangered Species Act (ESA). Such a listing would limit state and local oversight of both the bird and its habitat. In 2005, the U.S. Department of the Interior determined that the petition for listing under ESA was unwarranted. In December 2007, the 2005 "unwarranted" decision was overturned in court and remanded back to the USFWS for review and reconsideration. If the next review determines that federal listing is warranted, a new host of management and protection activities will be triggered. These activities could significantly limit resource and land use within sagebrush habitats.

The 2008 Legislature appropriated one-time \$2 million from the General Fund to the Department of Natural Resource (DNR) for the management of the Greater Sage-Grouse. DNR reports that to date \$1.1 million has been matched with resources from the Utah Partners of Conservation and Development in order to complete the outlined \$4.8 million conservation work in FY 2009. The remaining \$.9 million from the General Fund will be allocated after Utah's Sage-Grouse management plan is updated in December 2008. The following table lists all Sage-Grouse approved projects.

Project Title	Total Project Cost	General Fund
Utah Patnrns for Conservation and Development: 12 sage-grouse habitat projects	\$1,551,900	\$633,600
Monitoring shrubsteppe obligate wildlife	500,000	30,000
South Fork Ranch conservation easement	2,115,000	30,000
Sage-grouse local working group (LWG) implementation	241,400	76,200
Utah Division of Wildlife Resources (DWR) sage-grouse biologist III	130,000	130,000
Wildcat Knolls/Horn Mountain sage-grouse study	53,500	53,500
Deadman Bench sage-grouse study	54,900	27,500
Anthro Mountain sage-grouse study	96,500	46,500
Biologist I sage-grouse study intern	35,000	35,000
DWR region sage-grouse survey/monitoring	40,000	40,000
Totals to Date	\$4,818,200	\$1,102,300



TRANSPORTATION

Staff Contacts: Mark Bleazard

Accelerated Bridge Construction

The Department of Transportation is applying a relatively new technology to build new and replacement bridges on the interstate system. The technology is called Accelerated Bridge Construction. UDOT is utilizing this technology to decrease impact to the traveling public, increase quality, and increase safety. The Department contracts the construction and replacement of bridges to be built in an off-site location called a “bridge farm”. The bridge is constructed to UDOT standards at the offsite location without delays to the motoring public, also enhancing safety in the construction zone for motorists and construction workers.

At a scheduled time the highway to receive the new bridge is closed and the old structure is demolished. Pre-cast abutments are erected as the new bridge is transported to the site by special equipment called Self Propelled Modular Transports. The bridge is then slid into place with special equipment. Pre-cast deck panels and pre-cast approach slabs are placed and the highway is ready to reopen, usually within less than forty-eight hours.

The Department of Transportation successfully used this new technology last year to replace a bridge on I-215 and has implemented the process this year for construction of bridges on I-80. The Department used the technology on 12 bridge replacements on the Innovate 80 project. The approach has reduced traffic delays collectively this summer from what would have taken years to days and saved the public millions of dollars in user costs which include lost work time and wasted gasoline. Additionally the State Street to 1300 East project will be completed more than a year earlier because of the Accelerated Bridge Construction concept. The Innovate 80 Accelerated Bridge Construction is believed to be the largest bridge replacement project of its kind in the world. A new documentary series on the National Geographic Channel is planning to feature the Innovate 80 bridge replacement projects.

Another outcome of the Accelerated Bridge Construction concept is the potential for savings in the construction expenditure. The Department of Transportation reported that one of the projects on I-80 in Parley’s Canyon was bid with the traditional bridge construction concept as well as the Accelerated Bridge Construction concept. The bids received resulted in the issuance of a contract using the Accelerated Bridge Construction method at a \$1 million lower cost.

Currently UDOT is in the process of streamlining Accelerated Bridge Construction through the development of Accelerated Bridge Construction Standards. Accelerated Bridge Construction appears to have a bright future in bridge construction in Utah as it will continue to grow and improve.



GOVERNMENT OPERATIONS

Staff Contact: Rich Amon

Department of Human Resources Employee Gateway

The Department of Human Resource Management in conjunction with the Department of Technology Services has implemented a new employee website called the Employee Gateway. The Employee Gateway is a web-based community that provides state employees with information and resources. Some of the items provided through this site are:

- access to state email account
- access to Utah Retirement Systems and PEHP accounts
- access to Employee Self-Service (ESS) to enter work time, review timesheets, view leave balances, print a duplicate W2, view pay statements, modify tax withholdings (W4), modify direct deposit information, display pay periods, and more
- information on state benefits
- statewide news and notices, training events, and links to job openings
- National news headlines, weather, and traffic.

The Employee Gateway can be found at www.employeegateway.utah.gov and may be accessed through any computer with internet access. This site is an innovative human resource tool that allows employees greater access to information and provides them with more resources to manage their benefits.

LFA Staff Bid Farewell

We would like to give special thanks to two LFA staff members that will no longer be working with us:

Debbie Headden - Debbie has worked for the LFA for over a decade, specifically in the topic-areas of Higher Education & Human Services. Debbie leaves the LFA to become the new Deputy Director of Finance at the Utah Department of Health.

Sarah Hamilton - Sarah has worked for several months as an intern with our economics team. Sarah will be a sophomore at MIT in Boston and leaves the LFA to continue a new school year.



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RETURN SERVICE REQUESTED

DO HIGHER GAS PRICES SLAM THE BRAKES ON THE ROADS BUDGET?

Staff Contact: Jonathan Ball

Persistent decreases in vehicle miles traveled on our nation's roads suggest that consumers view higher gas prices as permanent. As such, they are driving less, buying more fuel efficient cars, and paying less motor fuel taxes. But does less gas tax revenue mean fewer lanes and more congestion? Not necessarily. The Utah Legislature's recent diversification of transportation funding streams provides stability to our state's roads budget.

Historically, vehicle miles traveled (VMT) in the United States rise by about 1% - 2% per year. During May, VMT declined by 3.7% when compared with May 2007. That's the seventh consecutive month in which year-over-year VMT have dipped.

Since federal and state gas taxes are collected on a per gallon basis, less VMT means less gas tax. This bears out in the latest Tax Commission form TC-23. It reports that gas tax revenue for FY 2008 is \$20 million - or nearly 6% - lower than projected.

While less VMT means lower gas tax revenue for roads, it presumably also means less demand on roads and therefore less than anticipated need for money to expand capacity.

More importantly, our state highway construction budget no longer relies solely on gas taxes. In each of the last three Legislative General Sessions, the Legislature has designated sales tax revenue for use on transportation infrastructure projects. Transportation now receives more than \$300 million per year directly from sales taxes. An additional \$90 million in ongoing General Funds are appropriated to UDOT.

While motor fuel taxes are 6% below projections, sales taxes are only 2% behind and the General Fund is right-on-target. Thus, the diversification of transportation revenue sources means more stability in transportation budgets. And perhaps less sitting in traffic!