

OFFICE OF THE
**LEGISLATIVE
FISCAL
ANALYST**

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MEMORANDUM FOR EXECUTIVE APPROPRIATIONS COMMITTEE

FROM: Jonathan C. Ball, Director
DATE: November 10, 2009
SUBJECT: Factors Driving Budget Requests

Every year at about this time the Executive Appropriations Committee reviews “factors driving agency budget requests” in preparation for the annual General Session. This year, four factors dominate budget requests: growth in demand for Medicaid; growth in student enrollment; increases in state employee benefits costs; and restoration of “back-fill” provided for FY 2010.

The Utah Department of Health projects that Medicaid caseloads will increase by 12% from FY 2010 to FY 2011. It has requested \$30 million from the General Fund (GF) for such growth, \$14 million for medical cost inflation, and \$39 million for prior-year caseload growth, totaling \$83 million in FY 2011. The agency further estimates it will require \$19 million from the General Fund in the current budget year (FY 2010) for similar expenses.

Public education’s Common Data Committee announced last week a projected 2% increase in student enrollment from FY 2010 to FY 2011 (11,044 children or 13,343 new Weighted Pupil Units). We estimate that such growth accompanied by related changes in local revenue will cost \$75 million from the Education Fund (EF) and Uniform School Fund (USF).

Attached to this memo is a summary of preliminary state employee benefit rate changes. The Utah Retirement Systems anticipate a nearly 15% increase in state retirement contributions (+2% of payroll). We estimate such an increase will cost \$20 million GF/EF (\$30 million from all sources) for state agency and higher education employees in FY 2011. The Public Employees Health Plan projects employee health insurance costs will increase by 12% from FY 2010 to FY 2011. We estimate such an increase would cost \$23 million GF/EF (\$37 million from all sources) for state and higher education employees. In past years, Legislators have approved WPU value increases in lieu of specific appropriations for benefit costs at school districts and charter schools. A 1% WPU value increase would cost between \$20 million and \$25 million EF/USF.

Finally, the FY 2010 budget includes about \$460 million in one-time funding that will not reoccur in FY 2011. Much of this one-time money is “back-fill” provided by the Legislature in FY 2010 to ease state agency transitions to lower resource levels. A list of changes from FY 2010 to FY 2011 base budgets by area of expenditure is also attached.

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State Benefits Costs Report
Executive Appropriations Committee - November 2009

Retirement

FY Rates: State & School	Contributory			Noncontributory		
	Employee	Employer	Total	Employee	Employer	Total
FY 2010 Rates	6.00%	9.73%	15.73%	0.00%	14.22%	14.22%
FY 2011 Rates (URS Rec.)	6.00%	11.83%	17.83%	0.00%	16.32%	16.32%
Increase (Decrease)	0.00%	2.10%	2.10%	0.00%	2.10%	2.10%

FY Rates: Public Safety	Contributory			Noncontributory		
	Employee	Employer	Total	Employee	Employer	Total
FY 2010 Rates	12.29%	19.01%	31.30%	0.00%	30.18%	30.18%
FY 2011 Rates (URS Rec.)	12.29%	21.45%	33.74%	0.00%	32.48%	32.48%
Increase (Decrease)	0.00%	2.44%	2.44%	0.00%	2.30%	2.30%

FY Net Rates Cont.: Firefighters	Net Rates - Contributory		
	Employee	Employer	Total
FY 2010 Net Rates	13.49%	0.00%	13.49%
FY 2011 Rates (URS Rec.)	15.05%	1.08%	16.13%
Increase (Decrease)	1.56%	1.08%	2.64%

FY Net Rates Noncont.: Judges	Net Rates - Noncontributory		
	Employee	Employer	Total
FY 2010 Net Rates	0.00%	17.09%	17.09%
FY 2011 Rates (URS Rec.)	0.00%	22.27%	22.27%
Increase (Decrease)	0.00%	5.18%	5.18%

Retirement Reserve	State & School		Public Safety		Firefighters	Judges
	Contributory	Noncontributory	Contributory	Noncontributory	Contributory	Noncontributory
Funded Ratio as of 2008	84%	83%	80%	80%	94%	84%

Other States Retirement Funds	Montana PERS	Nevada Regular Employees	Colorado State	Idaho PERS	Wyoming Public Employees	New Mexico Teachers
	Funded Ratio as of 2008	90.2%	77.7%	67.9%	92.8%	78.6%

State Contributions to 401K Plan	General/Ed Funds	Other Sources	Total
State Agencies	\$4,900,000	\$4,400,000	\$9,300,000
Higher Education (URS only)	\$1,800,000	\$500,000	\$2,300,000
Public Education	\$21,500,000	\$2,200,000	\$23,700,000
Total	\$28,200,000	\$7,100,000	\$35,300,000

Health

Adjustment Alternatives Health Insurance Premiums/Rates Employees Cost Changes by Plan	Current 95%/5% Split		6% Increase to All Plans 90%/10% Split		8% Increase Preferred 10% Increase Summit/Advantage (Shift Entire 12% To Employee Premium)	
	% Employee Share	Biweekly Pay	% Employee Share	Biweekly Pay	% Employee Share	Biweekly Pay
Preferred Single	27%	\$62.53	33%	\$76.57	35%	\$90.62
Preferred Double	27%	\$128.92	33%	\$157.88	35%	\$186.83
Preferred Family	27%	\$172.10	33%	\$210.76	35%	\$249.41
Summit/Adv. Single	5%	\$8.75	11%	\$19.06	15%	\$30.70
Summit/Adv. Double	5%	\$18.05	11%	\$39.30	15%	\$63.28
Summit/Adv. Family	5%	\$24.09	11%	\$52.46	15%	\$84.49

PEHP Health Reserves	FY 2008			FY 2009		
	Medical	Dental	Total	Medical	Dental	Total
Funds Available	\$48,838,921	\$4,441,815	\$53,280,736	\$41,990,000	\$1,640,000	\$43,630,000

FY 2009 Total (\$43.6 million) constitutes approximately two calendar months of reserves.

Budget Changes, FY 2010 Appropriated to FY 2011 Base Budget
General and Education Fund plus Proxies Used to Balance the Budget
by Area of Expenditure

Area	FY 2010	FY 2011	Difference	Pct Diff
Admin & Tech Services*	\$ 26,262,900	\$ 17,162,300	\$ (9,100,600)	-35%
National Guard/Veterans' Affairs	\$ 6,962,200	\$ 5,721,300	\$ (1,240,900)	-18%
Public Ed - Minimum School Program	\$ 2,324,528,586	\$ 2,031,004,786	\$ (293,523,800)	-13%
Natural Resources Subcom	\$ 61,749,600	\$ 54,009,900	\$ (7,739,700)	-13%
Health	\$ 370,981,900	\$ 324,624,200	\$ (46,357,700)	-12%
Ec Dev & Revenue Subcom	\$ 112,347,200	\$ 98,341,700	\$ (14,005,500)	-12%
Legislature	\$ 19,545,400	\$ 17,135,700	\$ (2,409,700)	-12%
Elected Officials	\$ 42,492,650	\$ 37,697,950	\$ (4,794,700)	-11%
Higher Ed - Med Ed Council	\$ 638,500	\$ 581,000	\$ (57,500)	-9%
Higher Education	\$ 699,498,800	\$ 640,610,400	\$ (58,888,400)	-8%
Higher Ed - UEN	\$ 18,949,200	\$ 17,408,500	\$ (1,540,700)	-8%
Higher Ed - UCAT	\$ 50,369,000	\$ 46,754,800	\$ (3,614,200)	-7%
Human Services	\$ 274,873,100	\$ 263,570,300	\$ (11,302,800)	-4%
Commerce & Workforce Subcom	\$ 89,482,600	\$ 86,052,600	\$ (3,430,000)	-4%
Public Ed - Agencies	\$ 78,673,900	\$ 75,859,600	\$ (2,814,300)	-4%
Human Resource Mgt	\$ 3,153,600	\$ 3,073,600	\$ (80,000)	-3%
Courts	\$ 110,578,700	\$ 110,523,700	\$ (55,000)	0%
Public Safety	\$ 62,843,300	\$ 62,843,300	\$ -	0%
Debt Service	\$ 68,764,000	\$ 68,764,000	\$ -	0%
Capital Facilities	\$ 55,662,500	\$ 55,662,500	\$ -	0%
Public Ed - School Building Program	\$ 22,499,700	\$ 22,499,700	\$ -	0%
Environmental Quality	\$ 10,919,200	\$ 10,919,200	\$ -	0%
Corrections	\$ 319,034,100	\$ 319,256,900	\$ 222,800	0%
Transportation	\$ 54,238,200	\$ 54,720,000	\$ 481,800	1%
Total	\$ 4,885,048,836	\$ 4,424,797,936	\$ (460,250,900)	-9%

*\$1.7m of this reduction is for Server Consolidation and will be spread among all agencies.
 Another \$6.5m is for Jail Reimbursement.