FIVE YEAR PROJECTIONS

EXECUTIVE APPROPRIATIONS COMMITTEE
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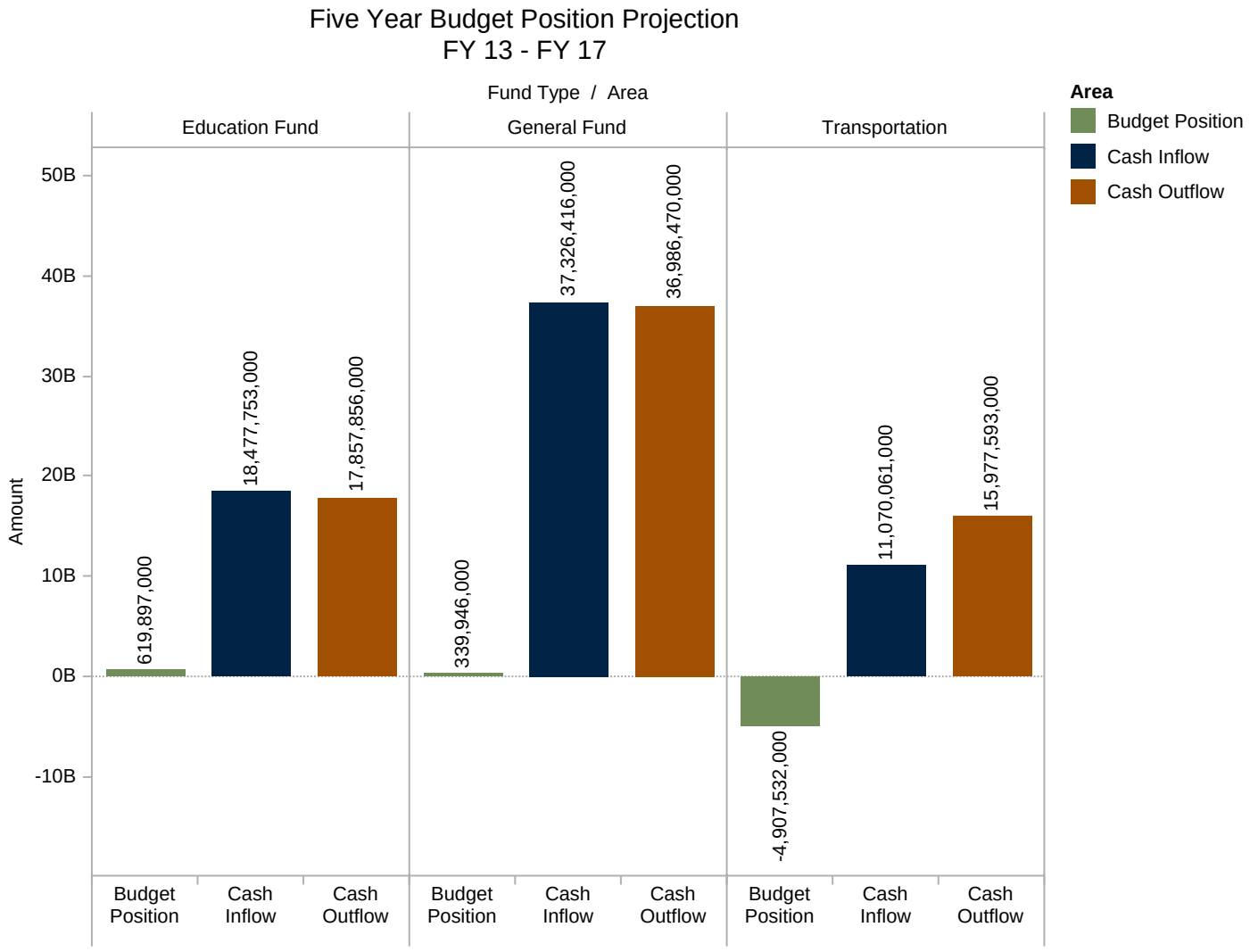
ISSUE BRIEF

EXECUTIVE SUMMARY

This study presents a five year outlook of cash inflow, cash outflow, financial obligations, and debt service commitments of the State of Utah based upon a methodology proposed by the Governmental Accounting Standards Board (GASB). It is intended to provide legislators with useful information to make long term revenue and expenditure decisions, while simultaneously testing to see if GASB's guidelines are practicable. The study concludes that the General and Education Funds are on sustainable trajectories and that Utah is on target to meet long-term financial obligations like debt service and retirement. It finds that projected transportation outlay levels are not sustainable over the five year period given associated income projections. The study notes that the single largest component of cash inflow – federal grants and aid – is currently at risk due to federal deficit reduction. Finally, the study compares GASB's proposed methodology to observed experience in FY 2013 and recommends using the GASB methodology only when done so in conjunction with Utah's existing consensus processes.



Source: LFA

The projections contained in this study are based upon historical experience adjusted for *known* factors, such as earmark adjustments or tax policy changes. On the cash inflow side of the balance sheet, best-fit models for 14 broad revenue source categories deposited into five funds were forecast. The cash outflow portion included best-fit projections for nine broad expenditure categories. The major cash outflow areas include public education, human services, health and environmental quality, higher education, and all other governmental expenditures.

Historical trend models indicate that cash inflow associated with the General Fund and Education Fund will be more than enough to cover anticipated cash outflow, with an estimated General Fund budget position at the end of FY 2017 of +$340.0 million on $37.0 billion in cash outflow and an estimated Education Fund budget position at the end of FY 2017 of +$620.0 million on $17.9 billion in cash outflow.

The opposite holds true for transportation related expenditures, with the cumulative projected shortfall from FY 2012 to FY 2017 of $4.9 billion on projected cumulative cash outflow of $16.0 billion. This may be related to higher levels of debt financed investment over the past five years. A recent redefinition of the Transportation Investment Fund as a capital project fund may change the treatment of transportation expenditures under GASB proposed guidelines.

If current trends and legislative practices hold, Utah should also be on track to pay our constitutionally required debt obligations and other financial obligations such as retirement and Other Post-Employment Benefits (OPEB). Utah's Constitution requires repayment of bonded indebtedness as a first priority. The Legislature has reflected this in its budget rules and fully funds debt service as a practice. Legislators consistently commit to meeting retirement and OPEB obligations by fully funding annual required contributions and payroll rates. Further, the Legislature is regularly reforming retirement and OPEB benefit plans to reduce future obligations.

Under GASB's preliminary view, states must also examine and comment on any financial interdependencies. Federal contracts, grants and aid are Utah's single largest cash inflow defined in this study. This cash inflow is at risk not only due to known policies like sequestration and the debt ceilings, but will diminish as the federal government reduces its deficit in the long run. This report recognizes and discloses the risk associated with federal interdependency in Component 5.

GASB's proposed guidelines limit the inputs to a projection model. By design, the GASB methodology does not allow for changing economic indicators nor does it reflect policymaker discretion. Thus, the results of this methodology will differ from those of Utah's existing consensus forecast and budgeting processes. Comparing our interpretation of the GASB guidelines to actual results from the FY 2013 General Session shows the GASB model to slightly under-estimate cash inflow and slightly over-estimate cash outflow. As such, this report recommends using GASB's methodology only when done so in concert with Utah's established processes so that the differences can be fully known, understood, and explained.

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INTRODUCTION

The five-year budget projection that follows serves a twofold purpose:

1) To test the viability of GASB's proposal on *Economic Condition Reporting: Financial Projections;* and
2) To assess the economic sustainability of Utah's current revenue and expenditure trends.

To accomplish these two objectives, we used best-fit models applied only to historical experience and known factors to project the trend in revenues and expenditures. The modeling employed either Statistical Analysis Software (SAS) or Forecast Pro analysis software. Due to the limitations imposed by the proposed GASB methodology, we excluded projected economic indicators from the analysis.

The trend approach led to the following conclusions:

1) Over the coming five years Utah is on a sustainable trajectory when comparing the trend revenues against the trend expenditures for all expenditures types except transportation;
2) Utah is also on a sustainable trajectory with respect to debt payment and other financial obligations including retirement and OPEB as long as current trends continue; and
3) Only using trend data creates some significant shortcomings in the forecast results. In particular, the political will of the oversight body is not taken into consideration. Additionally, the overall economic wellbeing of the State and diversification of the State's economy are not considered under the proposed GASB methodology.

RECOMMENDATIONS

Presuming the State is required to use GASB's proposed methodology, we recommend that it be used in combination with the State's consensus revenue process in order to assess the limitations of one-factor trend modeling and to address potential concerns in the budgeting process.

We also recommend allowing sufficient lead time to produce a report. Data for the year-end is usually not available until late September. Including the data in the State's Comprehensive Annual Financial Report (CAFR) could delay the publication of the report.

BACKGROUND

Joint Rule 3-2-502 states that, "each year, the Executive Appropriations Committee shall select a state agency, institution, or program to be the subject of an in-depth budget review." Because Utah is known for early adoption of good financial practices, during the May 15, 2012 Executive Appropriations Committee meeting, the Legislative Fiscal Analyst (LFA) recommended a five-year fiscal sustainability review to help legislators assess Utah's economic condition.

This in-depth budget review is meant to provide legislators with useful information in planning long term revenue and expenditure decisions, while simultaneously testing to see if GASB's guidelines are practicable. The in-depth budget review primarily focuses on the General, Education, Transportation, and Transportation Investment funds.

Because of its impact on the General Fund, the Department of Alcoholic Beverage Control's Enterprise Fund has also been included in the analysis.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

The Governmental Accounting Standards Board (GASB) is an independent organization that establishes and improves standards of accounting and financial reporting for state and local governments in the United States. GASB was established in 1984 by agreement of the Financial Accounting Foundation (FAF) and 10 national associations of state and local government officials. GASB is recognized by governments, the accounting industry, and the capital markets as the official source of generally accepted accounting principles (GAAP) for state and local governments.

GASB is not a government entity; instead, it is an operating component of the FAF, which is a private sector not-for-profit entity. Its standards are not federal laws or regulations and the organization does not have enforcement authority. Compliance with GASB's standards, however, is enforced through the laws of some individual states and through the audit process, when auditors render opinions on the fairness of financial statement presentations in conformity with GAAP[1].

COMPONENTS OF FISCAL SUSTAINABILITY

Fiscal sustainability is the ability and willingness of a governmental entity to honor current service commitments and financial obligations without transferring present obligations to future periods. Fiscal sustainability is the forward looking aspect of economic condition. In this report, the components of fiscal sustainability will be presented for the General Fund, Education Fund, Transportation Fund, Transportation Investment Fund, and Department of Alcoholic Beverage Control's Enterprise Fund.

Five components of fiscal sustainability are being considered by GASB for inclusion in the CAFR. They are:

- Projections of the total cash inflows and major individual inflows of resources in both percent terms and total dollar amounts.
- Projections of the total cash outflows and major outflows of resources by function in both percent terms and total dollar amounts.
- Projections of major individual financial obligations and total financial obligations including bonds, pensions, OPEB, and long-term contracts.
- Projections of annual debt service requirements.
- Narrative discussion of major intergovernmental service interdependencies and the nature of those service interdependencies.

If GASB proceeds with this proposal, Utah would be required to comply because, by statute (UCA 63A-3-204(1)(a) and UCA 51-5-4), Utah adopts GAAP.

The sections below will detail the background and rationale for including each of these components and will elaborate on what the data shows for Utah.

PURPOSE OF GASB PROPOSED GUIDELINES

Recent economic conditions such as job losses, credit market problems, the ailing construction sector, and reduced consumer spending have increased risk and uncertainty in the private and public sector. As various governmental entities are not immune from financial stress, there is a need to educate the public sector on fiscal strengths and weaknesses that contribute to the economic sustainability of local governments, states, and the federal government.

[1] Source: www.gasb.org "Facts About GASB."

Government spending and government deficits generally increase during economic downturns due to added demands by economically disadvantaged populations and declining revenues. While economic declines are unpleasant, they force governmental entities to find efficiencies within their respective organizations.

The goal of a five-year projection is to prospectively assess a governmental entity's financial viability. This report aims to meet GASB's goals by addressing the five components of fiscal sustainability, providing financial projections through FY 2017, and by including narrative discussions related to each.

DEFINITIONS

The following terms are defined by GASB and are used frequently throughout this report.[2]

***Accrual accounting*:** recording all transactions in the books when they occur, even if no cash changes hands.

***Cash basis accounting*:** recording all transactions in the books when cash actually changes hands, meaning when cash payment is received by the entity from customers or paid out by the entity for purchases or other services.

***Economic condition*:** a composite of financial position, fiscal capacity and service capacity. Economic condition is meant to embody a comprehensive assessment of financial health.

***Financial position*:** the status of a government's assets, deferred outflows, liabilities, deferred inflows, and net position, as of a point in time.

***Fiscal capacity*:** a governmental entity's ability to meet financial obligations as they come due on an ongoing basis.

***Fiscal sustainability*:** the ability and willingness of a governmental entity to honor current service commitments and financial obligations without transferring present obligations to future periods. Fiscal sustainability is the forward looking aspect of economic condition.

***Intergovernmental service interdependency*:** when one governmental entity provides a service on behalf of another governmental entity or together with one or more governmental entities.

***Major category*:** an individual inflow, outflow, and financial obligation that represents at least 10 percent of total inflows, outflows, and financial obligations for all activities of that type. All cash outflows for capital outlays and capital-related cash inflows from bond proceeds, capital grants, or other cash inflows restricted or committed to capital outlays are considered major.

***Resource interdependency*:** cash inflows from one governmental entity to another governmental entity.

Service capacity: a governmental entity's ability to meet service obligations on an ongoing basis.

Vulnerability: the extent to which an entity is fiscally dependent upon funding sources outside its control.

GASB'S PROPOSED METHODOLOGY FOR FINANCIAL PROJECTION

GASB recommends using a forecast based on current laws, regulations, and rules such that the following criteria are met[3]:

- Forecasts should use current policy and adjust the forecast only for *known* changes that are effective in future periods.

[2] Source: Governmental Accounting Standards Series: Preliminary Views
[3] Source: Governmental Accounting Standards Series: Preliminary Views

- Forecasts should be informed by historical information and adjusted for *known* events or conditions that affect future periods.
- Projections should extend at least five years beyond the reporting period.
- Projections of cash inflows and outflows should be based on a cash basis[4] as defined by GASB.
- Projections of financial obligations should be made on an accrual basis as defined by GASB.

STUDY METHODOLOGY

Employing the GASB methodology detailed above, data were taken from the Utah's Comprehensive Annual Financial Report. The statistical methodology was limited to *known* variables; meaning only historical experience is included in constructing the projection, with adjustments taken only for *known* legislative changes. The methodology utilized SAS or Forecast Pro time series projection software depending upon the software's ability to minimize historical errors. In almost all cases, some form of an autoregressive model fit the historical experience the best, and therefore was chosen as the forecast model.

We controlled for some ongoing and one-time policy changes that affected the forecast. The policy changes include adjustments to the sales tax on unprepared food, cigarette and tobacco tax rate increases, income tax rate reductions, earmarking changes, and ARRA funding.

COMPONENT 1: PROJECTIONS OF CASH INFLOWS

Cash inflows allow governmental entities to assess the income side of their balance sheet. The source and mix of the revenue are necessary for an evaluation of volatility. To this end, GASB requires a breakout of cash inflows between major and non-major sources. Major sources of cash inflows are forecast for any specific component that is 10.0 percent[5] of the revenue or greater. Anything below 10.0 percent of the total is reported in the aggregate. Numbers are presented in both absolute terms and as a percent of total inflows.

Data should be used to assess a government's reliance on one source of revenue to the exclusion of others. Using the information related to the sources and mix of revenue, users will be able to draw their own conclusions related to a governments' sustainability. GASB also requires a narrative discussion on the known causes of fluctuations in major individual cash inflows and the potential impact they may have on governmental sustainability.

We evaluated this cash inflow requirement for five funds: General Fund (and General Fund Restricted), Education Fund, Transportation Fund, Transportation Investment Fund, and the Department of Alcoholic Beverage Control's Enterprise Fund.

As a broad overview of the cash inflow section, Figure 1 shows cash inflow by revenue source across funds, while Figure 2 shows cash inflow by fund. On the whole, Federal Funds[6] represent the largest source of state government revenue, followed by the individual income tax, and sales tax. The overall importance of a given revenue source varies by fund, with, for instance, sales tax representing the largest source of revenue to the General Fund or the Transportation Investment Fund, while motor fuel tax representing the largest source of revenue to the Transportation Fund.

[4] For purposes of this report, a five day accrual adjustment is considered cash basis.
[5] GASB is unclear as to the year in which the 10 percent rule applies. This study assumes the 10 percent rule applies to the most recent fiscal year (FY 2012) unless otherwise stated.
[6] In addition to the $2.6 billion in Federal Funds reported here, the statewide federal funds audit (OMB Circular A-133) and department specific revenue includes an additional amount of about $4.2 billion in expenditures for such items as federal loans to students at higher education institutions, unemployment insurance, and others.

Figure 1 - Cash Inflow by Revenue Source (All Sources)

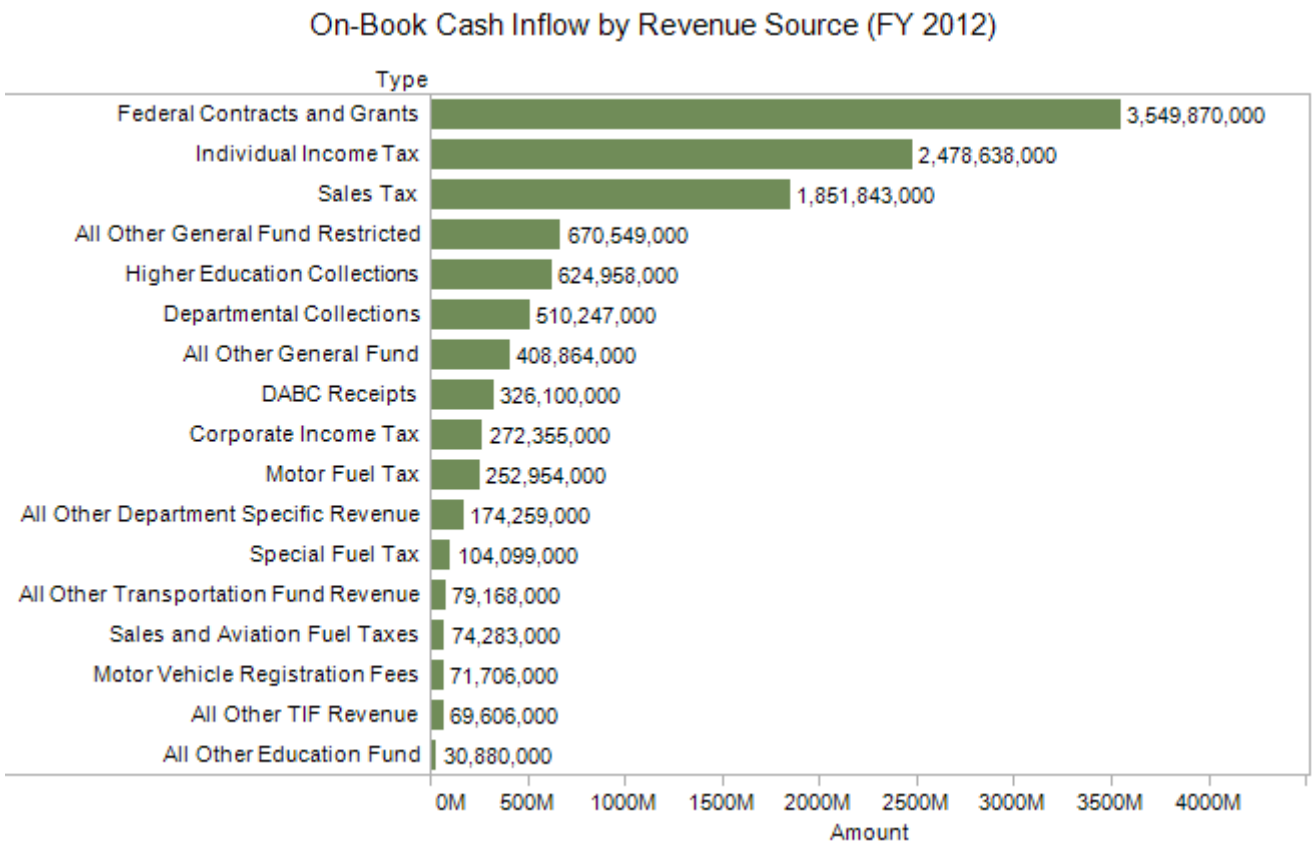
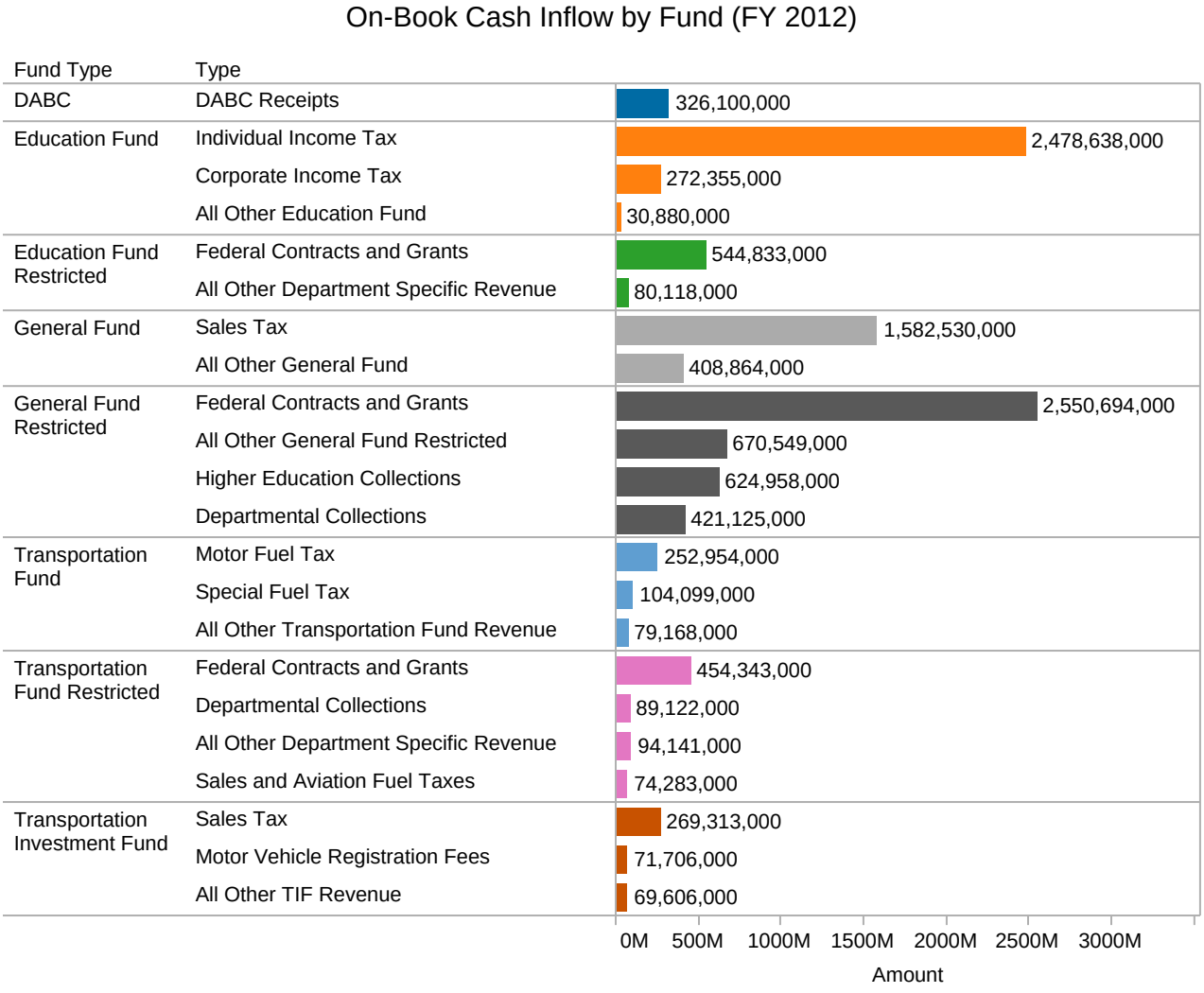


Figure 2 - Cash Inflow by Fund (State Sources)



GENERAL FUND CASH INFLOW

Approximately 79.5 percent of total General Fund cash inflow stemmed from sales tax in FY 2012, with the remaining 20.5 percent coming from insurance taxes, severances taxes, cigarette and tobacco taxes, and other miscellaneous sources. Looking at General Fund cash inflow from FY 1999 forward, sales tax revenue has declined as a percent of total inflow; going from 88.4 percent in FY 1999 to 79.5 percent in FY 2012 (Figure 3). Among the reasons for this are legislative adjustments to budgeting priorities through sales tax earmarking, tax increases or decreases on various sources, and shifting of purchasing decisions away from items subject to sales tax.

The ongoing and one-time changes for the General Fund include the cigarette and tobacco tax increase, decreases in the State's tax on unprepared food, and adjustments due to ongoing, one-time sales tax earmark adjustments, and fiscal note bills.

Overall, the models produce total growth of $362.8 million from FY 2013 to FY 2017 (Figure 4), or an average annual growth rate of 3.4 percent. Most of the projected growth is in the sales tax, accounting for $273.4 million, with an average annual growth rate of 3.2 percent; the remaining amount, $89.3 million stems from all other sources, with an anticipated average annual growth rate of 4.0 percent.

GENERAL FUND KNOWN CAUSES OF FLUCTUATION

Changes in the number of taxable transactions due to economic forces such as consumer confidence and employment are the largest factors in General Fund revenue fluctuations. In addition to economics-driven taxable transactions, changes in prices (inflation or deflation), legislative adjustments to sales tax rates and taxable bases, and prioritization through earmarks also contribute to the volatility of the sales tax.

The largest non-economic or policy related change to General Fund revenue, but not overall sales tax revenue, implemented over the past few years has been budget prioritization through earmarking of sales tax. Over the past 14 years sales tax earmarks have increased from about $9.0 million of total revenue (0.7 percent) to $332.0 million (17.3 percent) in FY 2012.

A new earmark begins in FY 2013, stemming from S.B. 229 of the 2011 Veto Override Session, which allocates 30.0 percent of total sales tax growth from FY 2011 to any given fiscal year thereafter to the Transportation Investment Fund, up to a maximum of 17.0 percent of total sales, which represents an estimate of total taxable sales due to the automobile industry. Total earmarks are anticipated to represent approximately 22.0 percent of projected FY 2013 General Fund revenue, or $473.0 million.

Figure 3 - Components of General Fund Cash Inflow

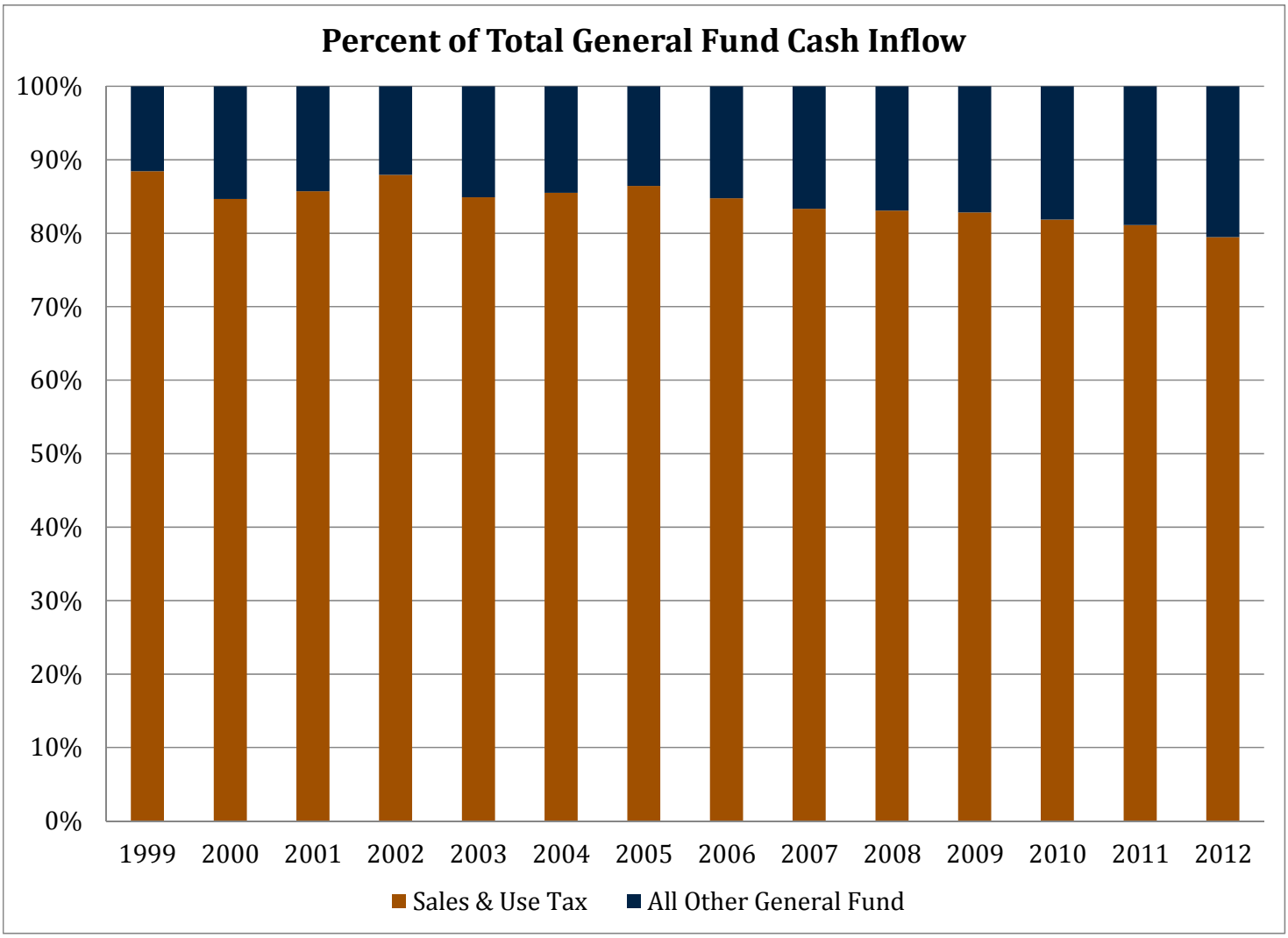
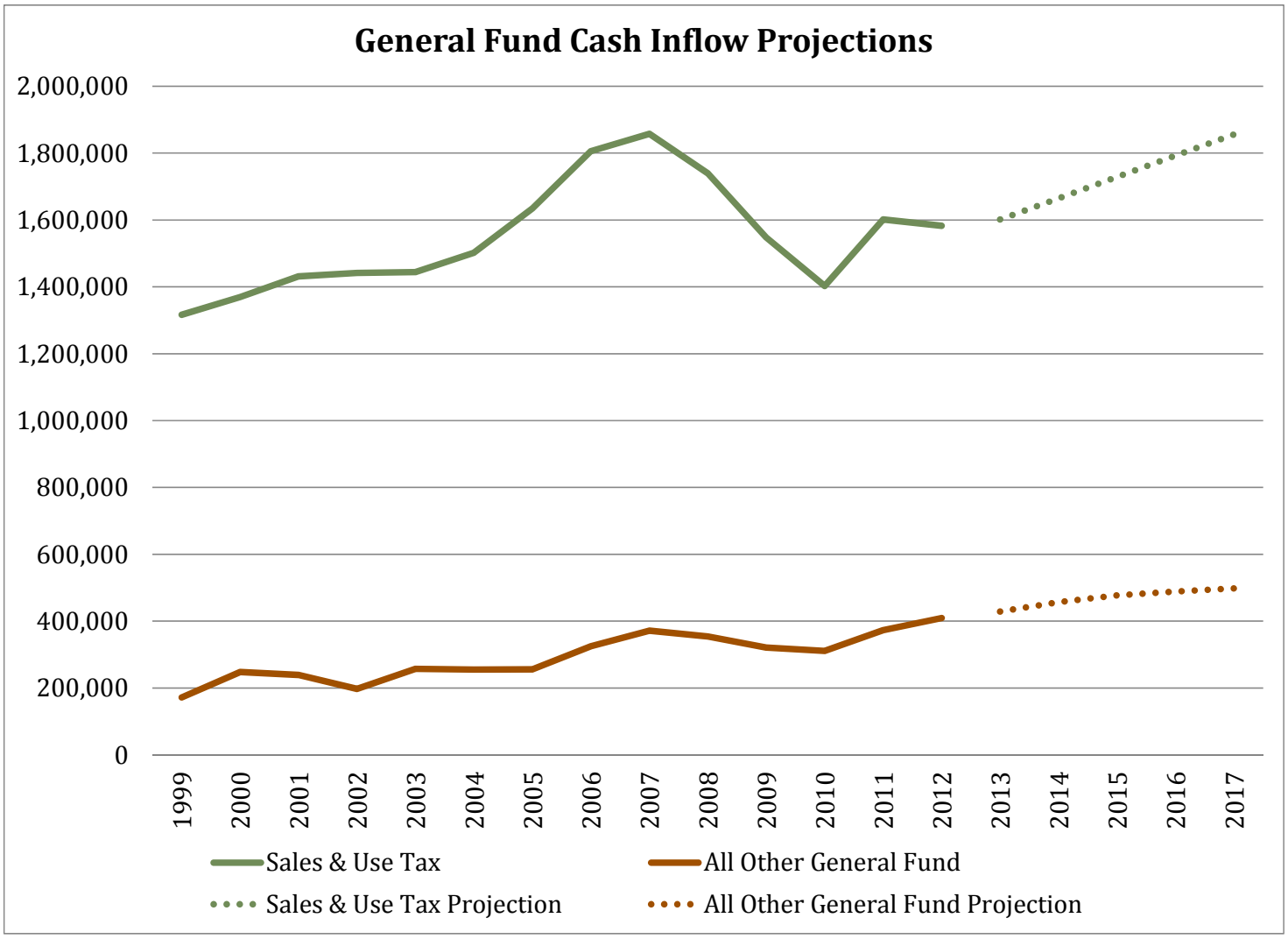


Figure 4 - General Fund Cash Inflow (Thousands)



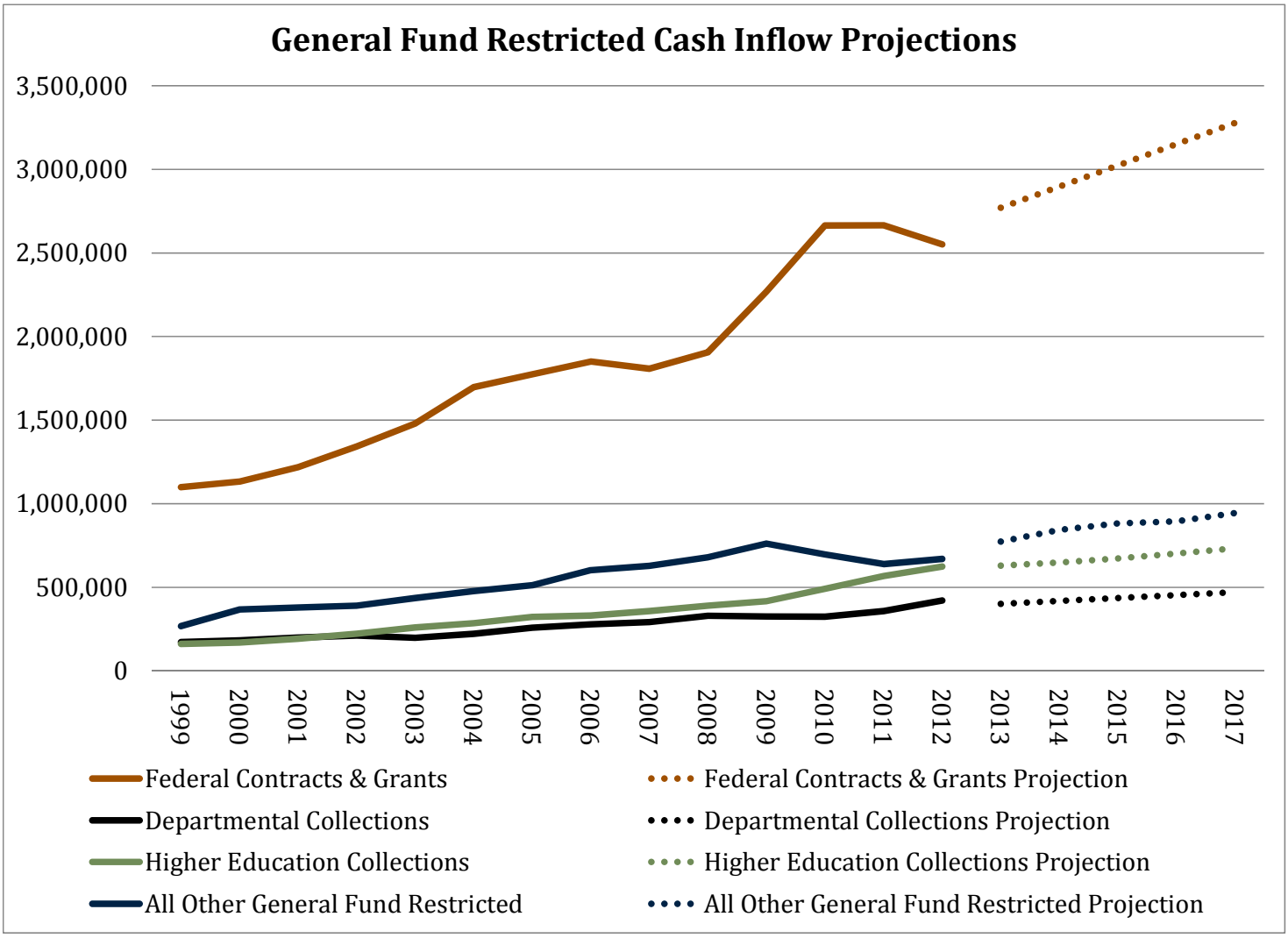
GENERAL FUND RESTRICTED CASH INFLOW

In addition to the free revenue portion of the General Fund, GASB requires a projection of cash inflow from General Fund Restricted sources, which include Federal contracts and grants, departmental collections (fees and other services), higher education collections, and all other General Fund revenue. A modeled historical trend projection of these sources is given (Figure 5). Overall, the models produce $1.2 billion in growth over the coming five years, with $727.0 million of that being Federal contracts and grants, followed by $274.0 million in all other General Fund Restricted cash inflow, $108.0 million from higher education collections, and $50.0 million in departmental collections. The cash inflow projections related to Federal contracts and grants is produced based upon historical experience, but may be overstated given current federal budget conditions. The projection is left as-is because we do not know how the federal government will balance its budget in the coming five fiscal years. It appears slower federal expenditure growth as compared to historical experience is the most likely outcome over the period of the forecast.

GENERAL FUND RESTRICTED KNOWN CAUSES OF FLUCTUATIONS

As shown (Figure 5), the largest influencer of overall General Fund Restricted revenue change is the business cycle, with jumps in federal funds in FY 2009 and FY 2010 and larger than expected increases in higher education collections (tuition increases), among other changes.

Figure 5 - General Fund Restricted Cash Inflow Projections (Thousands)



EDUCATION FUND CASH INFLOW

Approximately 89.1 percent of total Education Fund cash inflow stemmed from income tax in FY 2012, followed by corporate income tax at 9.8 percent[7], and the remaining 1.1 percent coming from other miscellaneous sources. In looking at Education Fund cash inflow from FY 1999 forward, income tax revenue has grown as a percent of total inflow, going from 88.0 percent in FY 1999 to 89.1 percent in FY 2012 (Figure 6). Income tax has represented as much as 91.9 percent of total revenue (FY 2002) to as low as 84.9 percent (FY 2006). The low year of FY 2006 was largely due to corporate income tax expanding rapidly during the peak of the business cycle.

The models were adjusted for major tax changes, such as the income tax rates going to a flat five percent tax from the tiered 7.0 percent tax rate.

Overall, the models produce total growth of $577.6 million from FY 2012 to FY 2017 (Figure 7), or an average annual growth rate of 3.9 percent. Most of the projected growth is in the income tax, accounting for $441.3 million, with an average annual growth rate of 3.4 percent; corporate income tax represents the next largest growth component at $130.9 million, for an average annual growth rate of 8.5 percent; the remaining amount of $5.4 million stems from all other sources, with an anticipated average annual growth rate of 5.7 percent.

EDUCATION FUND KNOWN CAUSES OF FLUCTUATIONS

Fluctuations in Education Fund revenue are largely the result of three factors: 1) changes in economic conditions (accounting for at least 80.0 percent of the volatility in recent years); 2) changes in the Economic Development Incentives authorized over the past several years; and 3) legislative changes (such as reducing the income tax burden). Included in the incentives are: the Economic Development Tax Increment Financing Incentive Tax Credits, the Motion Picture Incentive Credit, the Renewable Energy Incentive, and the Research and Development Incentive. Under most of these incentives a company is rebated back a portion to the full amount of the taxes they may have paid for a period of up to 20 years.

[7] Corporate income tax is projected separately even through in certain years the 10 percent GASB threshold requirement is not met.

Figure 6 - Components of Education Fund Cash Inflow

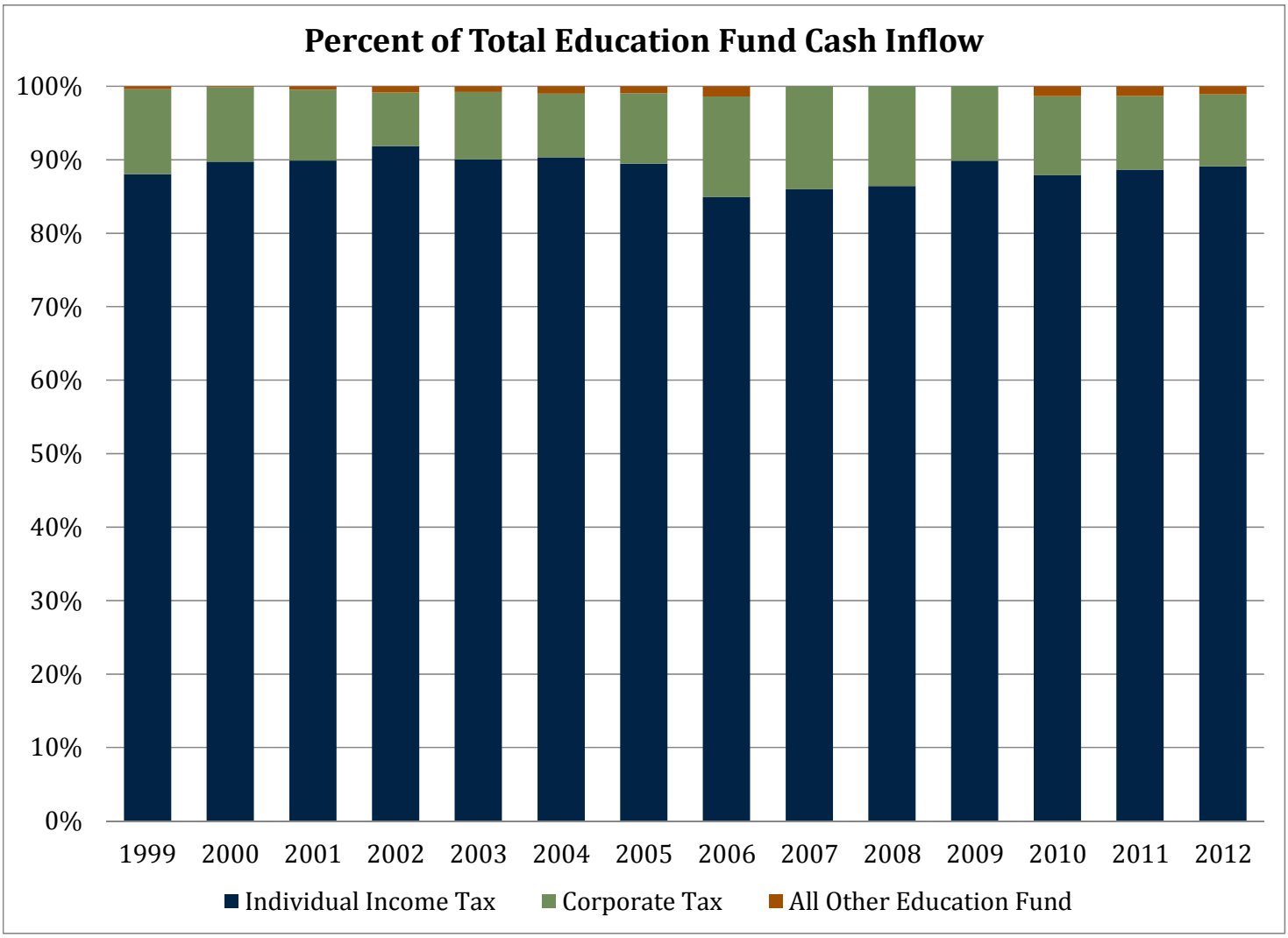
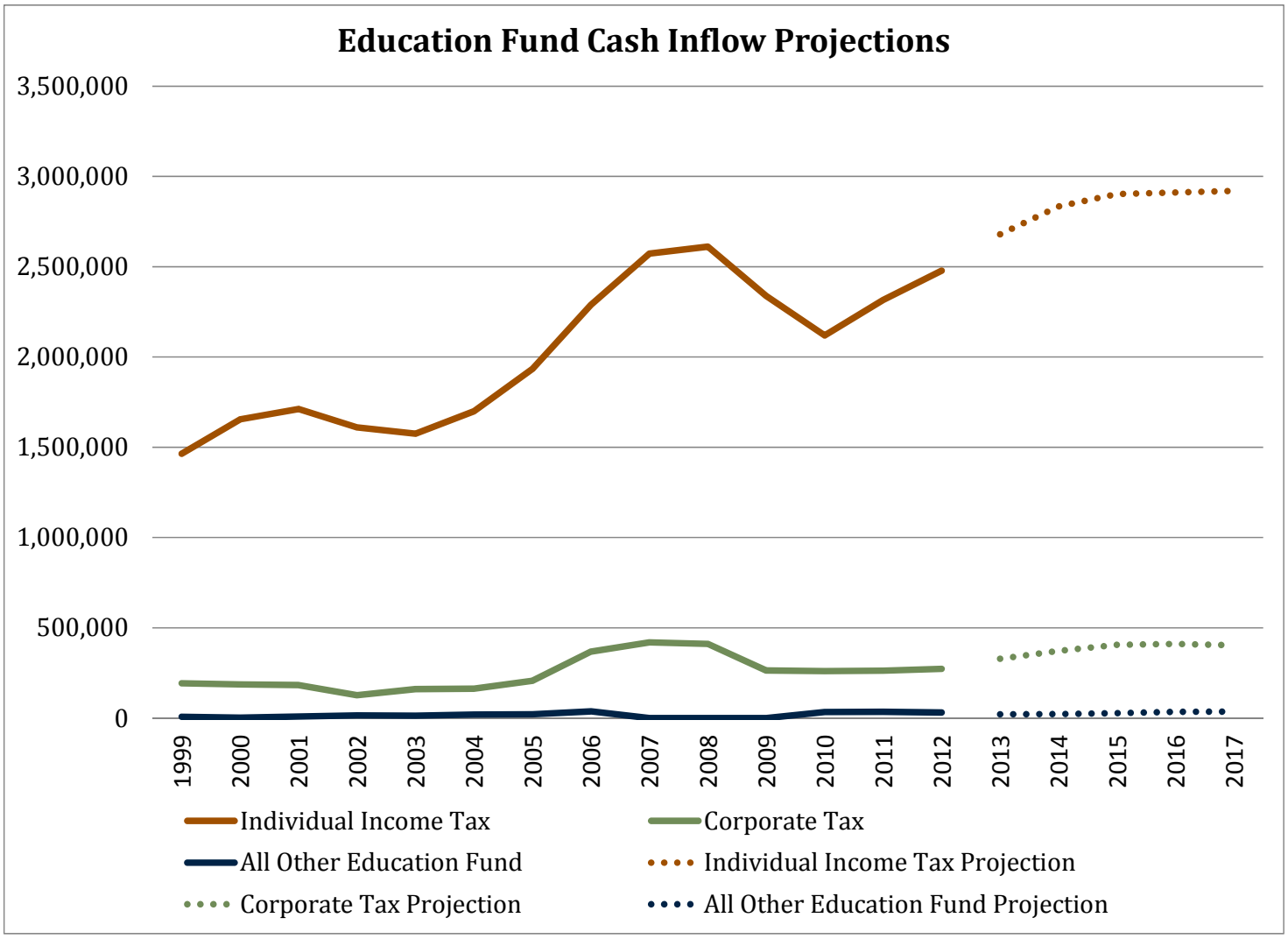


Figure 7 - Education Fund Cash Inflow Projections (Thousands)



TRANSPORTATION FUND CASH INFLOW

Approximately 58.0 percent of total Transportation Fund cash inflow stemmed from motor fuel tax in FY 2012, followed by special fuel taxes at 23.9 percent, and the remaining 18.1 percent coming from other miscellaneous sources. In looking at Transportation Fund cash inflow from FY 1999 forward, motor fuel tax revenue has declined as a percent of total inflow, going from 63.0 percent in FY 1999 to 58.0 percent in FY 2012 (Figure 8). The slow decline has been fairly steady throughout the prior 14 years, although the most recent fiscal year experienced an increase in motor fuel tax's share of total revenue, from 57.8 percent to 58.0 percent.

Overall, the models produce total growth of $40.3 million from FY 2012 to FY 2017 (Figure 9), or an average annual growth rate of 1.8 percent. The projected growth is spread out, with $7.3 million anticipated from the motor fuel tax (0.6 percent average annual growth), $18.9 million from special fuel taxes (3.4 percent average annual growth), and $14.0 million (3.3 percent average annual growth) from all other sources.

TRANSPORTATION FUND KNOWN CAUSES OF FLUCTUATIONS

Besides the economy, fluctuation in Transportation Fund revenue growth stem from changes in the airline and trucking industry's demand for fuel subject to the special fuel tax and a potential long-term shift by consumers towards more fuel efficient vehicles, which reduces demand for fuel subject to the motor fuel tax more than it increases the number of miles driven. In addition to fuel efficiency and industry demand for certain fuel types, another factor influencing Transportation Fund cash inflow are things that affect registration fees, such as economic growth and population changes.

Figure 8 - Components of Transportation Fund Cash Inflow

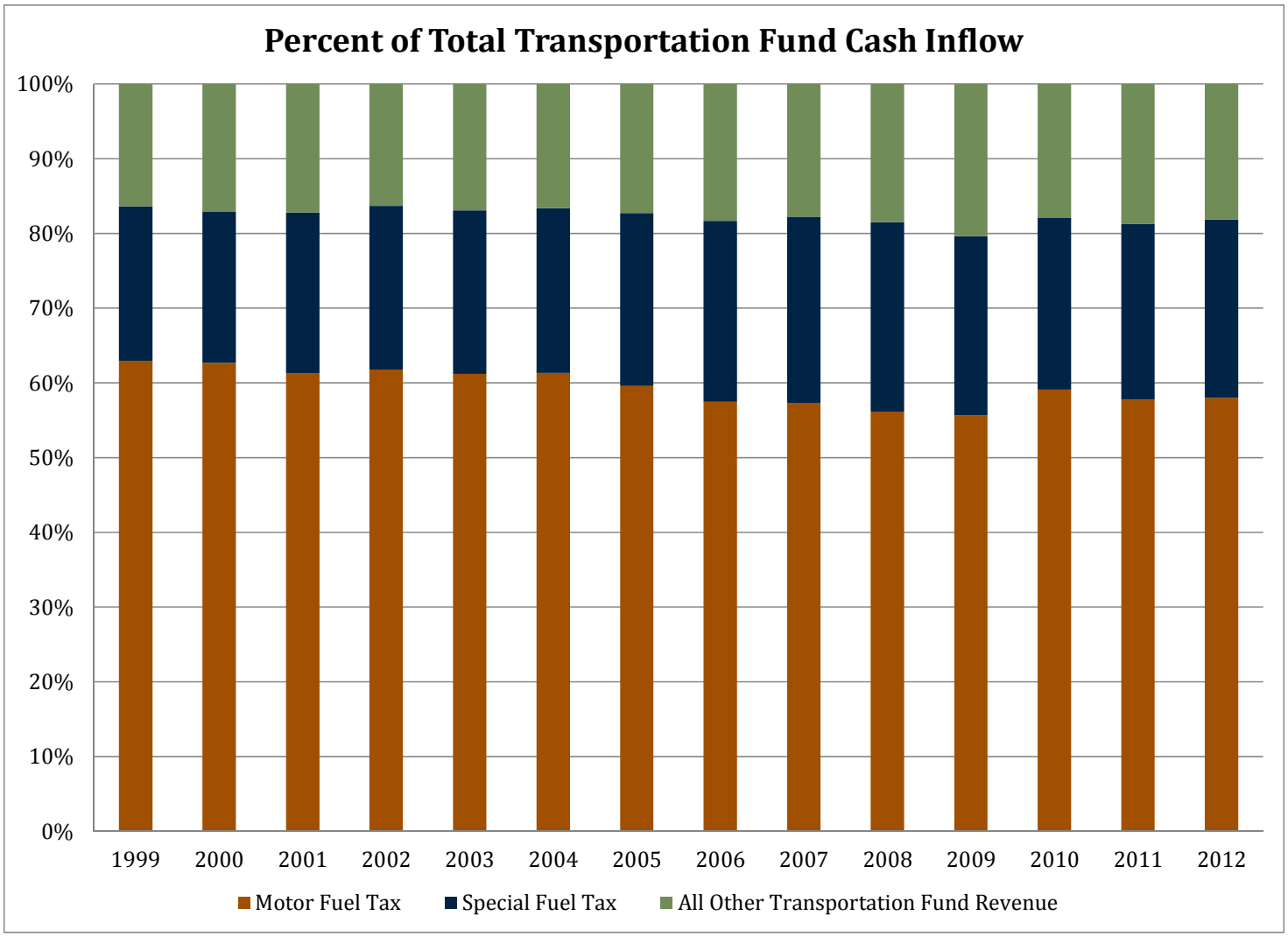
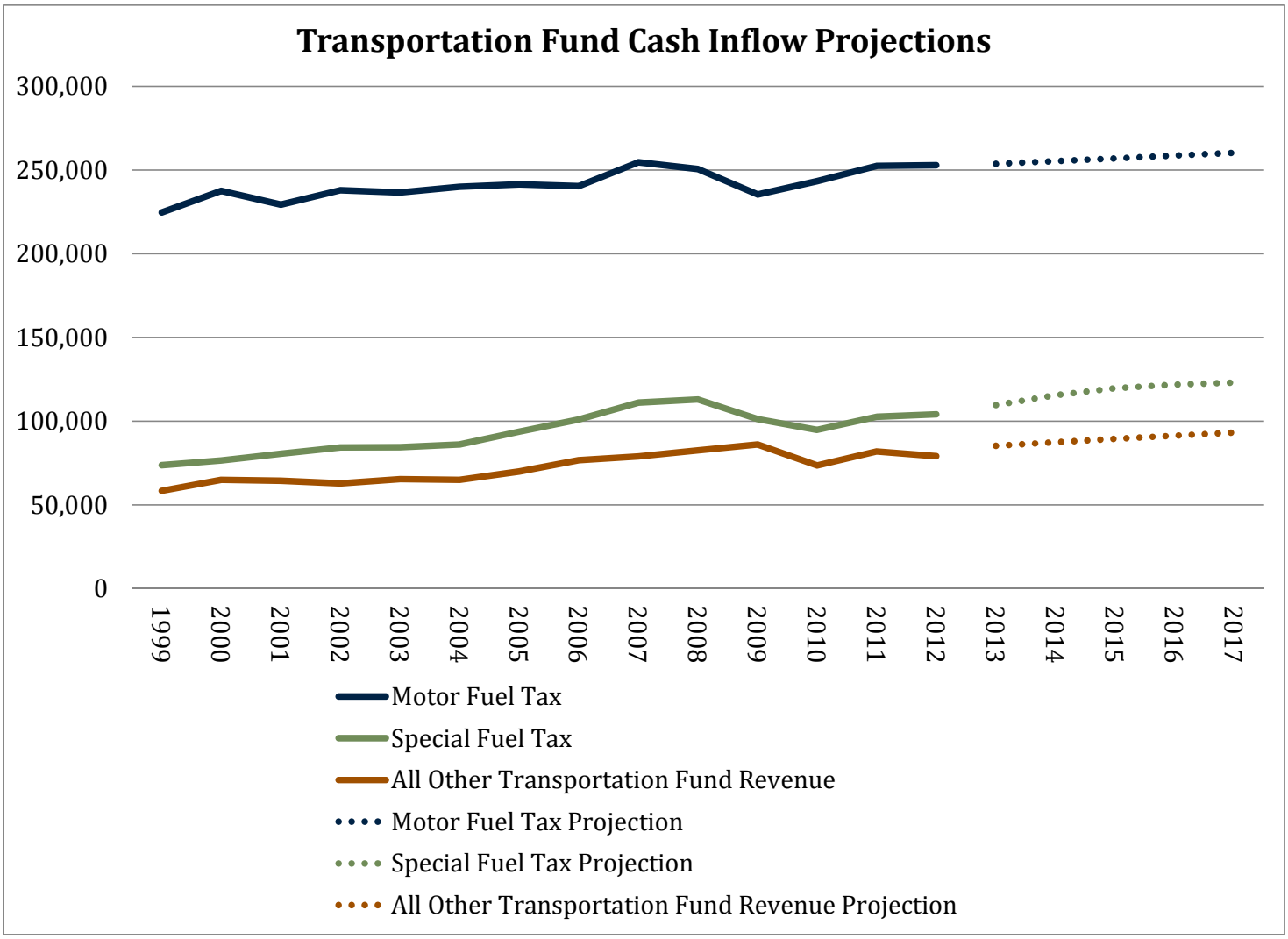


Figure 9 - Transportation Fund Cash Inflow Projections (Thousands)



TRANSPORTATION INVESTMENT FUND CASH INFLOW

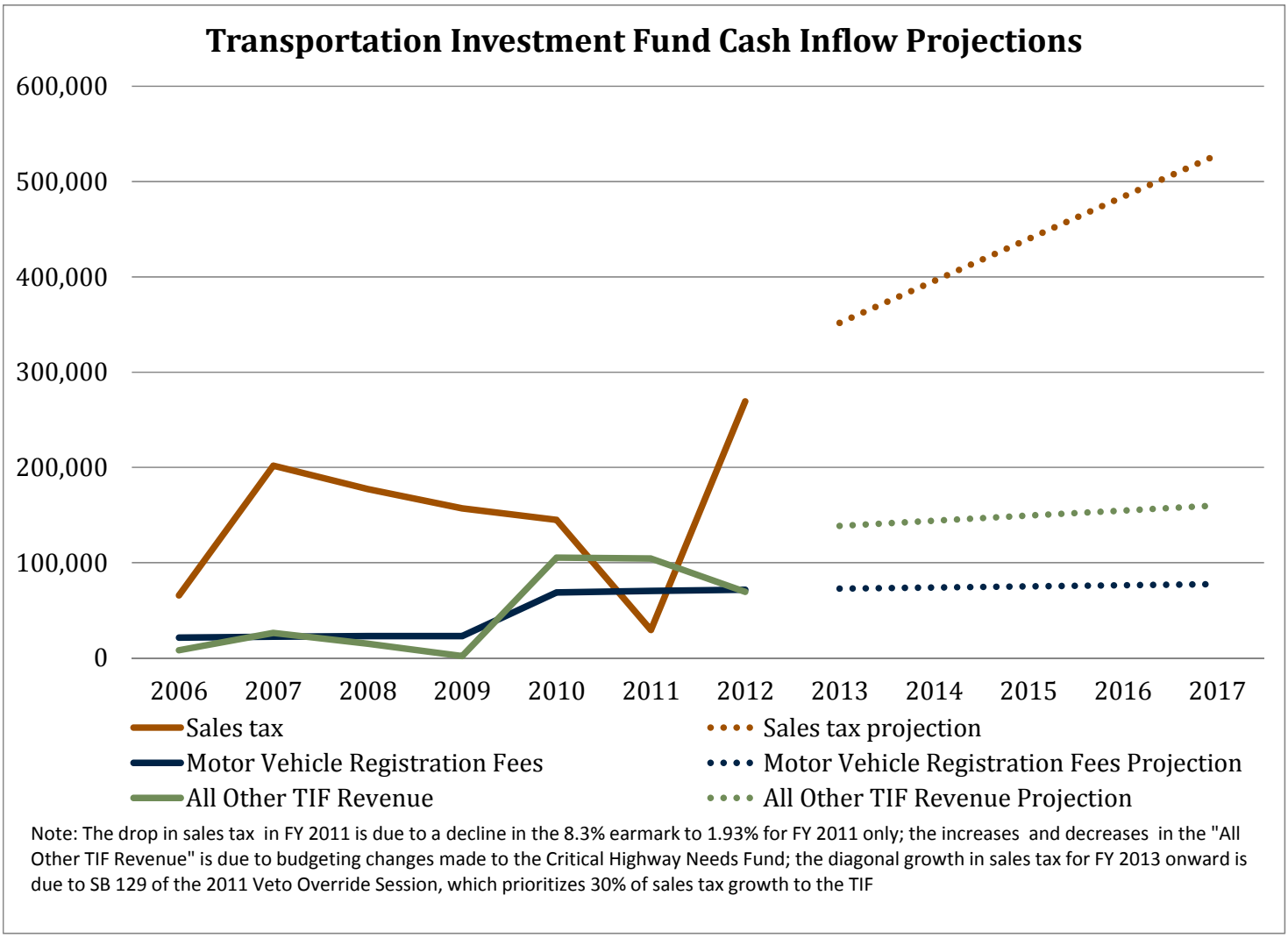
In addition to general Transportation Fund, GASB requires a projection of cash inflow from Transportation Fund Restricted sources, which include earmarked sales tax, vehicle registration fees, and all other Transportation Restricted Fund revenue. An historical trend projection of these sources is given (Figure 10). Overall, the models produce $181.0 million in growth over the coming five years, with $176.2 million of that being earmarked sales tax revenue, followed by $19.2 million in all other Transportation Fund Restricted cash inflow, and $4.7 million in earmarked vehicle registration fees. The jump in sales tax revenue from FY 2011 to FY 2012 is due to a reinstatement of a one year reduction in the 8.3 percent of total sales tax collections earmark. The diagonal growth from FY 2013 forward stems from S.B. 229 *Transportation Funding Revisions* of the 2011 Veto Override Session, which prioritizes 30 percent of sales tax growth over the 2011 base to the Transportation Investment Fund. The rest of the volatility is the result of budgeting practices. In the 2009 General Session, H.B. 139 increased the car registration fees by around $20.0 per vehicle[8], thus the bump in motor vehicle registration fees from 2009 to 2010. On All Other TIF revenue, which is the Critical Highway Needs Fund, sales tax earmarks were adjusted each year, such as the $90.0 million fixed earmark being reduced to $55.0 million in FY 2012.

TRANSPORTATION INVESTMENT FUND KNOWN CAUSES OF FLUCTUATIONS

The same factors affecting Transportation Fund revenue fluctuations affect Transportation Investment Fund cash inflow. Additionally, three policy changes are responsible for the rest of the large fluctuations, which are: 1) a reduction in the 8.3 percent earmark to 1.9 percent in FY 2011; 2) an increase in the cost of registering a vehicle by about $20.0 per vehicle, implemented in FY 2010; 3) a new shifting of sales tax revenue from the General Fund to the Transportation Investment Fund (FY 2013 forward, S.B. 229 of the 2011 Veto Override Session); and 4) adjustments to the Critical Highways Needs Fund.

[8] The $20 per vehicle fee increase applied to most vehicles driven; a different fee increase structure was imposed on heavy trucks based upon weight.

Figure 10 - Transportation Investment Fund Cash Inflow Projections (Thousands)



Note: The drop in sales tax in FY 2011 is due to a decline in the 8.3% earmark to 1.93% for FY 2011 only; the increases and decreases in the "All Other TIF Revenue" is due to budgeting changes made to the Critical Highway Needs Fund; the diagonal growth in sales tax for FY 2013 onward is due to SB 129 of the 2011 Veto Override Session, which prioritizes 30% of sales tax growth to the TIF

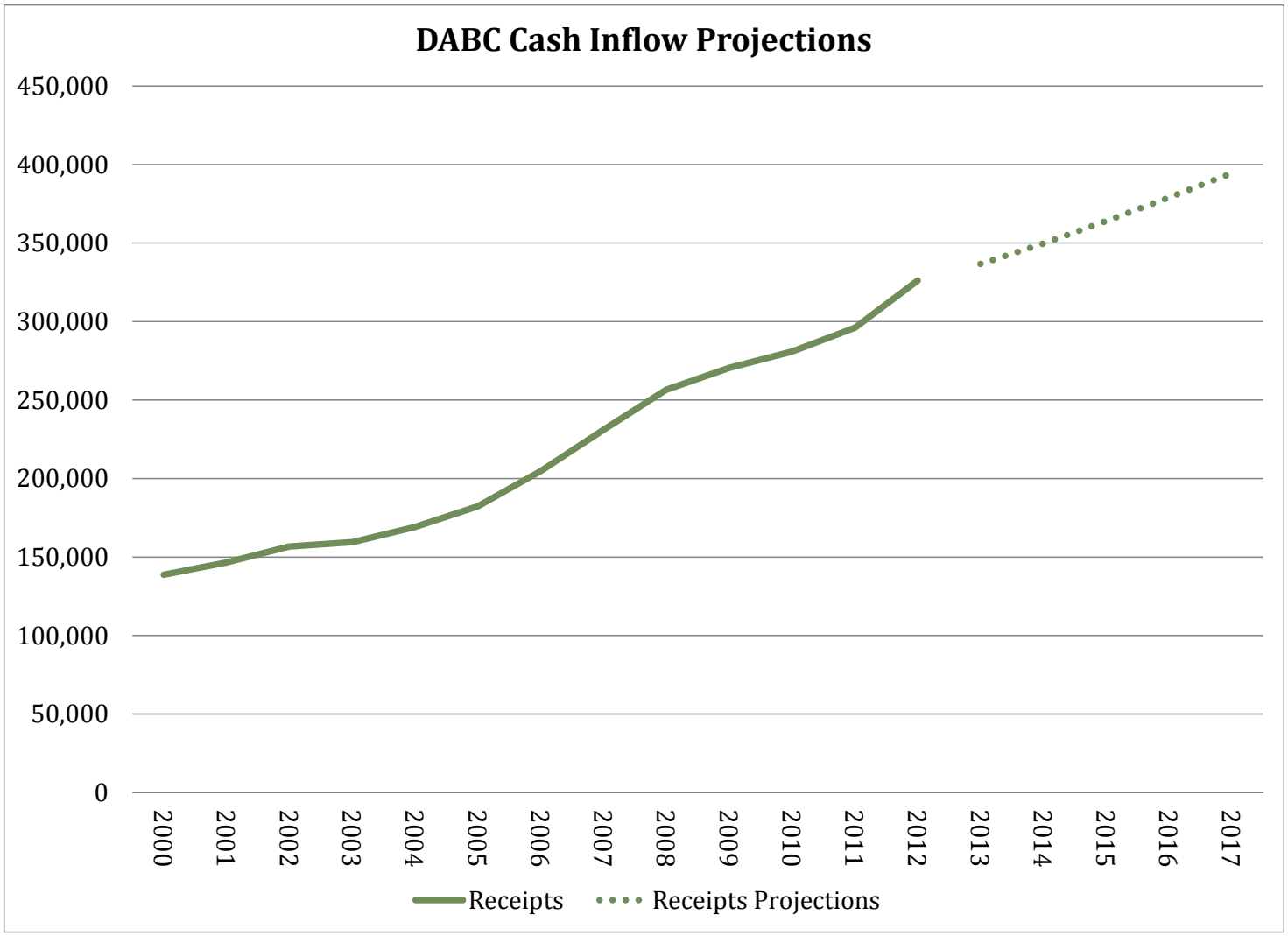
ALCOHOLIC BEVERAGE CONTROL'S ENTERPRISE FUND CASH INFLOW

In addition to the major state funds, this report includes the Department of Alcoholic Beverage Control (DABC) as an example of projecting the State's business activities. The fitted historical trend projection is given (Figure 11). On the whole, DABC's total cash inflow is anticipated to grow by $68.0 million over the next five years, or 21.0 percent.

DABC KNOWN CAUSES OF FLUCTUATIONS

Receipts from DABC's business activities are affected by aforementioned economic factors, such as a continual shift in the population mix from non-alcoholic drinkers to alcoholic drinkers and population growth from net migration.

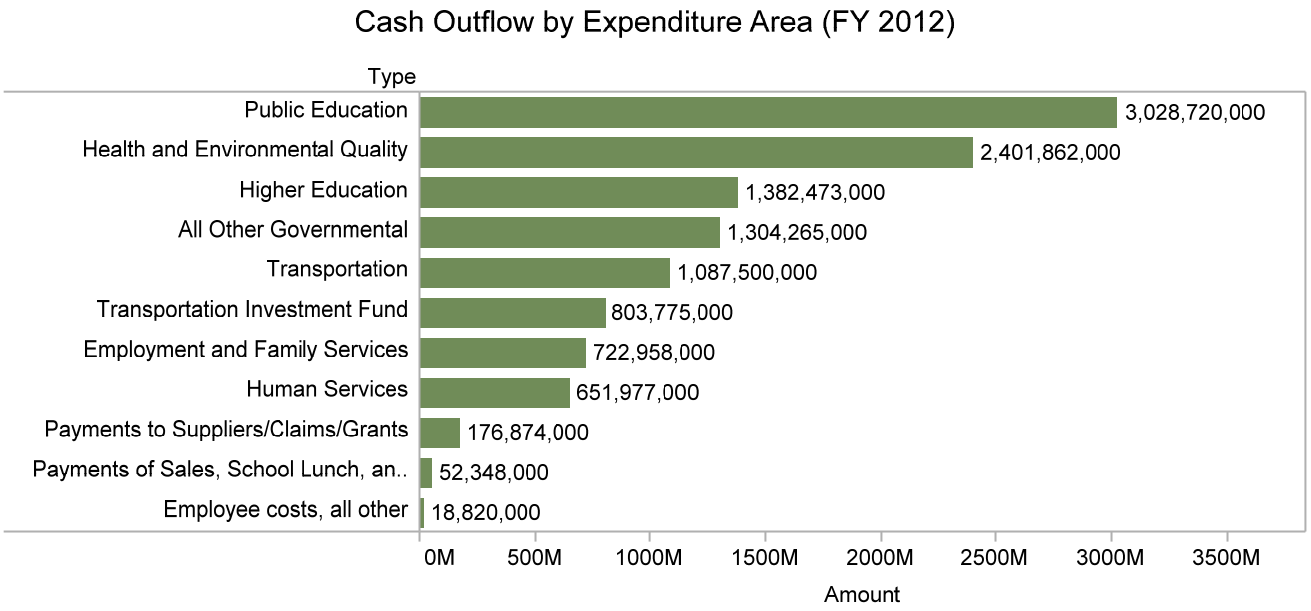
Figure 11 - DABC Cash Inflow Projections (Thousands)



COMPONENT 2: PROJECTIONS OF MAJOR AREA CASH OUTFLOWS

Cash outflows represent a government's costs of operation. Projections of cash outflows inform users of likely future commitments. Similar to cash inflows, cash outflows less than 10.0 percent are reported in the aggregate. Major cash outflows are reported by program or function. Numbers are presented in absolute terms and as a percent of total outflows. The Department of Finance uses cash flow accounting. As a result we do not account for expenditures by fund type. This means that we cannot for each budget area show how each would do by fund type. For this reason the outflows presented in this report include all funding sources. In cutting across all expenditure types, Public Education is the highest cost area, followed by Health and Environmental Quality, Higher Education, All Other Governmental costs, and Transportation (Figure 12).

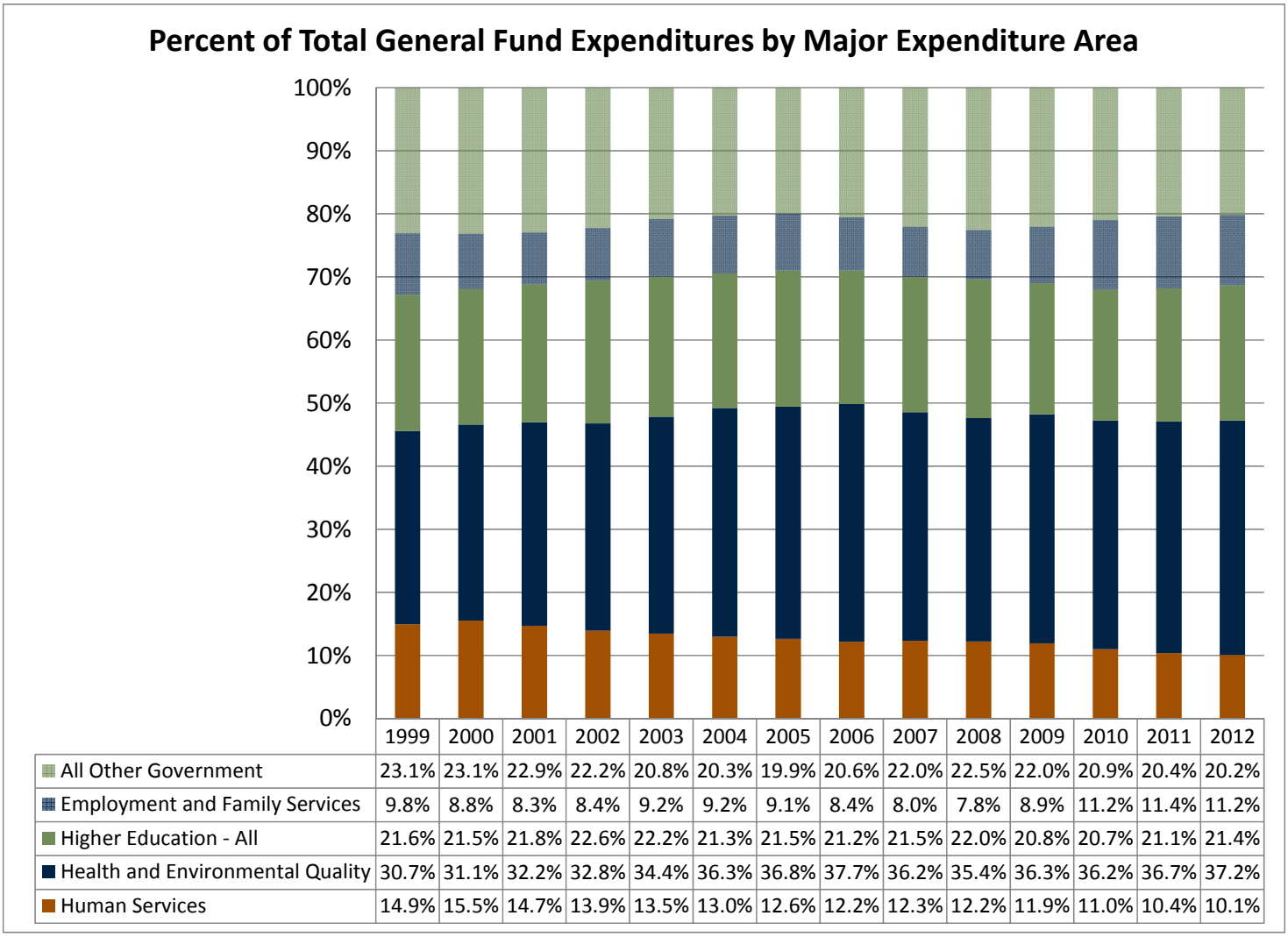
Figure 12 - Cash Outflow by Expenditure Area



GENERAL FUND CASH OUTFLOW

The following represents how funding has been allocated from 1999-2012 in areas mostly covered by General Fund revenue (Figure 13). As is indicated, costs associated with Health and Environmental Quality have seen the largest increase from the General Fund, growing from 30.7 percent in FY 1999 to 37.2 percent in FY 2012. The largest decliners are Human Services, going from 14.9 percent in FY 1999 to 10.1 percent in FY 2012 and All Other Government, declining from 23.1 percent in FY 1999 to 20.2 percent in FY 2012.

Figure 13 – Percent of Total General Fund Expenditures by Major Expenditure Area, 1999-2012



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
All Other Government	23.1%	23.1%	22.9%	22.2%	20.8%	20.3%	19.9%	20.6%	22.0%	22.5%	22.0%	20.9%	20.4%	20.2%
Employment and Family Services	9.8%	8.8%	8.3%	8.4%	9.2%	9.2%	9.1%	8.4%	8.0%	7.8%	8.9%	11.2%	11.4%	11.2%
Higher Education - All	21.6%	21.5%	21.8%	22.6%	22.2%	21.3%	21.5%	21.2%	21.5%	22.0%	20.8%	20.7%	21.1%	21.4%
Health and Environmental Quality	30.7%	31.1%	32.2%	32.8%	34.4%	36.3%	36.8%	37.7%	36.2%	35.4%	36.3%	36.2%	36.7%	37.2%
Human Services	14.9%	15.5%	14.7%	13.9%	13.5%	13.0%	12.6%	12.2%	12.3%	12.2%	11.9%	11.0%	10.4%	10.1%

HUMAN SERVICES CASH OUTFLOW

The Department of Human Services embodies services involving individuals with disabilities, child welfare, substance abuse and mental health treatment, child support collections, and programs associated with the elderly.

Cash outflows associated with Human Services reached a maximum as a percent of total General Fund expenditures in FY 2000, after which costs have declined relative to the other expenditure types within the General Fund, with the FY 2012 figure for Human Services at 10.1 percent.

Costs associated with Human Services based on the historical trend GASB requirements indicate an additional $134.0 in expenditures from FY 2013 to FY 2017, or an average of $27.0 million per year.

Cash outflows from activities classified as Human Services follow the business cycle, with the most recent business cycle associated savings of $56.0 million.

HUMAN SERVICES KNOWN CAUSES OF FLUCTUATIONS

Historically, funding for the Department of Human Services has been driven by the following factors: 1) changes in rules guiding federal funding participation; 2) economic pressures on Utah's government operations; and 3) high priority social issues.

Several of the major economic pressures on operations of the Department of Human Services have included two recessions over the past decade and the pressure for cost-of-living increases for the various provider groups delivering services. The Department of Human Services has gone through several rounds of program reductions from FY 2002 through FY 2003 and from FY 2009 through FY 2011.

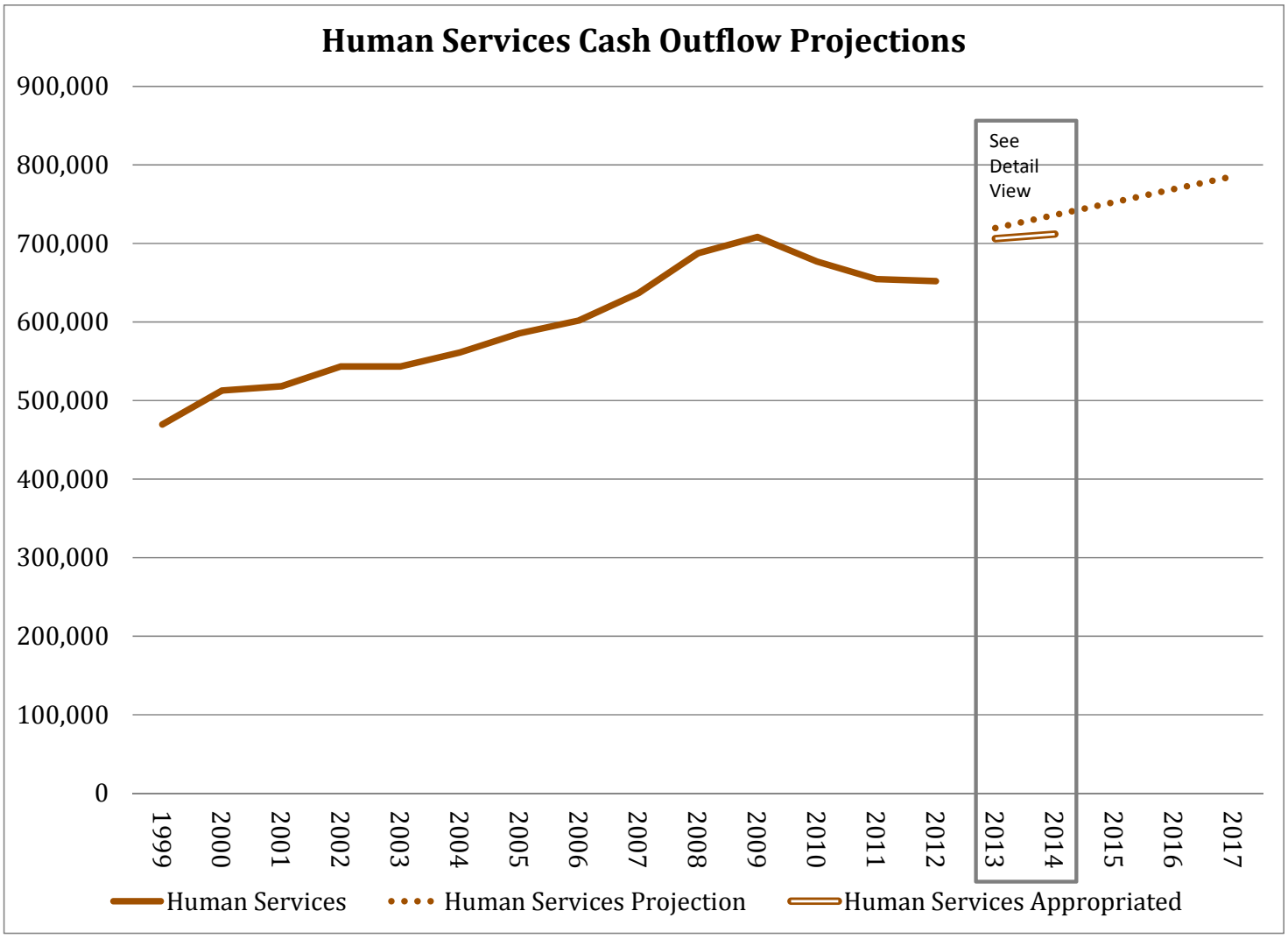
Additionally, the Department of Human Services has experienced pressure from providers for cost-of-living increases including meeting the statutory requirements of maintaining large group setting facilities such as the Utah State Hospital and the Utah State Developmental Center.

Changes in rules guiding federal funding participation have had a major impact on the Department's need for additional state funding. The Department of Human Services has either adapted or required additional state funding because of the loss of federal revenue due to federal policy changes, mandated actions required when accepting federal funds, or changes in the State's rate of the Federal Medical Assistance Percentage (FMAP).

When revenues are available, the Department of Human Services has received funding for items such as The Drug Offender Reform Act (DORA), support services for individuals with disabilities, mental health treatment, subsidized meals for seniors and support for low-income seniors remaining in their own homes, substance abuse treatment, and child abuse and neglect issues.

The projections for cash outflows classified as Human Services are given (Figure 14).

Figure 14 - Human Services Cash Outflow Projections (Thousands)



HEALTH AND ENVIRONMENTAL QUALITY CASH OUTFLOW

Costs associated with Health and Environmental Quality have consistently grown from a low in FY 1999 of 30.7 percent to a high of 37.2 percent. Total costs in FY 2012 amounted to $2.4 billion, an increase of $1.4 billion from the $963.0 million of costs incurred in FY 1999. The largest portion of the 7.0 percent average annual growth rate stems from costs associated with Medicaid.

On the historical trend projection, the trend indicates additional costs from FY 2013 to FY 2017 of $644.0 million, or about $129.0 million each year.

HEALTH AND ENVIRONMENTAL QUALITY KNOWN CAUSES OF FLUCTUATIONS

The mission of the Utah Department of Health is to protect the public's health by preventing avoidable illness, injury, disability, and premature death; assuring access to affordable, quality health care; and promoting healthy lifestyles.

Historically, funding for the Utah Department of Health has been driven by the following factors: 1) expansions in which people are eligible; 2) more people are becoming eligible; and 3) increasing cost of health care.

The forecast is largely based on continual costs associated with such programs as Medicaid and environmental quality. The forecast does not capture any expenditure savings from improvement in the economy.

There are two sources of expansions for eligibility: mandatory changes from the federal government and optional expansions chosen by the State. There have been five federally mandated expansions and nine state optional expansions (including signing up for the Medicaid program) from 1966 to the present.

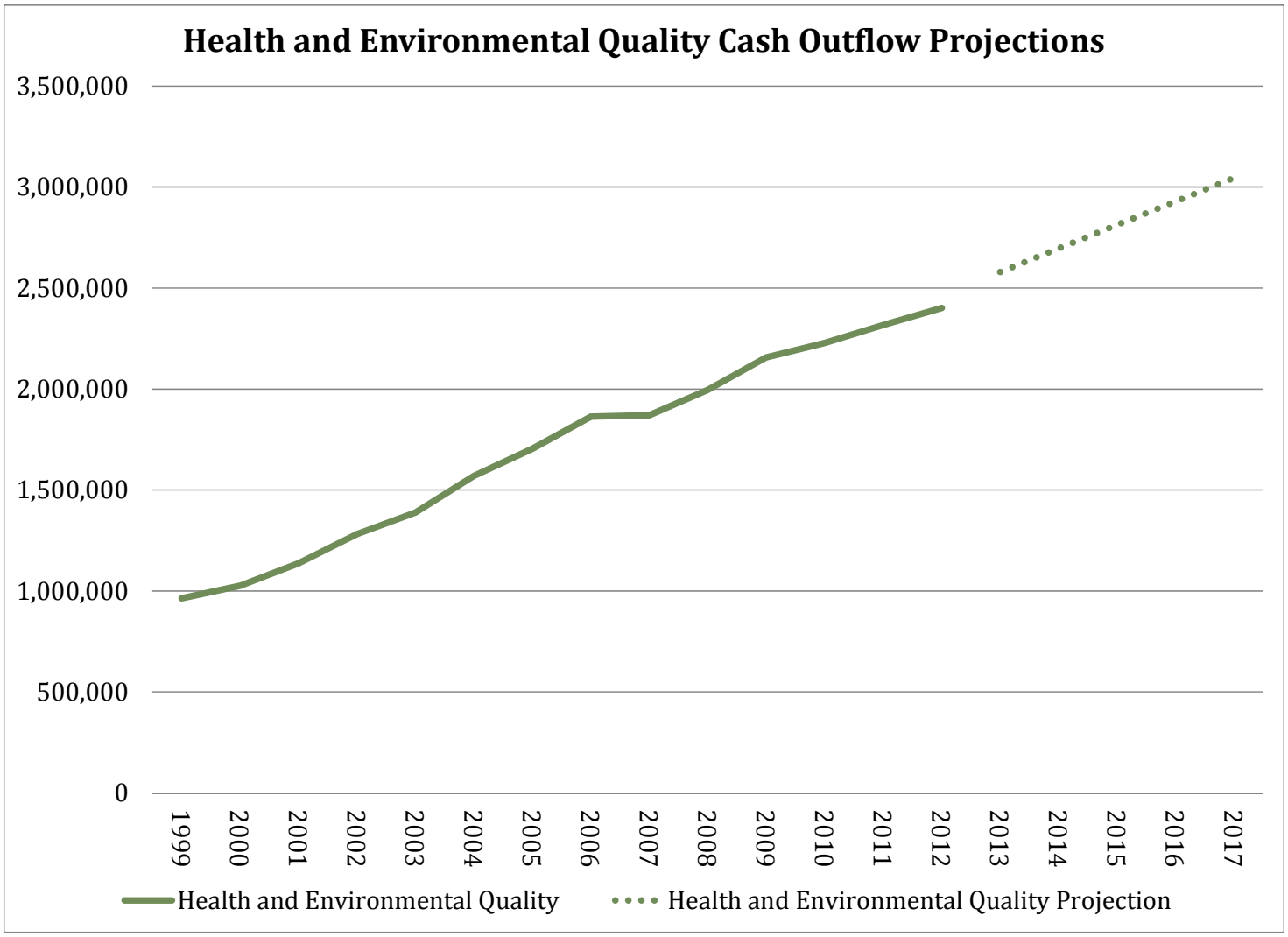
One main criterion for receiving Medicaid is a client's income; when people lose their jobs, the demand for Medicaid increases. The annual growth rate from FY 2009 through FY 2011 was 14.3 percent compared to negative 0.4 percent average annual growth rate for the three preceding years.

The average annual growth in medical inflation for the last 10 years has been 3.1 percent. Additionally, Medicaid has some federal and state laws that require additional increases for certain costs in the Medicaid program. For FY 2013, the agency anticipates cost increases of $5.0 million General Fund.

These factors will continue to impact future cost increases. Additionally, changes in incentive for people to sign up for Medicaid are expected to impact future cost as well as changes in mandatory coverage. Outside of Medicaid, the Legislature often provides increases to the Baby Watch/Early Intervention program. This program also must serve all clients who qualify.

The projections for cash outflows classified as Health and Environmental Quality are given (Figure 15).

Figure 15 - Health and Environmental Quality Cash Outflow Projections (Thousands)



HIGHER EDUCATION CASH OUTFLOW

Cash outflows connected with providing Higher Education services have been generally flat from FY 1999 to FY 2012 as a percent of total General Fund cash outflow, going from 21.6 percent to 21.4 percent. Costs associated with Higher Education reached a high of 22.6 percent in in FY 2002, falling to a low of 20.7 percent in FY 2010. Since the FY 2010 low, cash outflows have increased, standing at 21.4 percent at the end of FY 2012.

Overall, cash outflow connected with Higher Education is anticipated, based upon GASB's historical trend methodology, to grow by $277.0 million from FY 2012 to FY 2017, or an average annual increase of about $55.0 million. In contrast to the projected average annual increase of $55.0 million, costs grew by an average of $50.0 million each year from FY 1999 to FY 2012.

HIGHER EDUCATION KNOWN CAUSES OF FLUCTUATIONS

The Utah System of Higher Education (USHE) is comprised of nine institutions of higher learning. USHE promotes research, as well as economic, academic, cultural, and other social programs for the citizens of Utah.

Historically, funding for higher education has been driven by the following factors: 1) student enrollment figures; 2) operations and maintenance (O&M) for new facilities; and 3) funding for scholarships.

The projections reflect a virtual straight-lined model based upon the historical experience that higher education continually increases operating costs with either increased state funding or increased fees (tuition).

Several years ago, the State Board of Regents would project enrollment figures, and then request funding based on those estimates. More recently, this shifted to the enrollment that was actually seen on campuses during the previous year. This was changed to reflect a more accurate and realistic student full-time equivalent (FTE) number. However, for the institutions, when this funding was approved, it was after the initial enrollment increase had occurred.

Over the past several years, increases in funding for higher education included the O&M for state-funded and non-state funded facilities. However, since FY 2008, funding for O&M for non-state funded facilities has not been approved. For state-funded facilities, this funding has been near $2.0 million each year.

In recent years, funding for scholarships, mainly the Regents' Scholarship and the New Century Scholarship, has been an increasing part of the higher education budgets. Funding for the Engineering Initiative has been significant since its inception in FY 2001. A total of $11.5 million is in the Initiative's ongoing base. An additional $9.7 million has been appropriated in one-time funds.

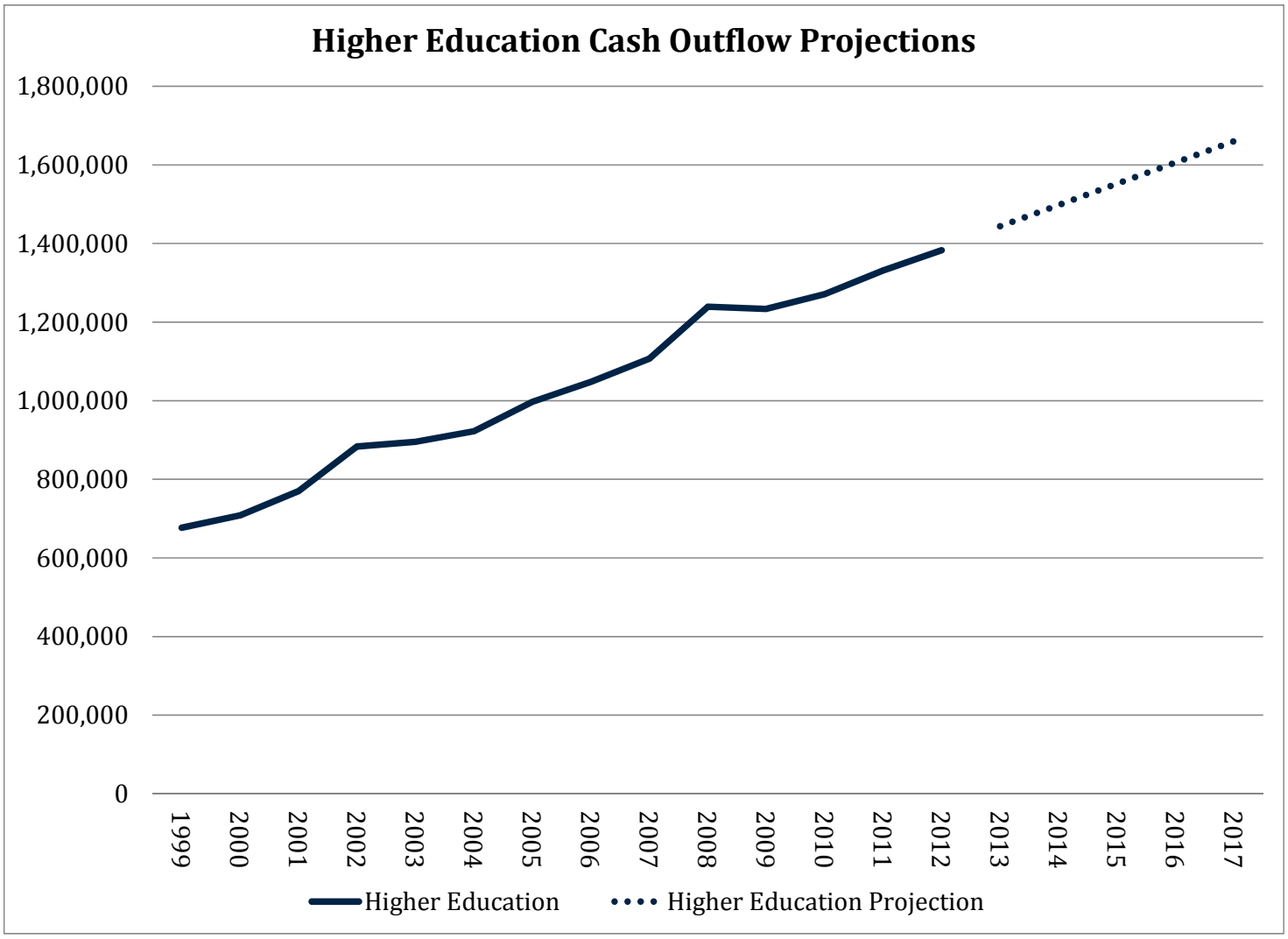
Since FY 2008, when budgets have been reduced, some of the above-mentioned funding was necessarily eliminated. Things that traditionally were funded, such as enrollment growth, were not funded. This was during a time when student enrollment was increasing at a significant rate.

Last year, S.B. 97, "Mission Based Funding" was approved, which moved to emphasize each institution's mission, which in some cases is enrollment growth and in others is not. This past session saw an appropriation of $4.0 million for Mission Based Funding, which institutions are using to enhance participation, completion, and economic development.

Looking forward, the Governor has adopted a goal of having 66.0 percent of the adult population with a post-secondary degree or certificate by the year 2020. However, up to this point, there has been no discussion of costs associated with this goal.

The projections for cash outflows classified as Higher Education are given (Figure 16).

Figure 16 - Higher Education Cash Outflow Projections (Thousands)



PUBLIC EDUCATION CASH OUTFLOW

Cash outflow associated with Public Education has grown by about $1.2 billion from FY 1999 to FY 2012, representing an average annual increase of about $89.0 million, or an average annual growth rate of approximately 3.8 percent.

The projected average annual growth rate comes out at 4.1 percent, representing total cost increase from FY 2013 to FY 2017 of $641.0 million, or about $128.0 million annually.

PUBLIC EDUCATION KNOWN CAUSES OF FLUCTUATIONS

Public education in the State is concerned with Utah's public schools, including pre-kindergarten, kindergarten, general education, special education, career and technical education, charter schools, and statewide administration.

Historically, funding for public education has been driven by the following factors: 1) student enrollment growth; and 2) local property tax revenues.

GASB-based public education cash outflow is based on the historical experience of continued cost increases, specifically the boom years of 2004 to 2008.

Enrollment in Utah's public schools has increased annually since before FY 2000 and is projected to continue increasing at about 2.0 percent each year for the foreseeable future. Funding increased enrollments in the public education system represents one of the primary challenges facing the Legislature each year.

Utah uses a funding concept known as "prior-year plus growth" when funding public schools. School districts and charter schools, known as Local Education Agencies (LEAs), receive base funding as determined by their prior-year enrollment (defined in statute as Average Daily Membership). A growth factor is then applied for LEAs with a year-over-year increase in student enrollment. Growth factor is determined by comparing the prior year fall-enrollment to the current-year fall enrollment. LEAs with declining enrollment are held harmless from funding reduction in the first year of enrollment decline.

Student enrollment figures are converted into Weighted Pupil Units (WPUs) using formulas defined in statute. In establishing the FY 2013 budget, an estimated enrollment of 600,224 generated 782,017 WPUs. Each year, the Legislature sets a dollar value provided for each WPU. Since FY 2012, the Legislature has established two WPU Values. The Base WPU Value is set at $2,842 in FY 2013 with 685,076 WPUs qualifying for this amount. The Add-on WPU Value is set at $2,607 in FY 2013 with 96,941 WPUs qualifying for this amount.

LEAs generate WPUs based on various demographic or programmatic variables defined in statute. For example, one student in average daily attendance equals one WPU. A student enrolled in half-day kindergarten is valued at 0.55 of a WPU. Students that receive special education services may generate up to 2.53 WPUs. In addition to WPU funding, LEAs may receive additional funding based on their participation in categorical programs funded by the Legislature.

In FY 2013, nearly $2.2 billion was distributed to LEAs through WPU programs and an additional $866.0 million was distributed through categorical programs.

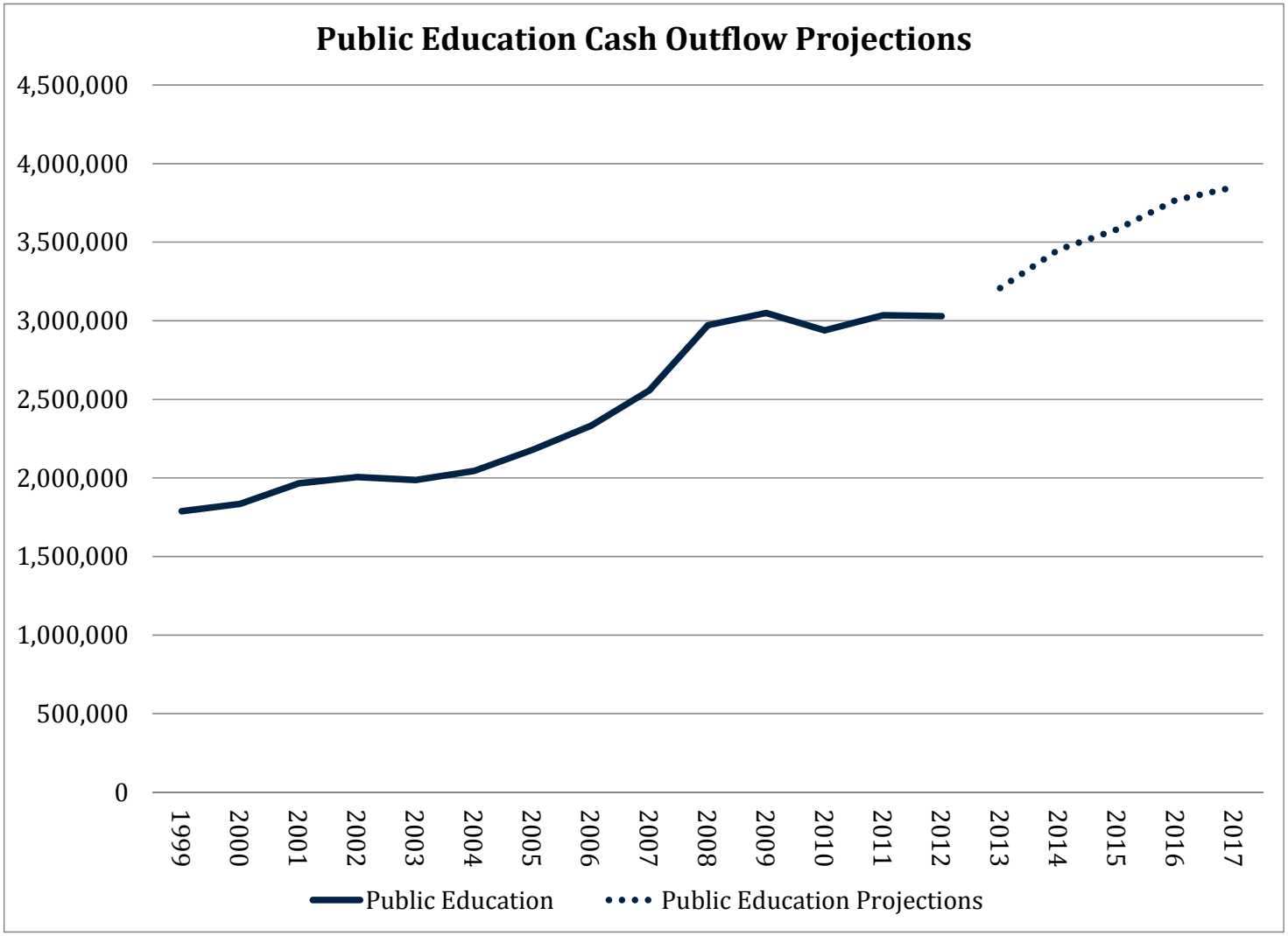
Local property tax revenues play a unique role in state funding for public education. In order for a school district to receive state WPU funding, the district must impose a basic property tax rate on properties within the district. This Basic Rate is the same for all school districts and set at the state level to generate a certain amount of revenue statewide as provided in statute. In FY 2013, the Basic Rate is estimated at .001665 to generate $289.0 million. The revenue generated by each school district through the Basic Rate

is applied to the cost of the district's WPUs. The remaining balance is covered with state revenues. Charter schools do not have the ability to tax. As a result, charter school WPUs are entirely state funded.

In the budgeting process each year, an informal group called the Common Data Committee (CDC) convenes to project student enrollment and district property values for the coming year. The CDC includes representatives from the Utah State Office of Education, Governor's Office of Planning and Budget, the Legislative Fiscal Analyst, and the Utah State Tax Commission. The consensus enrollment and property value projections developed by the CDC are used to estimate WPUs and determine the level of state funding required.

The projections for cash outflows classified as Public Education are given (Figure 17).

Figure 17 - Public Education Cash Outflow Projections (Thousands)



TRANSPORTATION CASH OUTFLOW

Cash outflow associated with Transportation have grown by $577.0 million from FY 1999 to FY 2012, an average annual increase of $41.0 million, or an average annual growth rate of 5.5 percent.

GASB-informed projection comes out at an average annual growth rate of 5.4 percent, or a total cash outflow increase of $404.0 million from FY 2012 to FY 2017.

TRANSPORTATION KNOWN CAUSES OF FLUCTUATIONS

Department of Transportation (DOT) aims to preserve infrastructure, optimize mobility and improve safety throughout the State.

Historically, funding for transportation has been driven by the following factors: 1) population growth; and 2) higher per capita use of the highway infrastructure system.

Between 1990 and 2010, Utah's population increased by 60.0 percent and the number of vehicle miles traveled increased by 82.0 percent, but highway capacity increased by only 6.0 percent. Projections show that by 2015, travel will increase by 85.0 to 90.0 percent, population by 70.0 to 80.0 percent, and new highway capacity by 7.0 percent. Population growth and higher per capita system use have created demand for increased capacity.

The Legislature has helped mitigate some of the increased demands by providing funding for highway capacity projects over the past 15 years. Those programs include the Centennial Highway Program (41 projects), the Critical Highway Needs Program (41 projects), and the Transportation Investment Fund (3 major projects to date). The ongoing funding sources that enabled DOT to build these projects remain in place to address future capacity projects.

Increased infrastructure system use has put a strain on scarce resources to preserve and extend the life of roads and bridges. DOT estimates that an additional $80.0 million per year will be necessary to maintain the current maintenance standard of Utah highways.

Another issue affecting revenue available in the Transportation Fund is the relationship of highway miles traveled to the efficiency of vehicles on the highway. While miles traveled over the 15 year period, from 1990 to 2010 increased by 82.0 percent, the increase in the Transportation Fund averaged less than 3.0 percent annual growth. This presents a challenge for revenue available for preservation and capacity needs for Utah highway infrastructure.

The projections for cash outflows classified as Transportation are given (Figure 18 and Figure 19).

Figure 18 - Transportation Fund Cash Outflow Projections (Thousands)

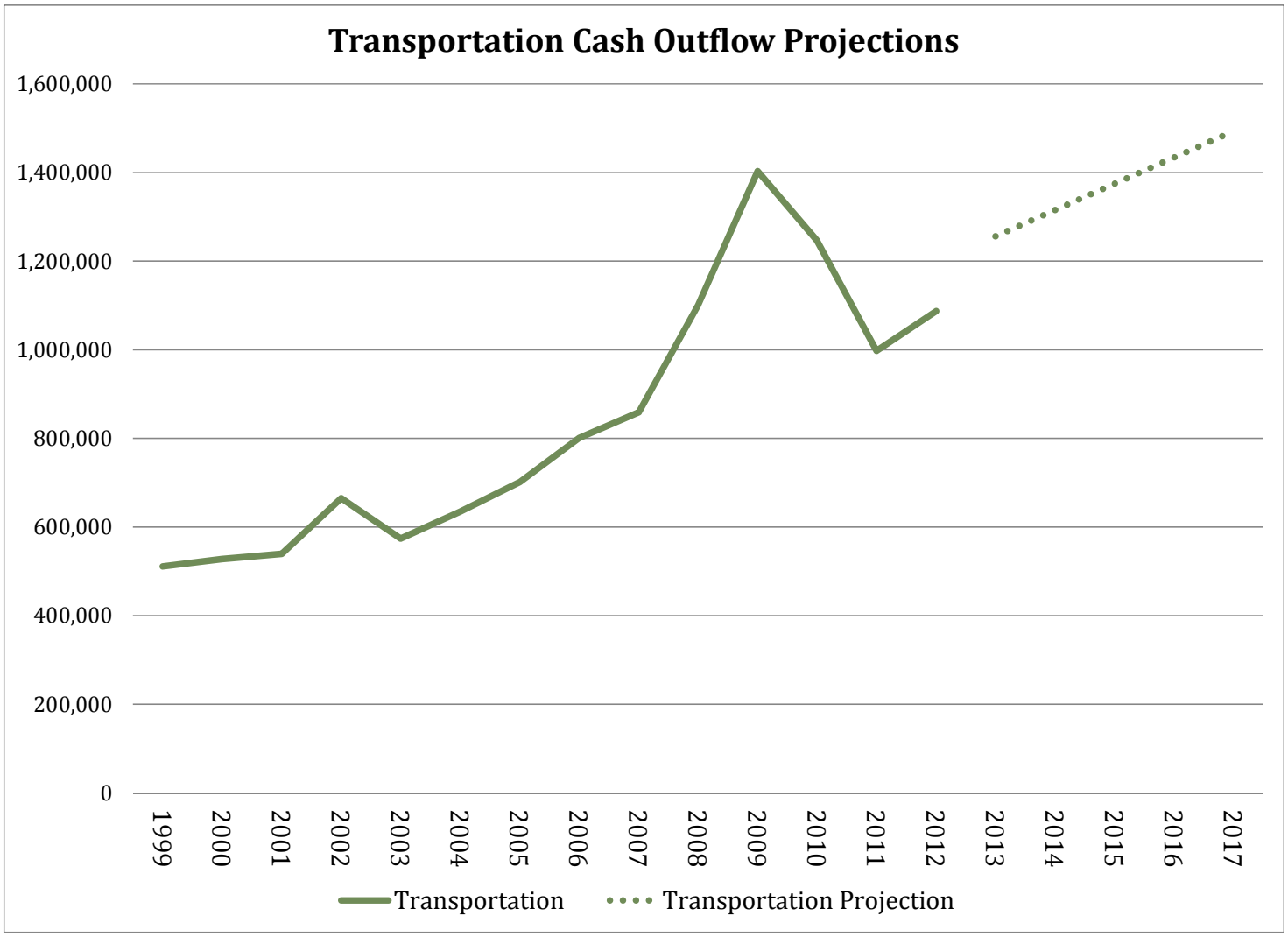
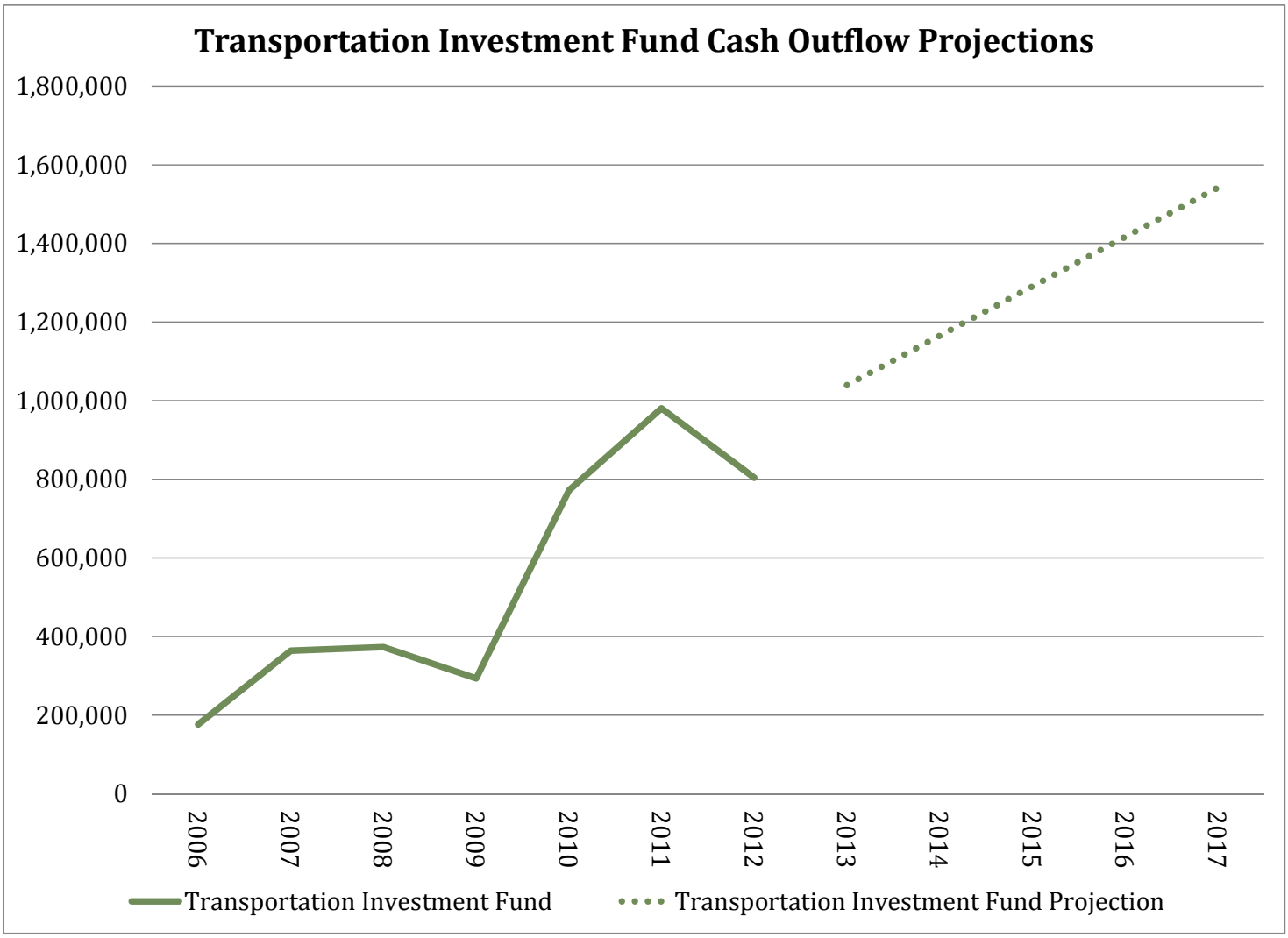


Figure 19 - Transportation Investment Fund Cash Outflow Projections (Thousands)

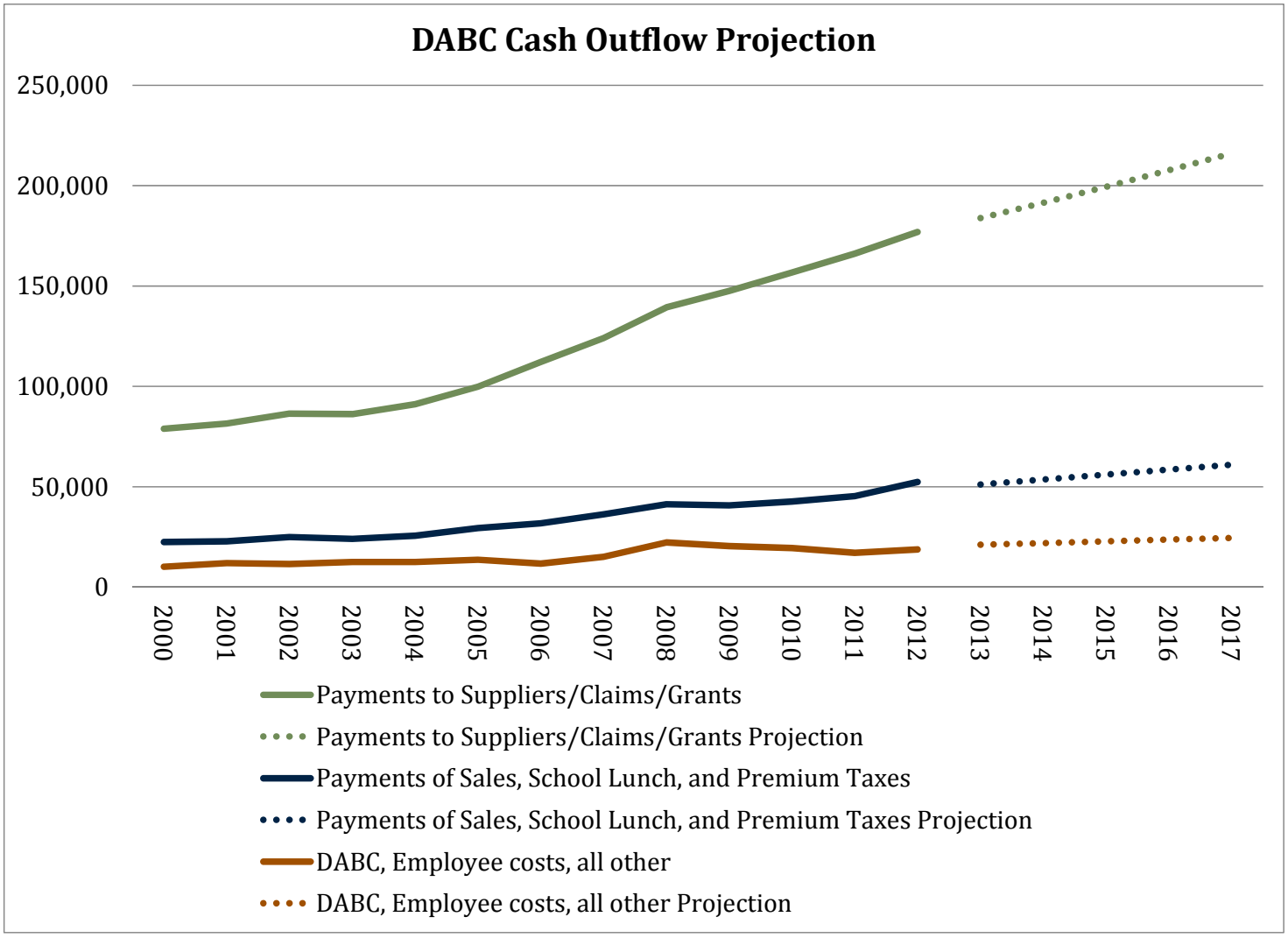


DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL CASH OUTFLOW

The projection for cash outflows incurred by the state's DABC business is given (Figure 20). The largest component of cash outflow covers the costs of goods sold (i.e. Payments to Suppliers/Claims/Grants), followed by the cash transferred to over programs within state government (sales tax, school lunch tax, public safety), and employee costs/all other costs.

Cash outflow associated with DABC's business activity is anticipated to grow by $54.0 million, or an average annual growth rate of 3.3 percent. The projected 3.3 percent growth rate is about 2.6 percent below the historical growth rate from FY 1999 to FY 2012 of 5.9 percent.

Figure 20 - DABC Cash Outflow Projection (Thousands)

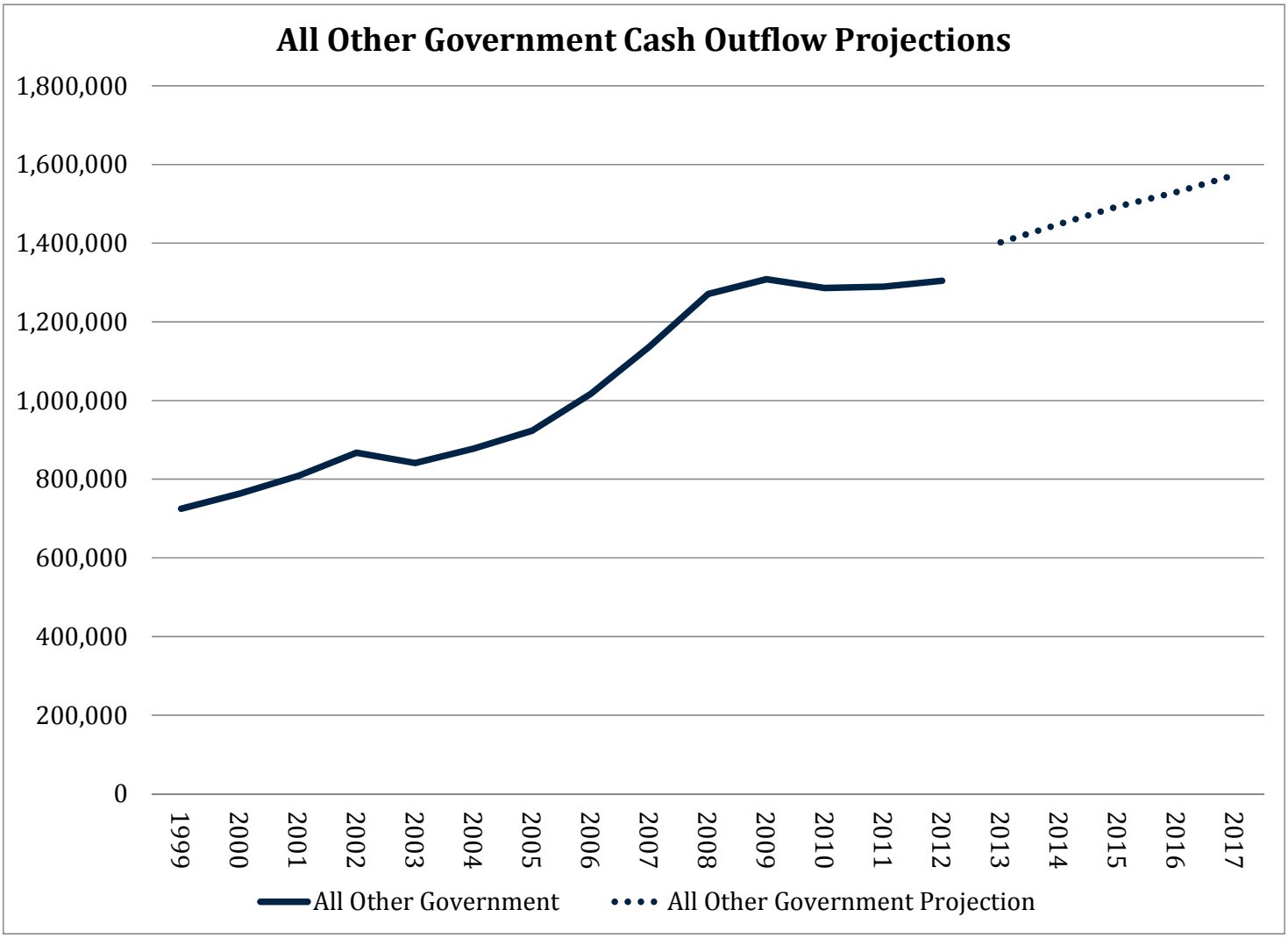


ALL OTHER GOVERNMENT CASH OUTFLOW

The projections for cash outflows classified as All Other Government are given (Figure 21). The projected cash outflow growth from FY 2012 to FY 2017 comes out at $269.0 million, or an average annual increase of 3.2 percent.

The projected growth rate is about 1.1 percent below the historical average annual growth rate of 4.3 percent from FY 1999 to FY 2012.

Figure 21 - All Other Government Cash Outflow Projections (Thousands)



GASB MODELS VERSUS CURRENT PROJECTIONS OF REVENUE

To test the accuracy of GASB guidelines, we compared these forecasts to actions taken during the 2013 General Session. In every case, there are differences between the adopted forecasts and GASB forecasts for FY 2013 and FY 2014, the details of which are discussed here for the General Fund, Education Fund, Transportation Fund, and Department of Alcoholic Beverage Control. The differences are likely due to GASB's reliance on trend data rather than considering the impacts of economic indicators.

GENERAL FUND REVENUE

For the General Fund, GASB's sales tax projection for FY 2013 is about $31.8 million below the current consensus forecast, while GASB's FY 2014 sales forecast is about $19.5 million below the current consensus sales tax forecast.

On all other sources to the General Fund, GASB's FY 2013 forecast is about $29.2 million below the current consensus forecast, and GASB's FY 2014 forecast is about $24.4 million below the current consensus forecast (Figure 22 and Figure 23). The combined difference is $61.1 million in FY 2013 and $43.9 million in FY 2014. In both cases, GASB's forecast is below the current forecast.

Figure 22 - Differences between General Fund GASB/Current Consensus Forecasts (Thousands)

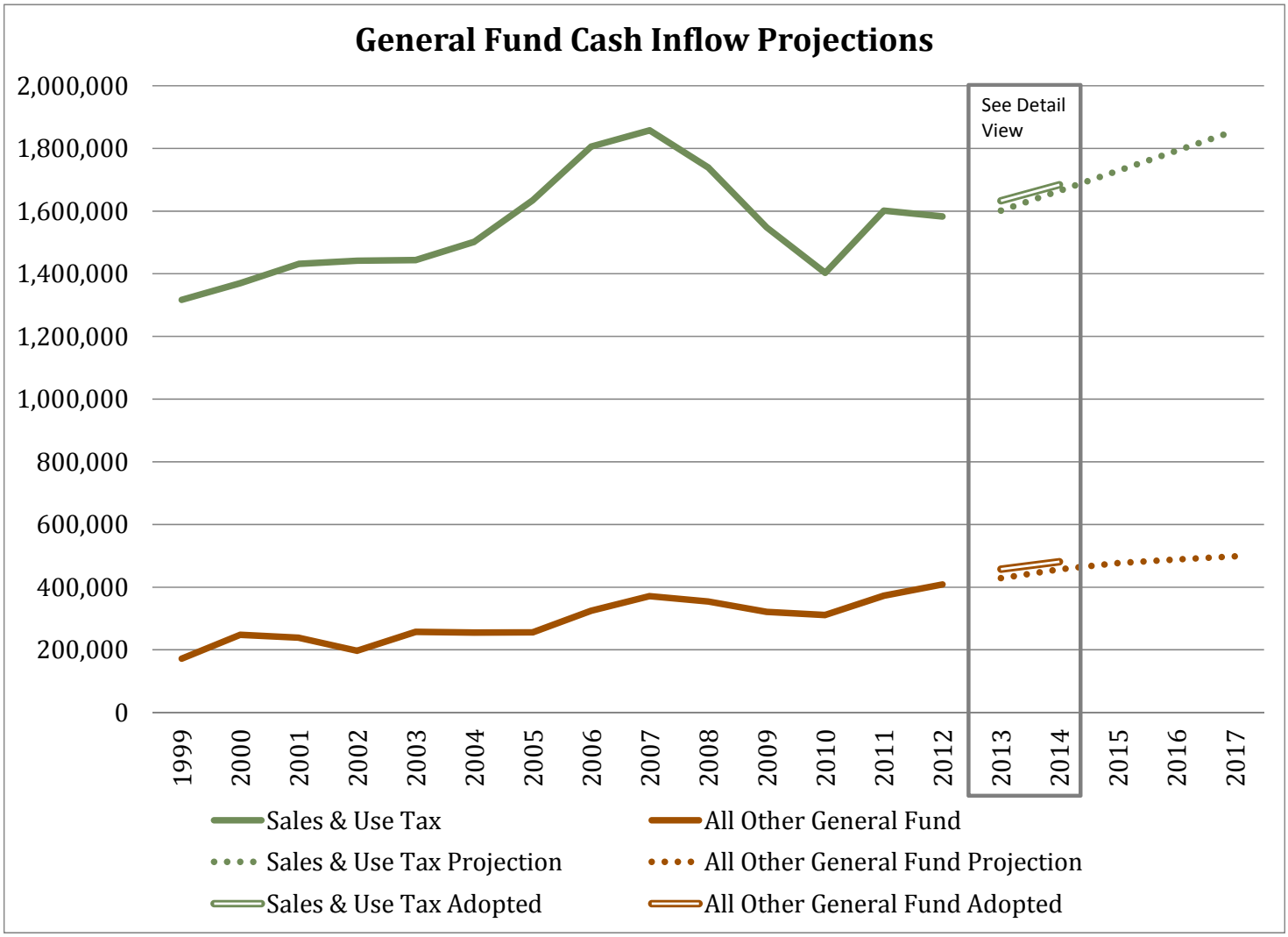
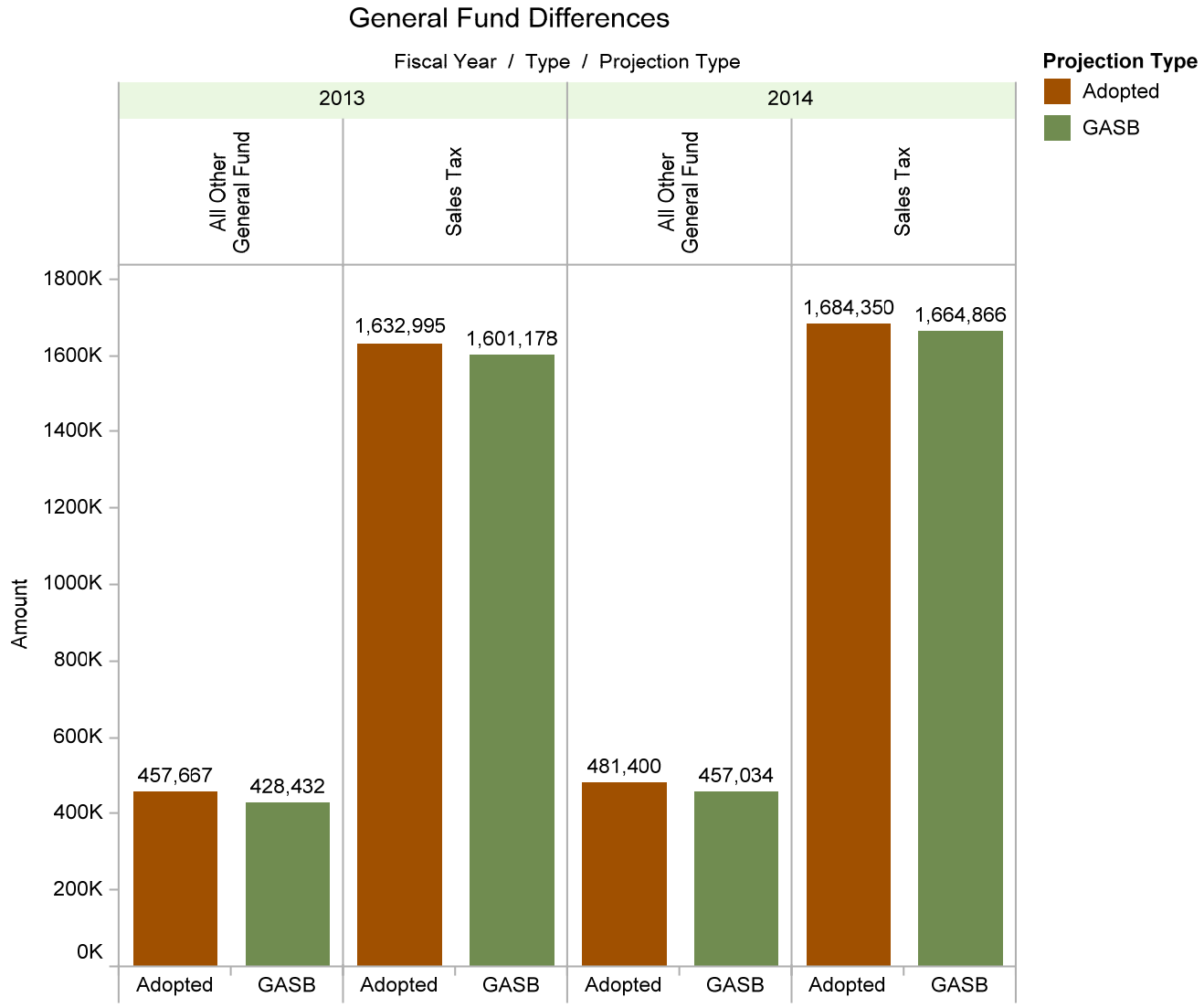


Figure 23 – Detail View: Differences between General Fund GASB/Current Consensus Forecasts (Thousands)



Sources: LFA

EDUCATION FUND REVENUE

In contrast to the General Fund forecasts, GASB models produce higher Education Fund forecasts overall for the two largest sources: individual income tax and corporate income tax. The FY 2013 individual income tax difference is $27.9 million and the FY 2013 corporate income tax difference is $15.3 million. The forecasts for FY 2014 differ by $85.3 million for individual income tax and $86.9 million for corporate income tax. The current forecast for all other sources is higher than GASB's forecast, with the current consensus forecast for all other sources being $16.5 million higher in FY 2013 and $6.7 million higher in FY 2014. The overall difference between GASB models and the current consensus forecasts is $26.8 million in FY 2013 and $165.5 million in FY 2014 (Figure 24 and Figure 25).

Figure 24 - Differences between the Education Fund GASB/Current Consensus Forecasts (Thousands)

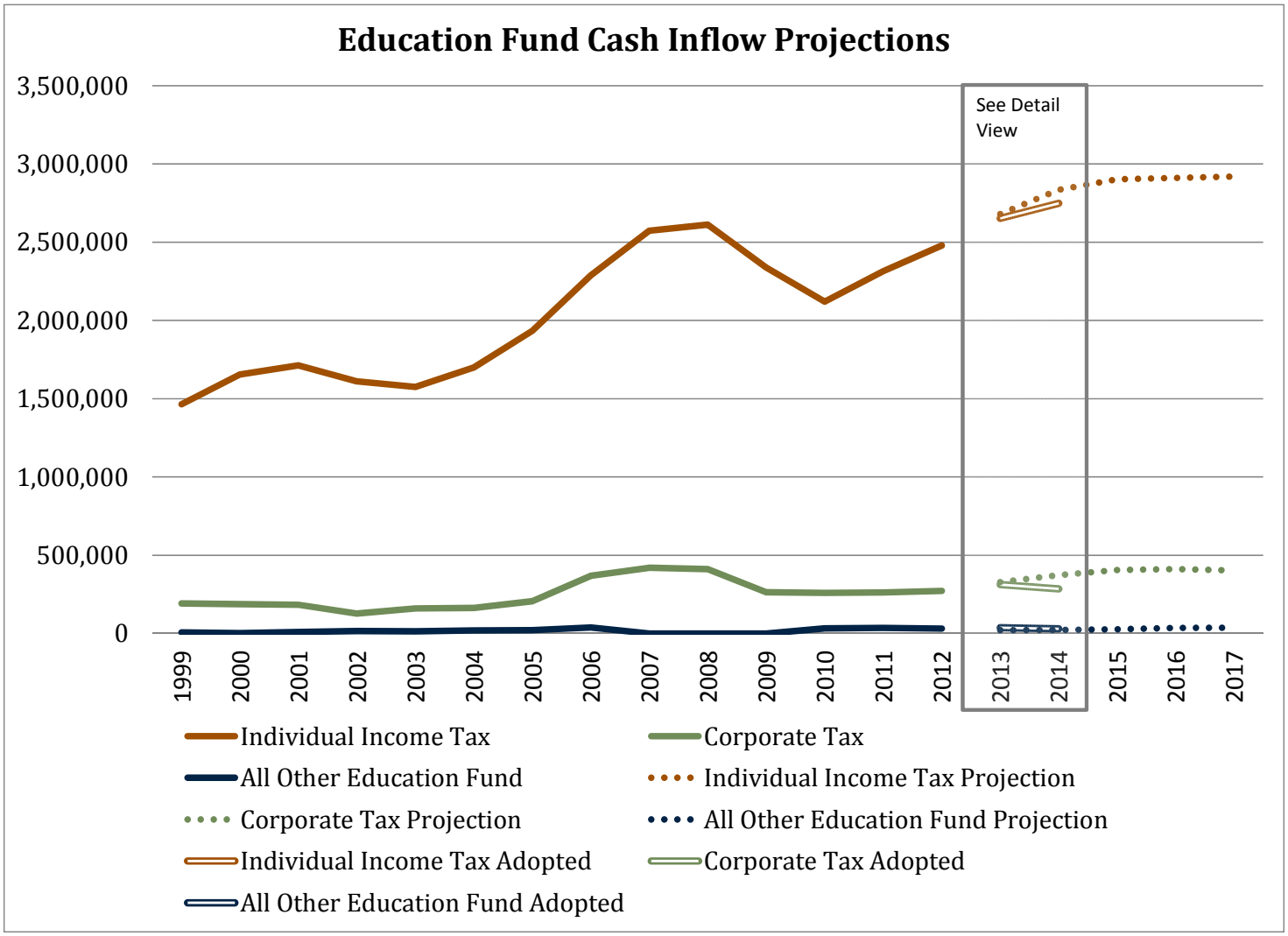
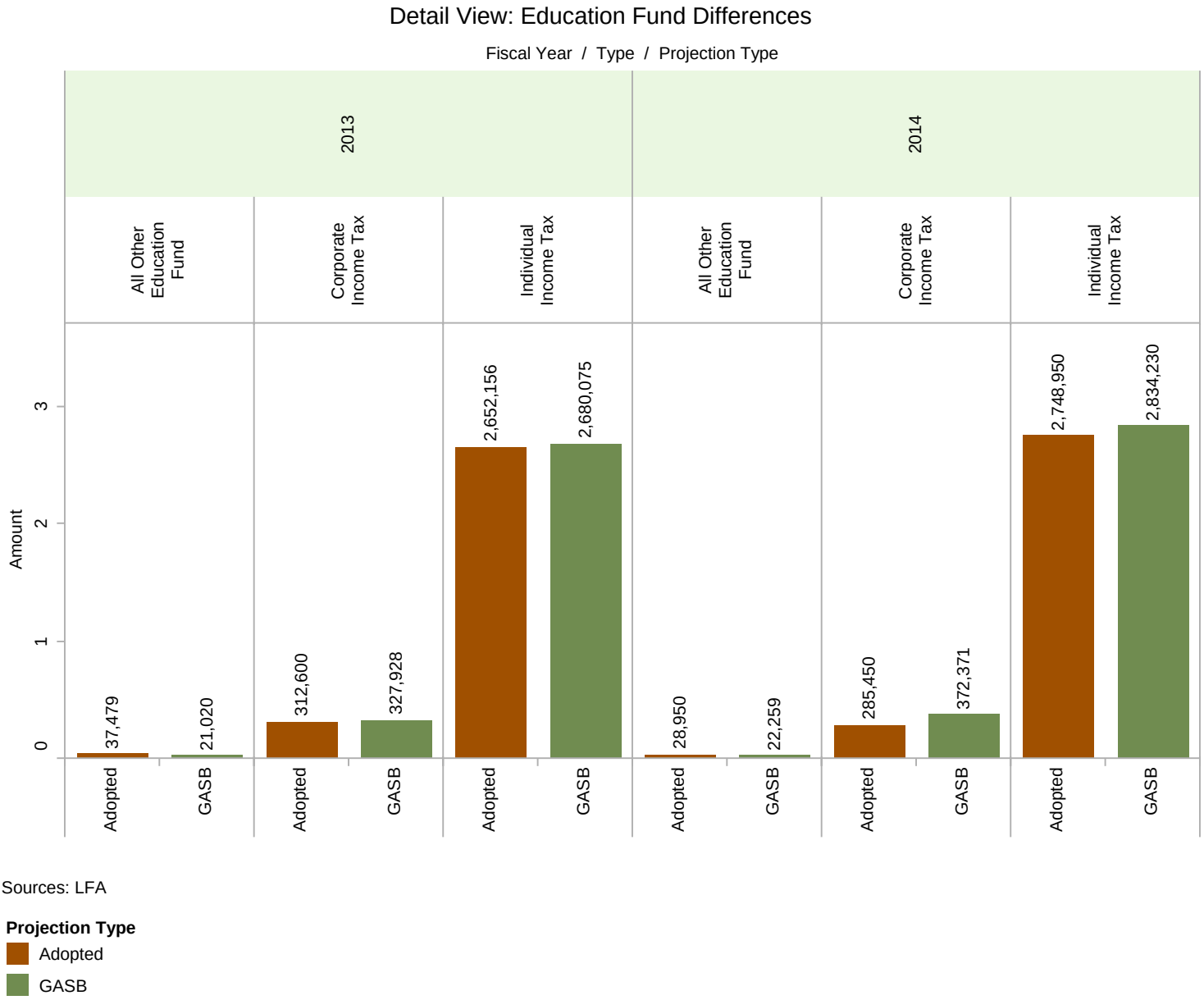


Figure 25 - Detail View: Differences between the Education Fund GASB/Current Consensus Forecasts (Thousands)



TRANSPORTATION FUND REVENUE

On the Transportation Fund, three sources are projected: motor fuel tax, special fuel tax, and all other sources. In FY 2013 and FY 2014 and for all three sources, GASB's forecasts are higher than the current consensus. GASB's forecast for motor fuel tax is $3.0 million higher in FY 2013 and $0.9 million higher in FY 2014; GASB's forecast for special fuel tax is $10.1 million higher in FY 2013 and $16.1 million in FY 2014; and GASB's forecast for all other sources is $3.0 million higher in FY 2013 and $3.8 million higher in FY 2014 (Figure 26 and Figure 27). In summing all sources, GASB's forecast is $16.0 million higher in FY 2013 and $20.8 million higher in FY 2014.

Figure 26 - Differences between the Transportation Fund GASB/Current Consensus Forecasts (Thousands)

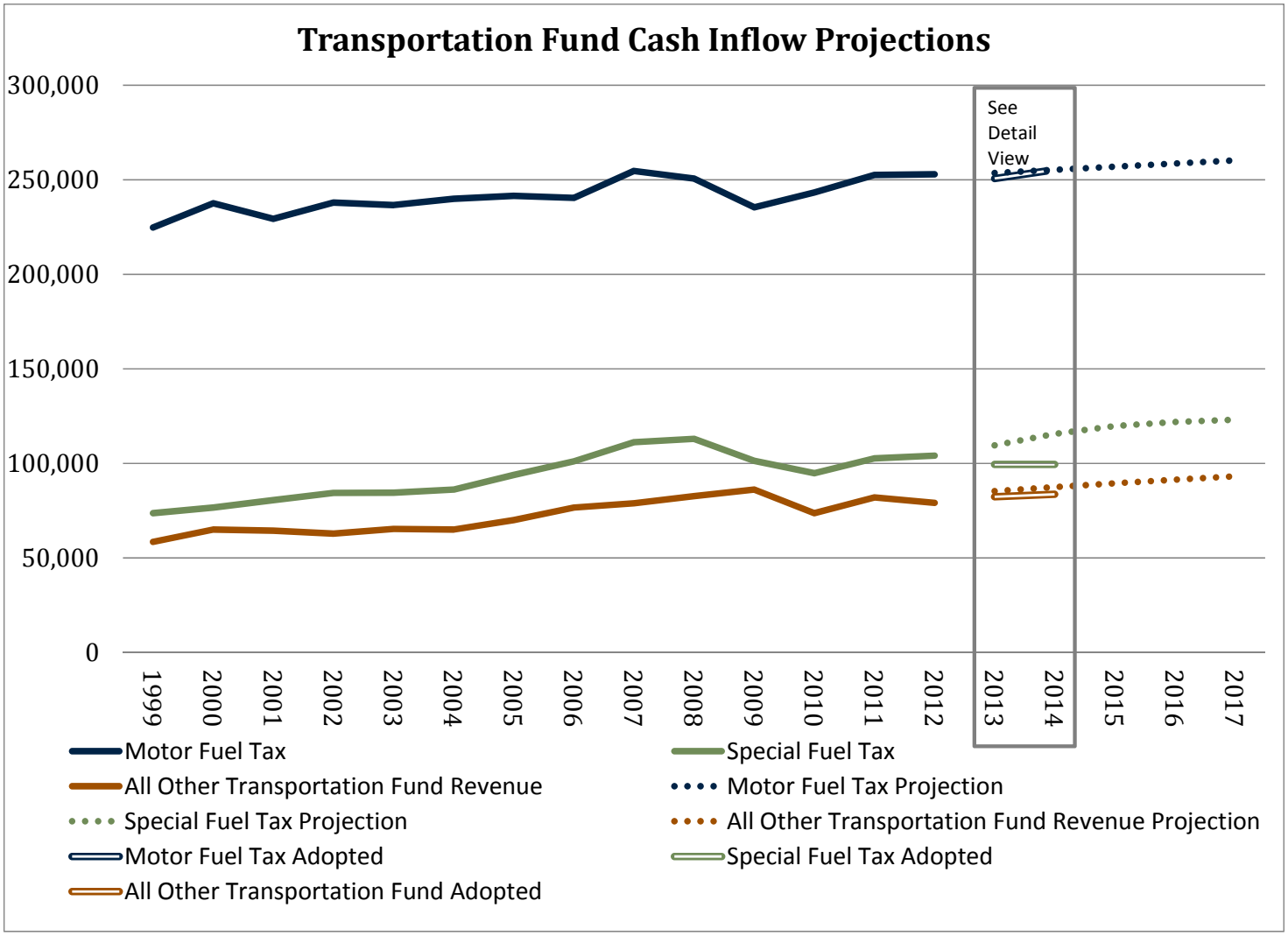
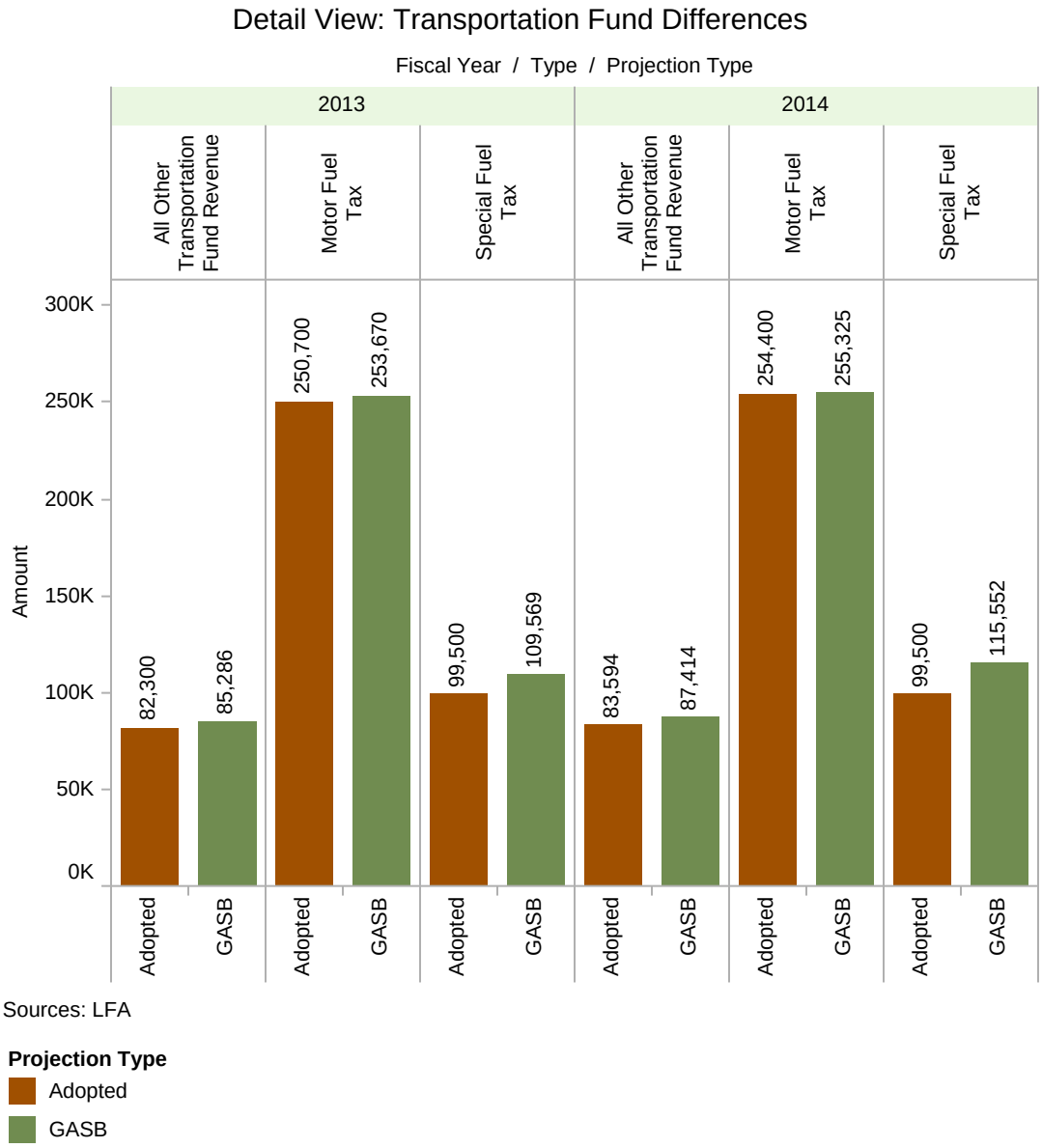


Figure 27 – Detail View: Differences between the Transportation Fund GASB/Current Consensus Forecasts (Thousands)



Sources: LFA

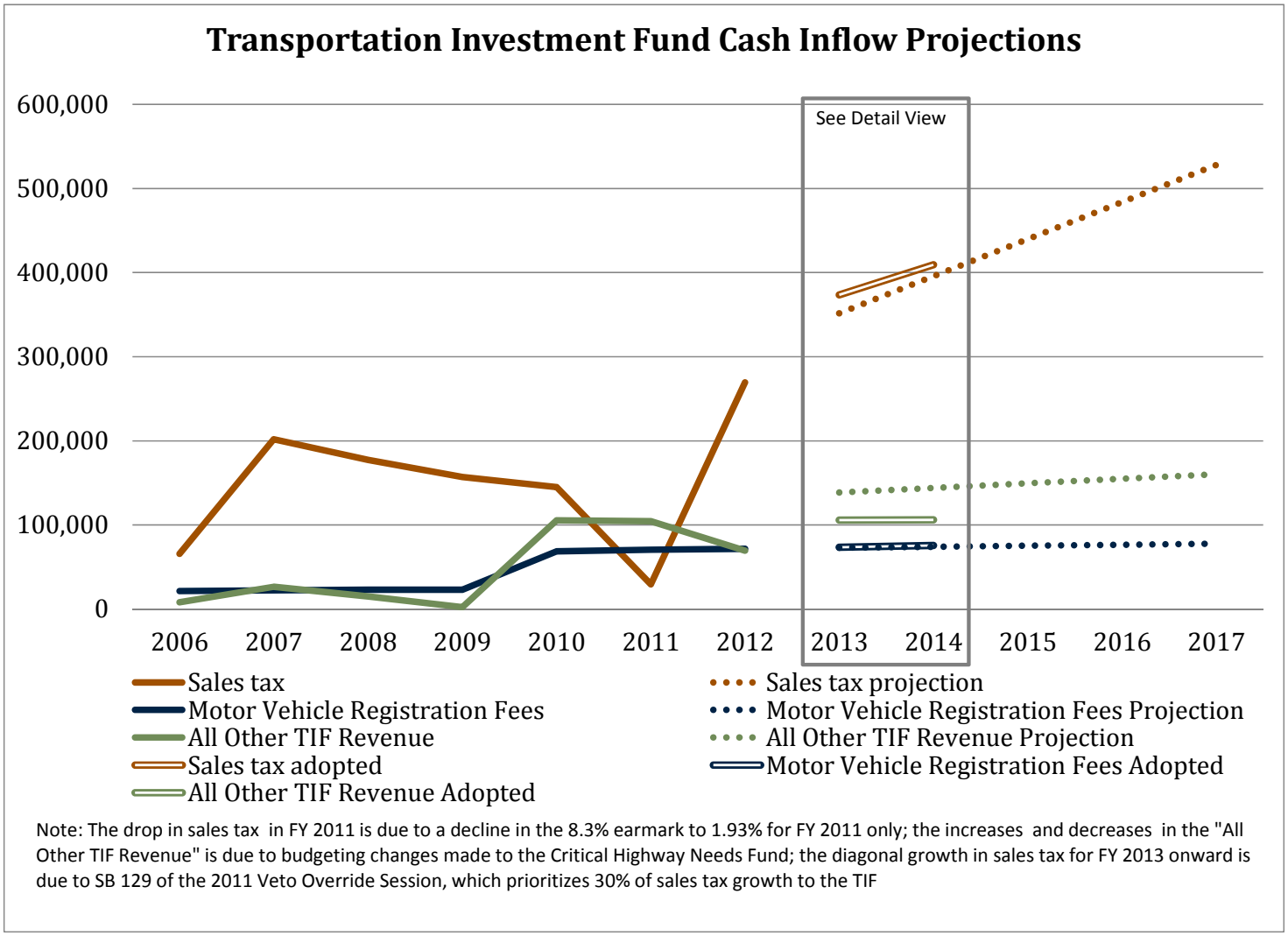
Projection Type

- Adopted
- GASB

TRANSPORTATION INVESTMENT FUND REVENUE

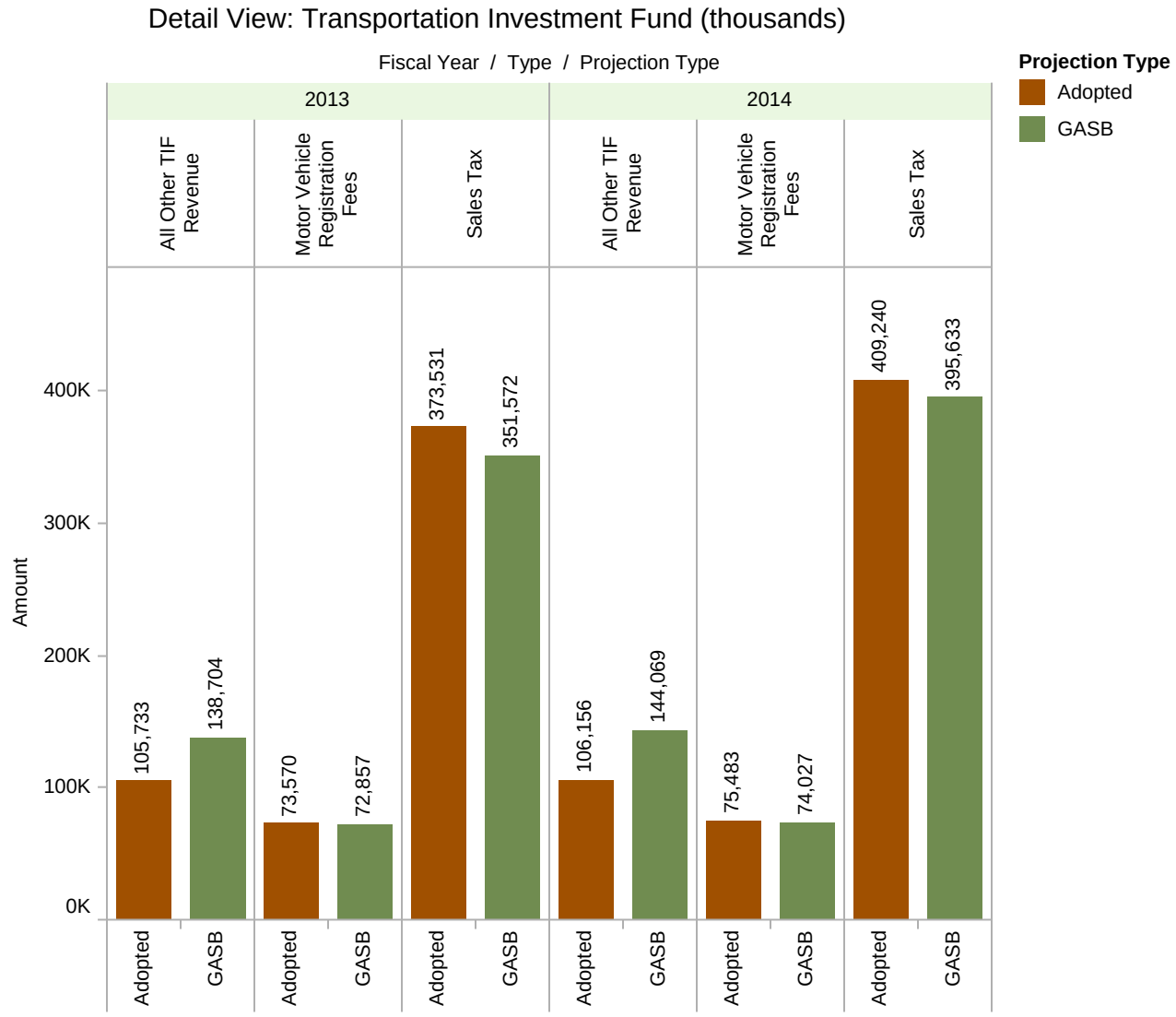
On the Transportation Investment Fund, three sources are projected: sales tax, motor vehicle registration fees, and all other sources. GASB's forecast for sales tax is $22.0 million below in FY 2013 and $13.6 million lower in FY 2014; GASB's forecast for motor vehicle registration fees is $0.7 million lower in FY 2013 and $1.5 million in FY 2014; and GASB's forecast for all other sources is $33.0 million higher in FY 2013 and $38.0 million higher in FY 2014 (Figure 28 and Figure 29). In summing all sources, GASB's forecast is $10.3 million higher in FY 2013 and $22.9 million higher in FY 2014.

Figure 28 – Difference between the Transportation Investment Fund GASB/Current Consensus Forecasts (Thousands)



Note: The drop in sales tax in FY 2011 is due to a decline in the 8.3% earmark to 1.93% for FY 2011 only; the increases and decreases in the "All Other TIF Revenue" is due to budgeting changes made to the Critical Highway Needs Fund; the diagonal growth in sales tax for FY 2013 onward is due to SB 129 of the 2011 Veto Override Session, which prioritizes 30% of sales tax growth to the TIF

Figure 29 - Detail View: Difference between the Transportation Investment Fund GASB/Current Consensus Forecasts (Thousands)



Sources: LFA

DABC REVENUE

On revenue from DABC business activities, the adopted receipts figure is $1.8 million below the FY 2013 GASB forecast and $2.6 million below the FY 2014 GASB forecast as shown (Figure 30 and Figure 31).

Figure 30 – Difference between the DABC Cash Inflow GASB/Current Consensus Forecasts (Thousands)

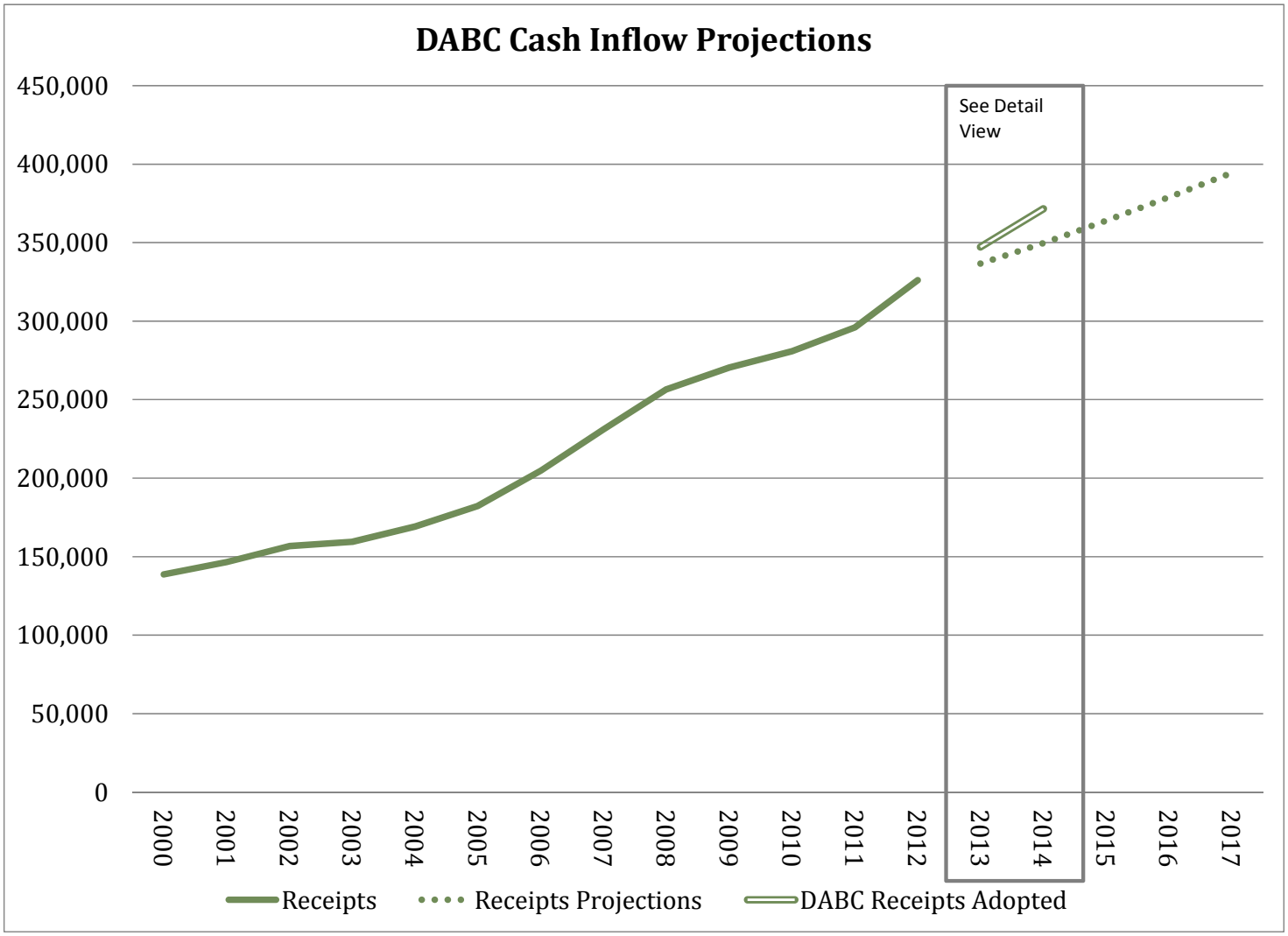
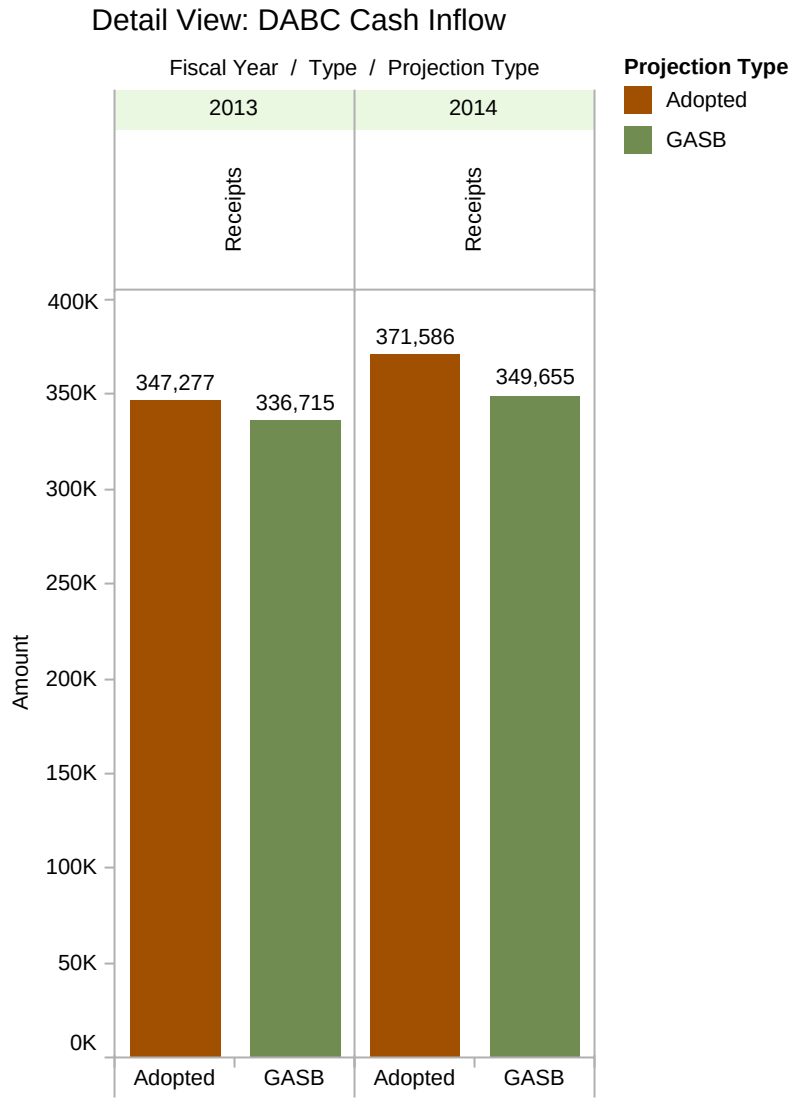


Figure 31 - Detail View: Difference between DABC Cash Inflow GASB/Current Consensus Forecasts (Thousands)



Sources: LFA

GASB MODELS VERSUS CURRENT PROJECTIONS OF EXPENDITURES

The differences between projections of expenditures based on GASB requirements and adopted expenditures are presented here for the Human Services, Health and Environmental Quality, Higher Education, Public Education, Transportation, Transportation Investment, All Other Governmental, and DABC cash outflows. Actual appropriations were lower than GASB's model forecast. These lower appropriations can be attributed to the Legislature's requirement for a balanced budget and its focus on sustainable growth rates.

HUMAN SERVICES EXPENDITURES

The Human Services, GASB's projection for FY 2013 is about $14.0 million above the 2013 General Session appropriation of $706.0 million, while GASB's FY 2014 forecast is about $24.0 million above the current FY 2013 $712.0 million appropriation.

The difference in Figures 32 and 33 between *Human Services Appropriated* (*Adopted*) and *Human Services Projection* (*GASB*) provides a graphic view of the underlying factors in the trend line: 1) the *Human Services* trend line in Figure 32 consists of the three major factors discussed in the earlier expenditure section, 2) the *Human Services Projection* line reflects the composite history of the three major factors, and 3) the *Human Services Appropriated* reflects the previous statement "when revenues are available, the Department of Human Services has received funding" for "high priority social issues." The *Human Services Appropriated* line simply reflects the appropriation in a year during the long term revenue cycle when revenue is growing at a smaller increase. The smaller appropriation simply reflects that the Legislature appropriated less because of that yearly smaller increase than the long term trend would suggest for any given year. The sections that follow for Health and Environmental Quality, Higher Education, Public Education, Transportation and DABC follow this same approach.

Figure 32 - Differences between the Human Services GASB/Current Consensus Forecasts (Thousands)

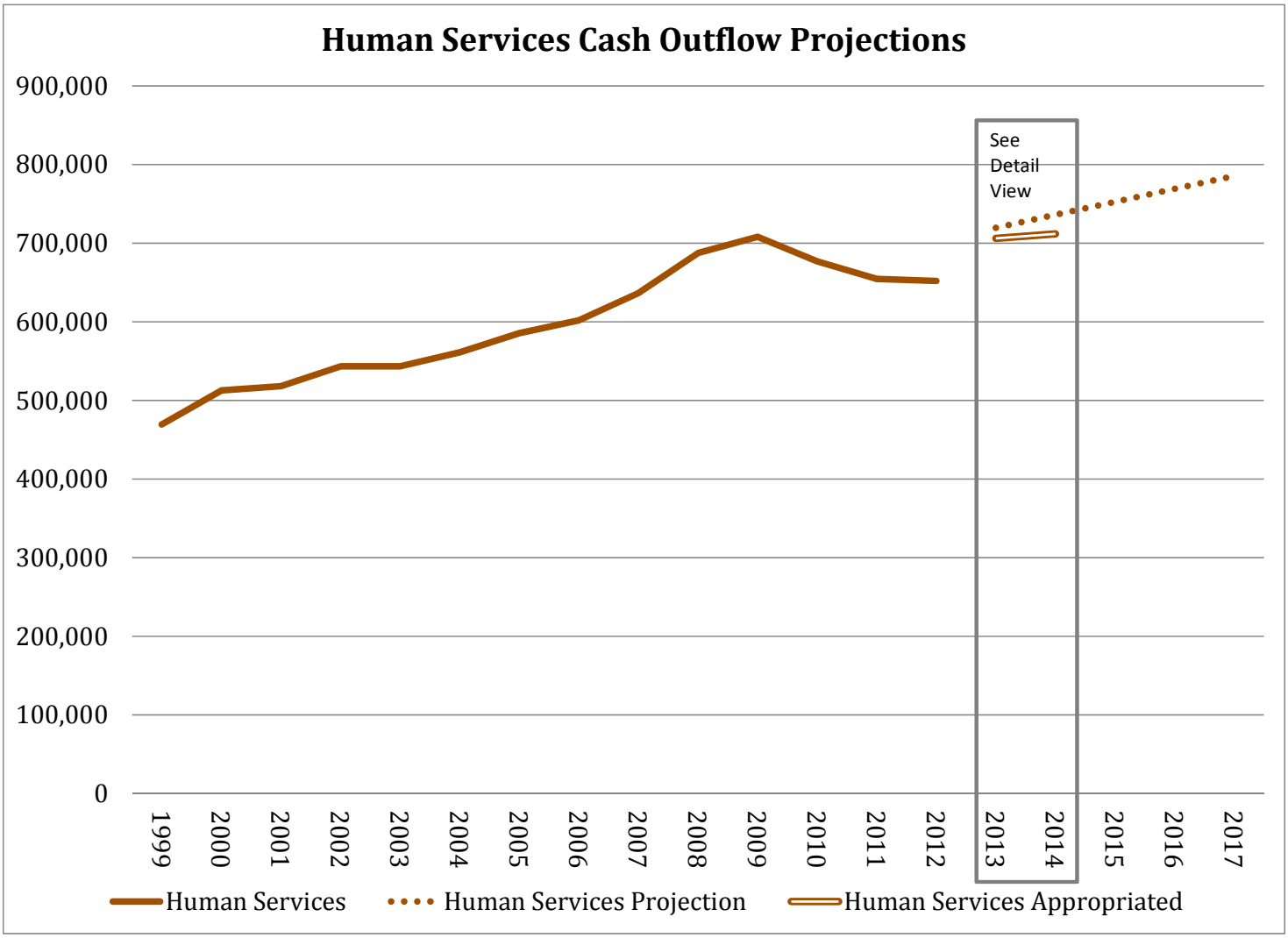
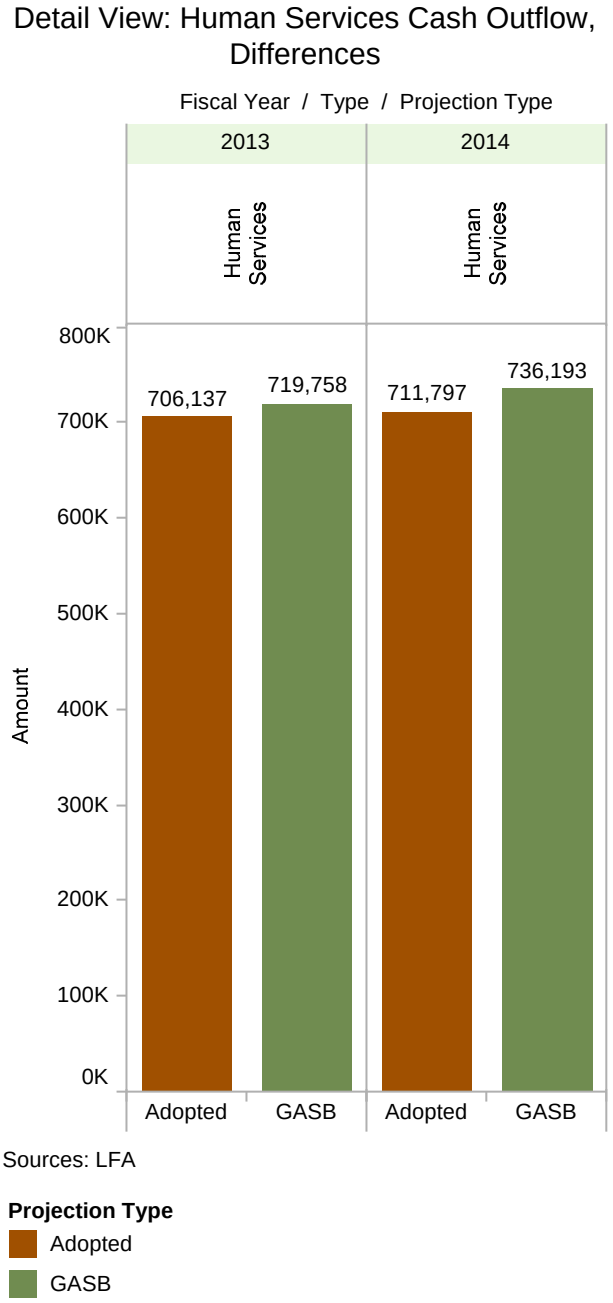


Figure 33 – Detail View: Differences between the Human Services GASB/Current Consensus Forecasts (Thousands)



HEALTH AND ENVIRONMENTAL QUALITY EXPENDITURES

The Health and Environmental Quality, GASB's projection for FY 2013 is about $20.0 million above the 2013 General Session appropriation of $2.6 billion, while GASB's FY 2014 forecast is about $26.0 million above the current appropriation of $2.7 billion (Figure 34 and Figure 35).

Figure 34 – Differences between the Health and Environmental Quality Cash Outflow GASB/Current Consensus Forecasts (Thousands)

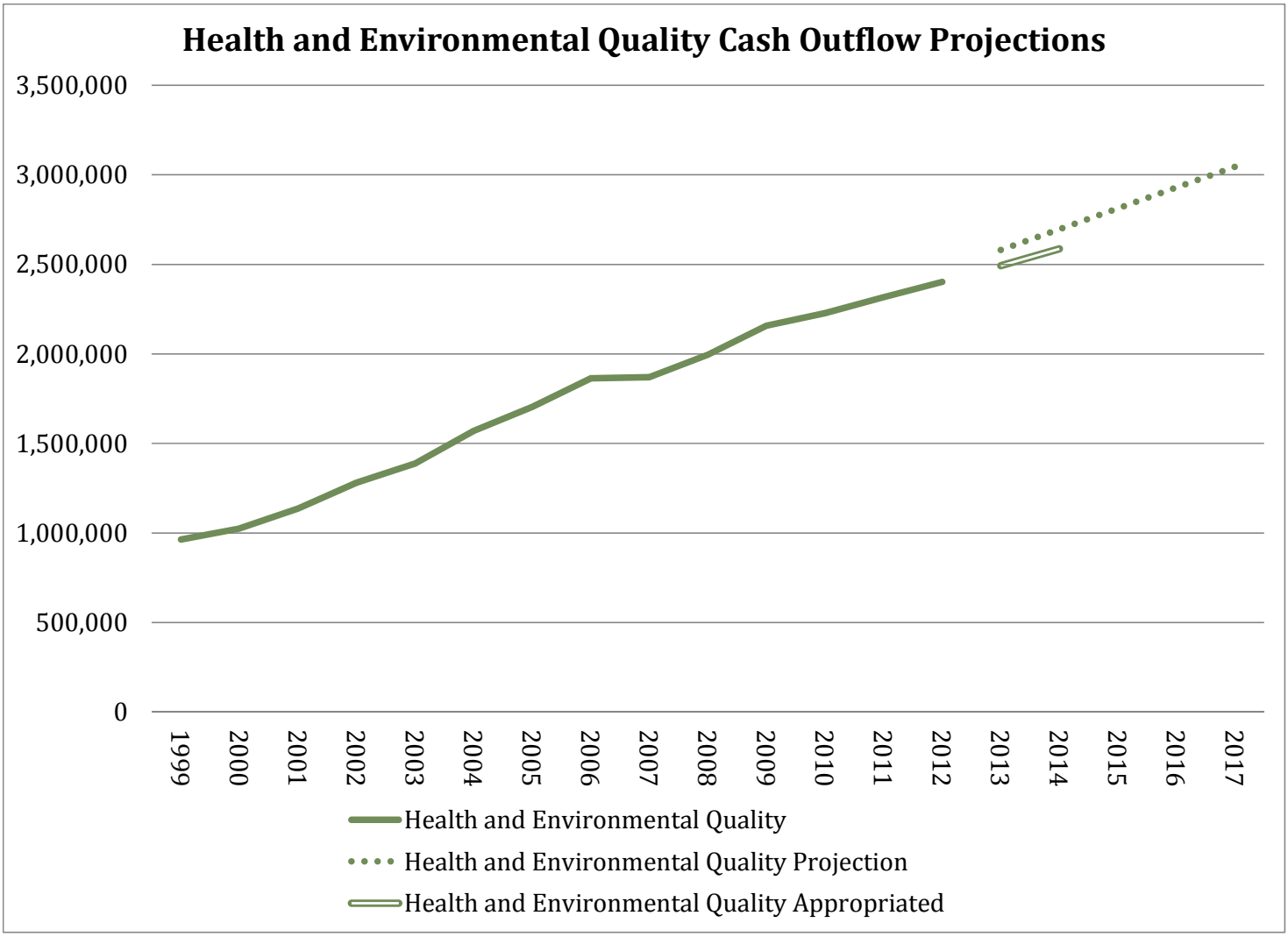
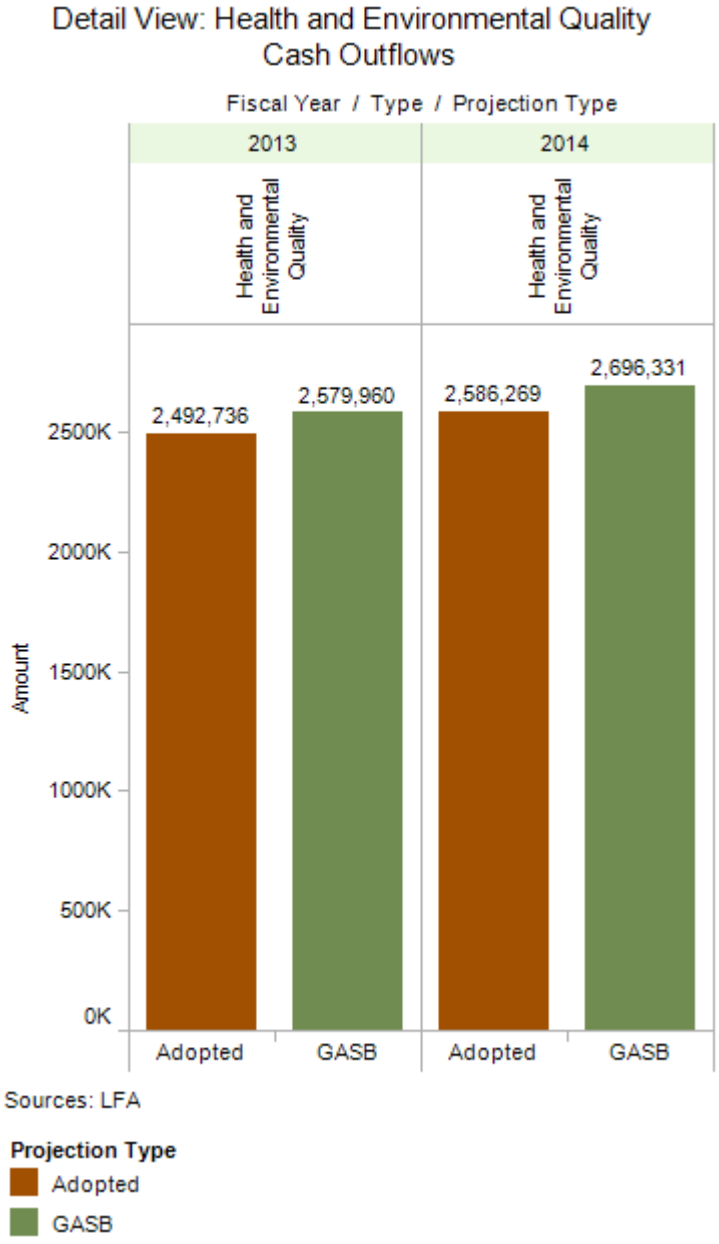


Figure 35 – Detail View: Differences between the Health and Environmental Quality Cash Outflow GASB/Current Consensus Forecasts (Thousands)



HIGHER EDUCATION EXPENDITURES

The Higher Education, GASB's projection for FY 2013 is about $46.0 million above the 2013 General Session appropriation of $1.4 billion, while GASB's FY 2014 forecast is about $19.0 million above the current appropriation of $1.5 billion (Figure 36 and Figure 37).

Figure 36 - Differences between the Higher Education GASB/Current Consensus Forecasts (Thousands)

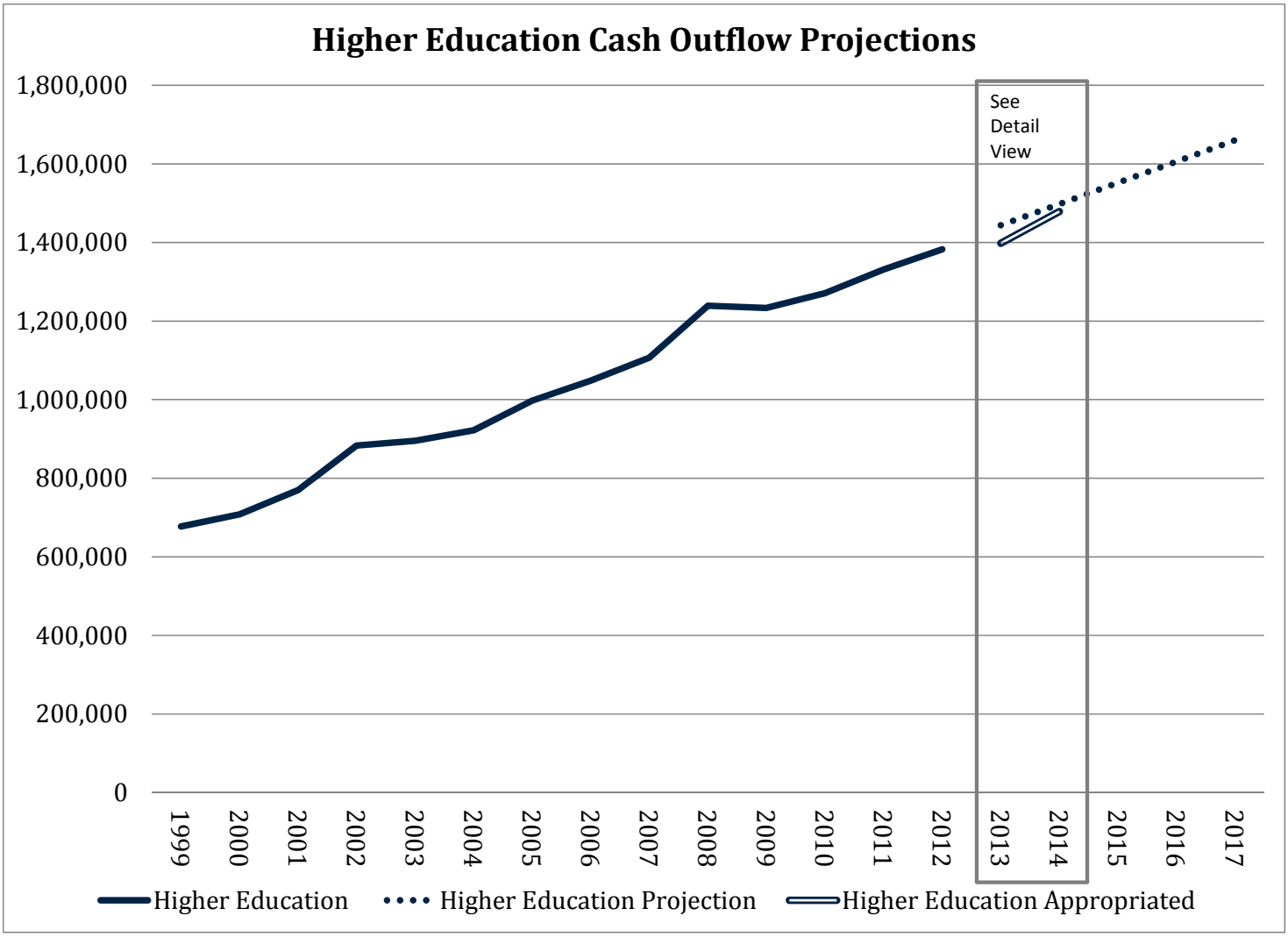
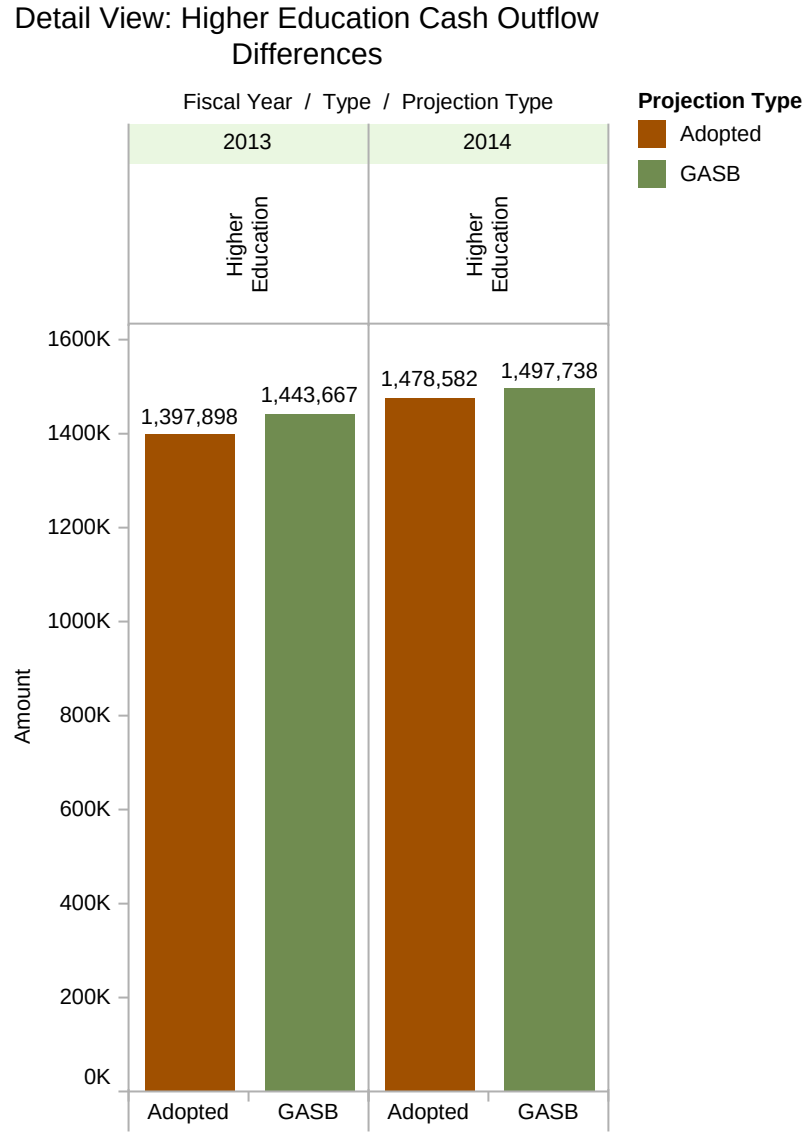


Figure 37 - Detail View: Differences between the Higher Education GASB/Current Consensus Forecasts (Thousands)

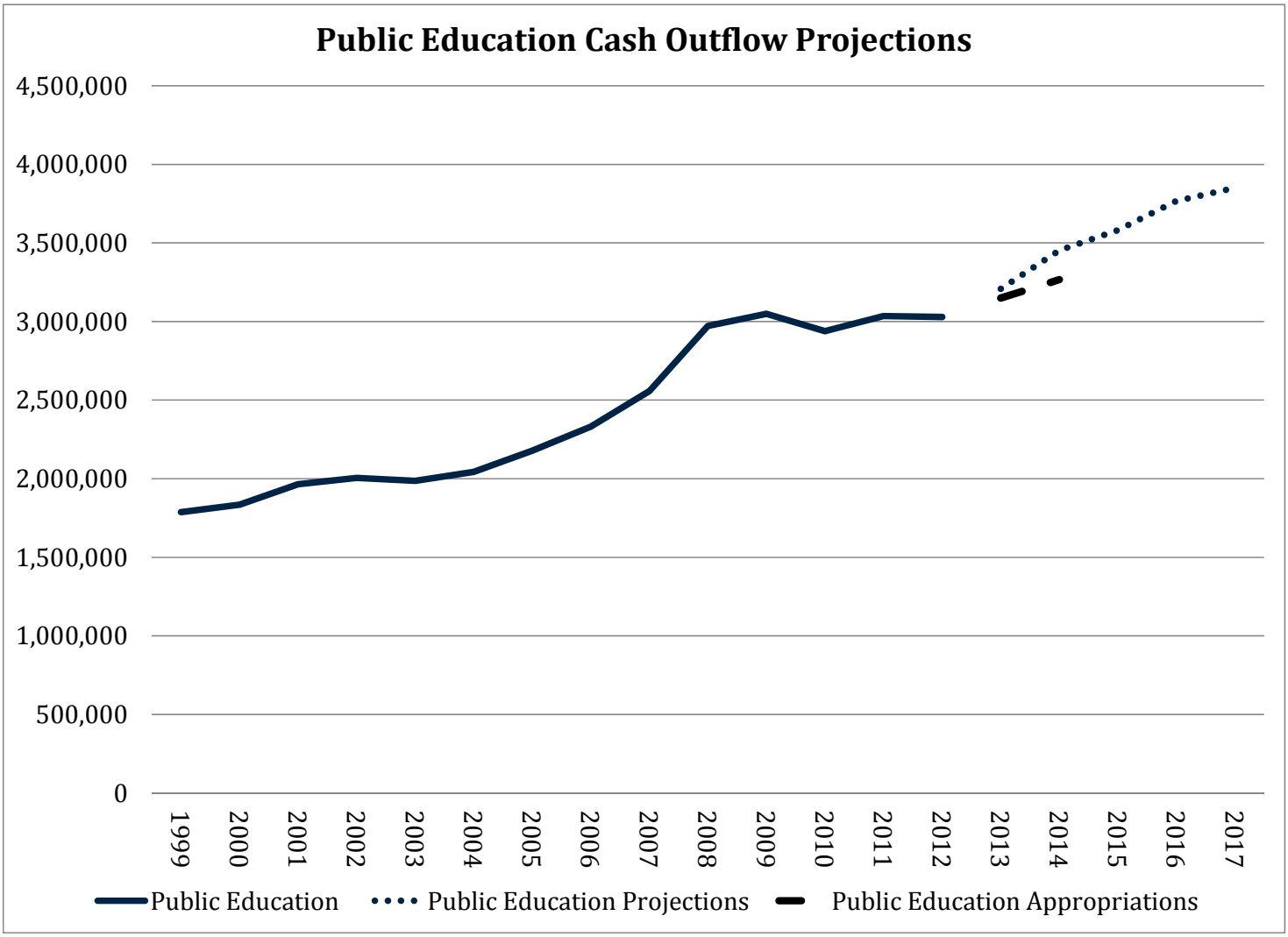


Sources: LFA

PUBLIC EDUCATION EXPENDITURES

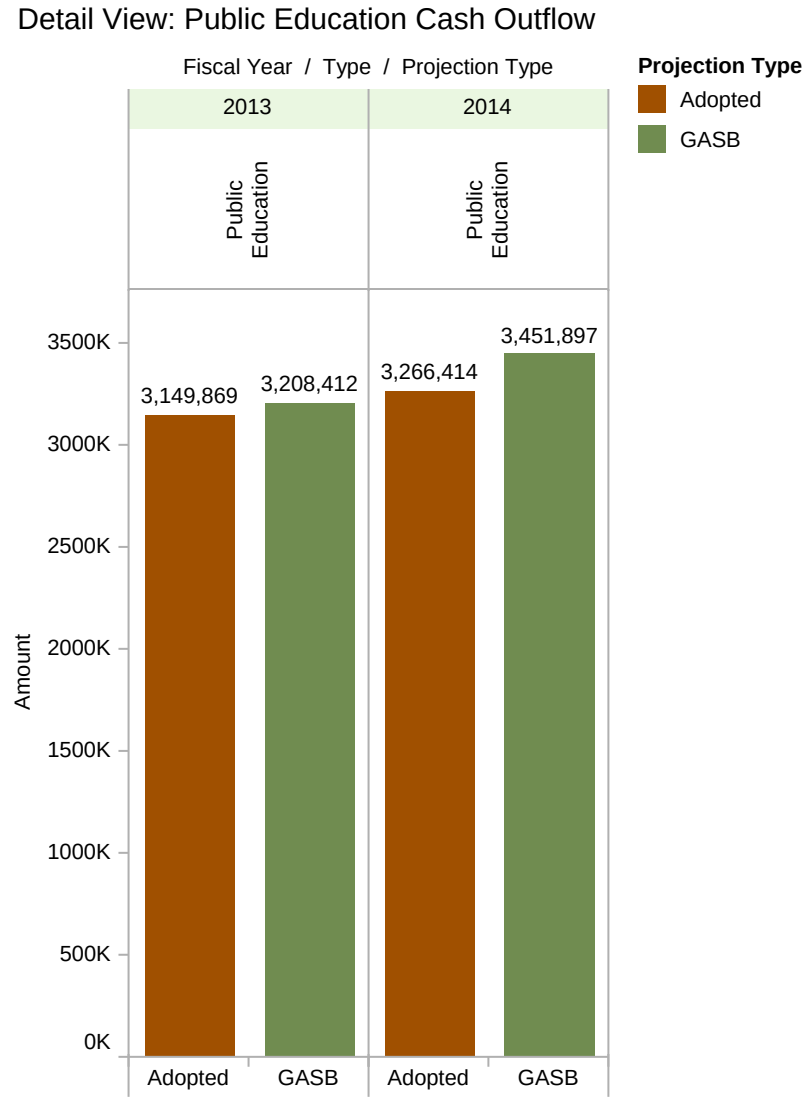
GASB-based Public Education projections are about $102.9 million in FY 2013 and $221.0 million in FY 2014 higher than the adopted Public Education appropriations[9]. Although actual costs are lower than expected, the adopted costs include a 2.0 percent increase in the WPU value and continued funding of student enrollment on an average cost basis (Figure 38 and Figure 39).

Figure 38 - Differences between the Public Education GASB/Current Consensus Forecasts (Thousands)



[9] In the appropriations process, local revenue is included, representing about $600 million in FY 2014. Local revenue is not included in the CAFR.

Figure 39 – Detail View: Differences between the Public Education GASB/Current Consensus Forecasts (Thousands)



Sources: LFA

TRANSPORTATION EXPENDITURES

Adopted transportation expenditures compared to projections based upon GASB's requirements are about $561.9 million above in FY 2013 and about $58.3 million below in FY 2014 (Figure 40 and Figure 41).

Figure 40 - Differences between the Transportation Fund Related Transportation Cash Outflow GASB/Current Consensus Forecasts (Thousands)

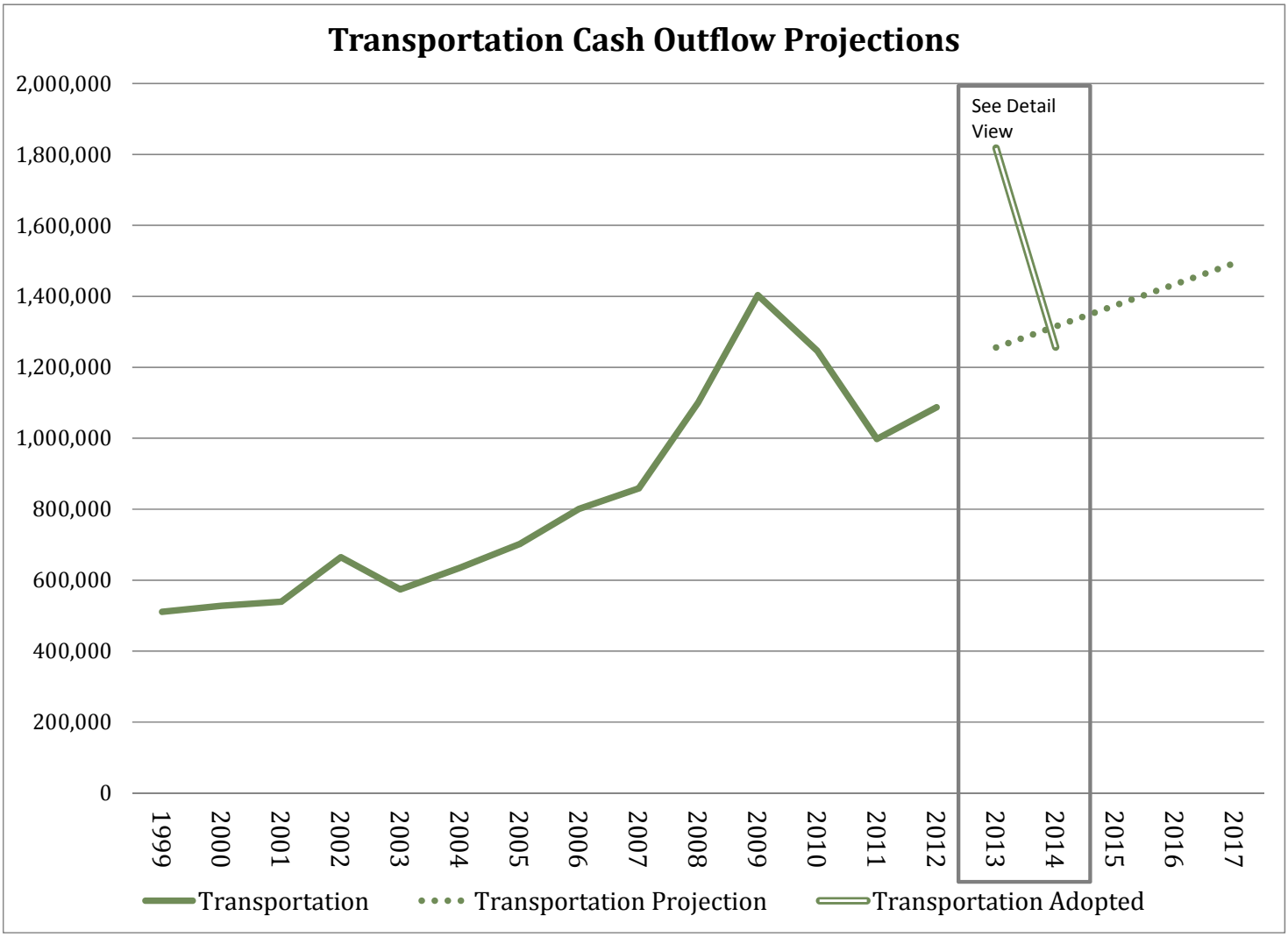
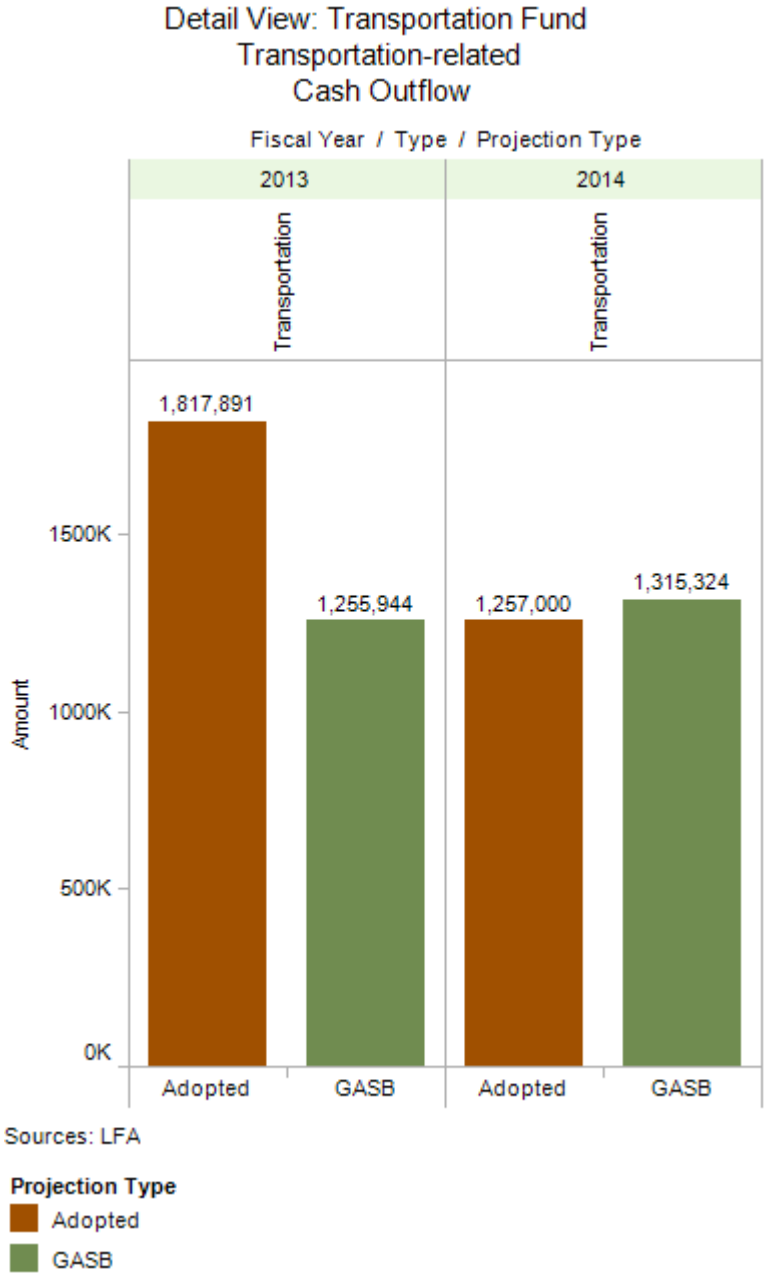


Figure 41 – Detail View: Differences between the Transportation Fund Related Transportation Cash Outflow GASB/Current Consensus Forecasts (Thousands)



TRANSPORTATION INVESTMENT EXPENDITURES

The forecasts based upon GASB's proposed methodology are about $292.6 million in FY 2013 and $610.1 million in FY 2014 above the adopted figures (Figure 42 and Figure 43). The difference is due to the effect bonding has on the forecast methodology.

Figure 42 - Differences between the Transportation Investment Fund Cash Outflow GASB/Current Consensus Forecasts (Thousands)

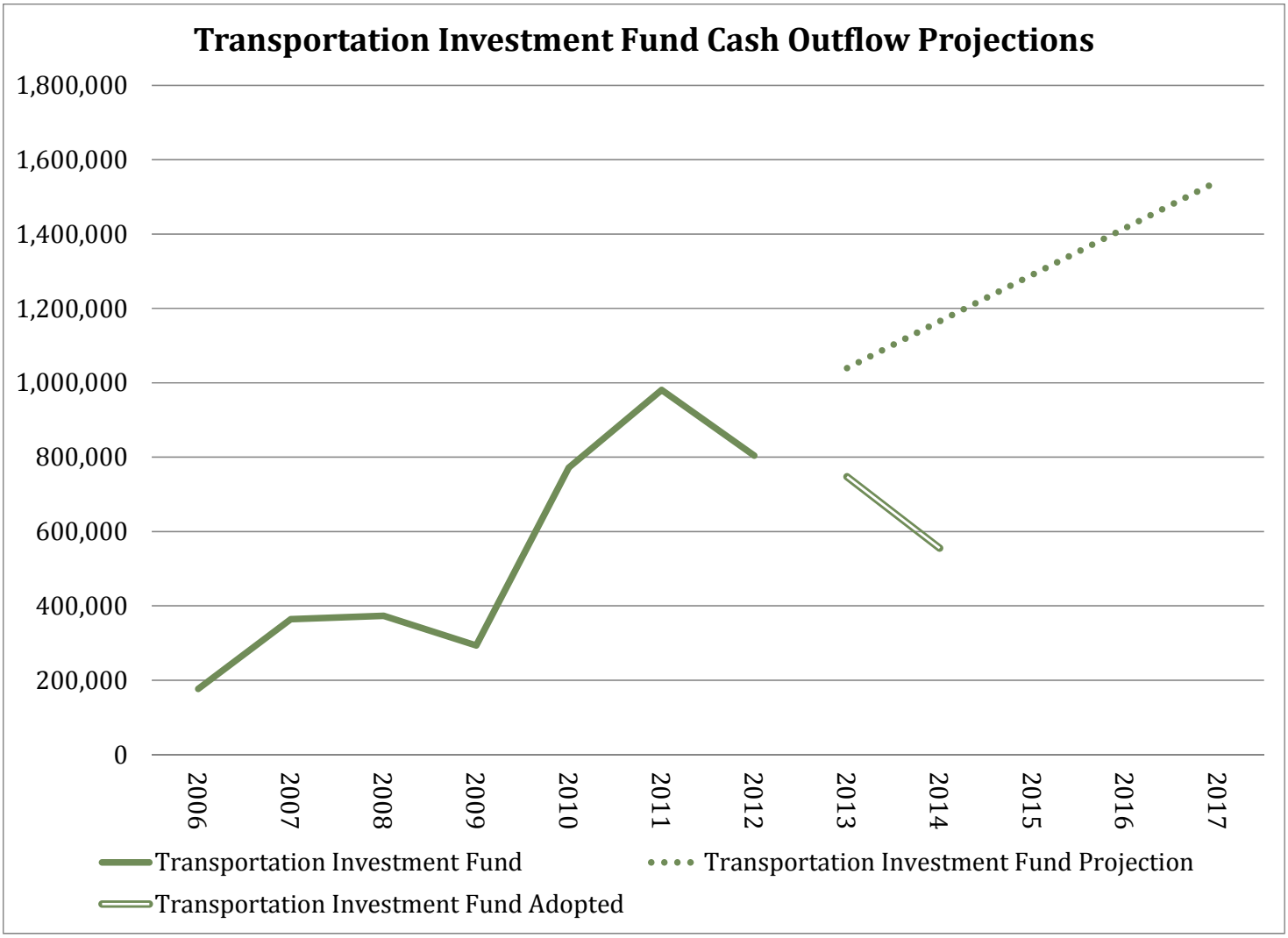
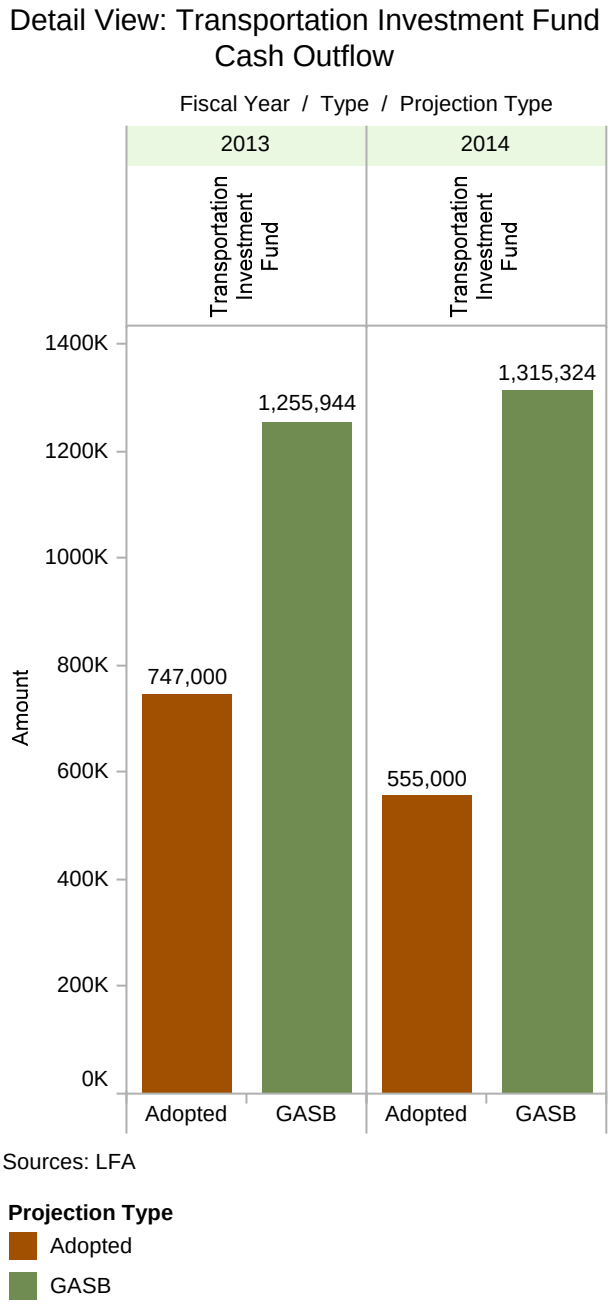


Figure 43 – Detail View: Differences between the Transportation Investment Fund Cash Outflow GASB/Current Consensus Forecasts (Thousands)



DABC EXPENDITURES

Overall, the projection based on GASB criteria is $3.4 million below in FY 2013 and $4.6 million above in FY 2014 when compared against the current adopted figures (Figure 44 and Figure 45).

Figure 44 - Differences between the DABC Cash Outflow GASB/Current Consensus Forecasts (Thousands)

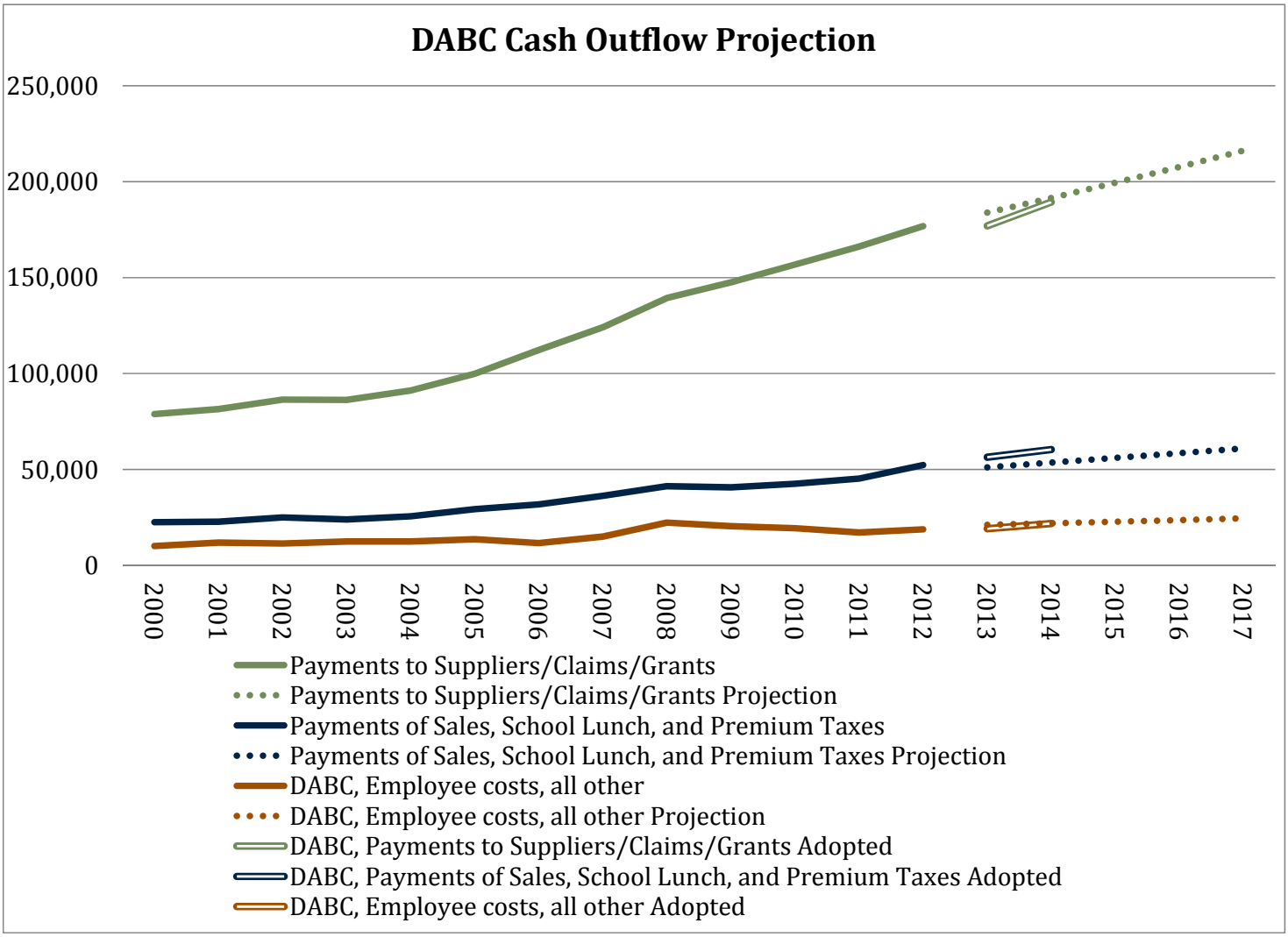
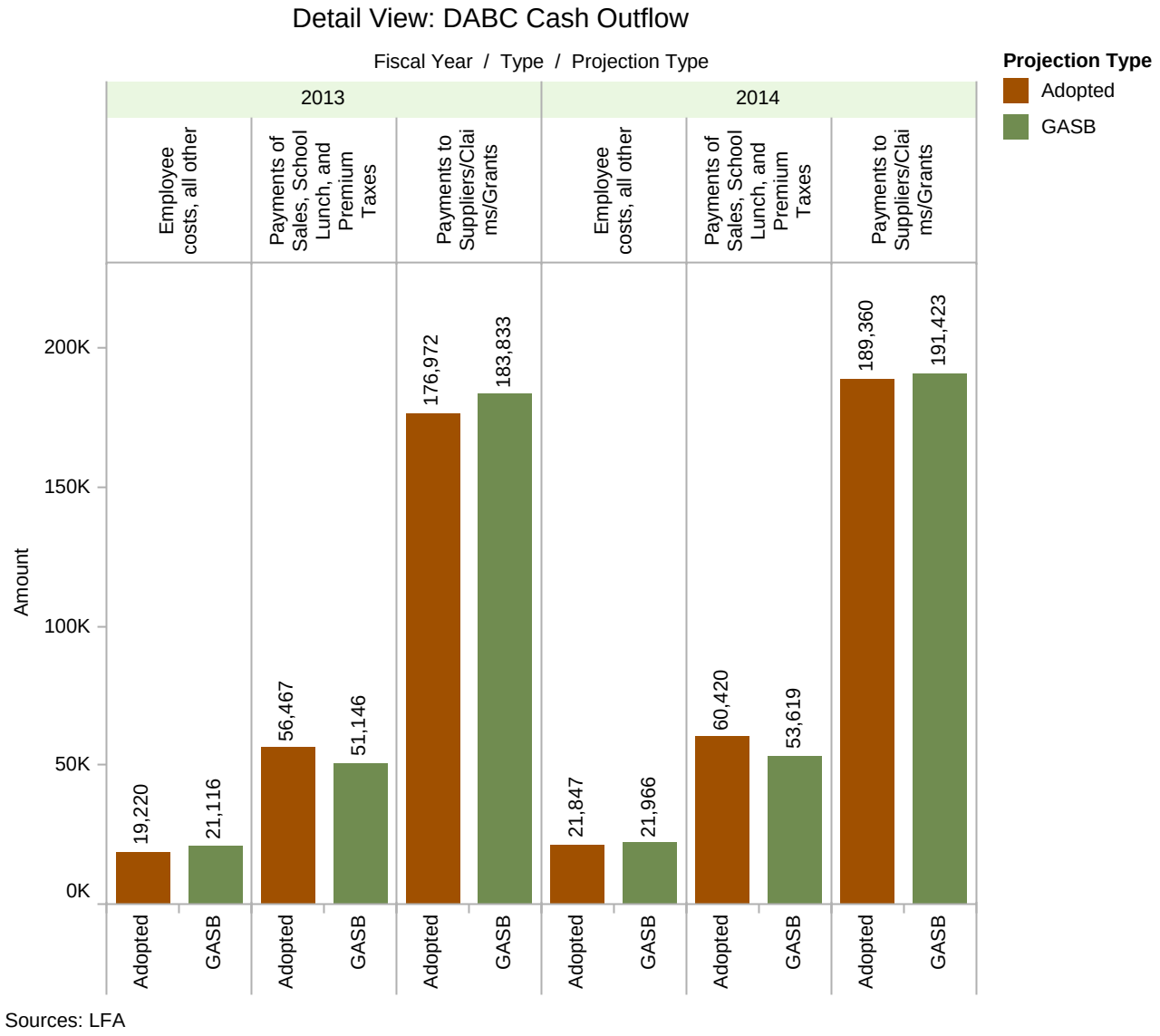


Figure 45 – Detail View: Differences between the DABC Cash Outflow GASB/Current Consensus Forecasts (Thousands)



Sources: LFA

ALL OTHER GOVERNMENTAL EXPENDITURES

The forecasts based upon GASB's proposed methodology are about $57.0 million below in FY 2013 and $35.0 million above in FY 2014 the adopted figures (Figure 46 and Figure 47).

Figure 46 - Differences between the All Other Government Cash Outflow GASB/Current Consensus Forecasts (Thousands)

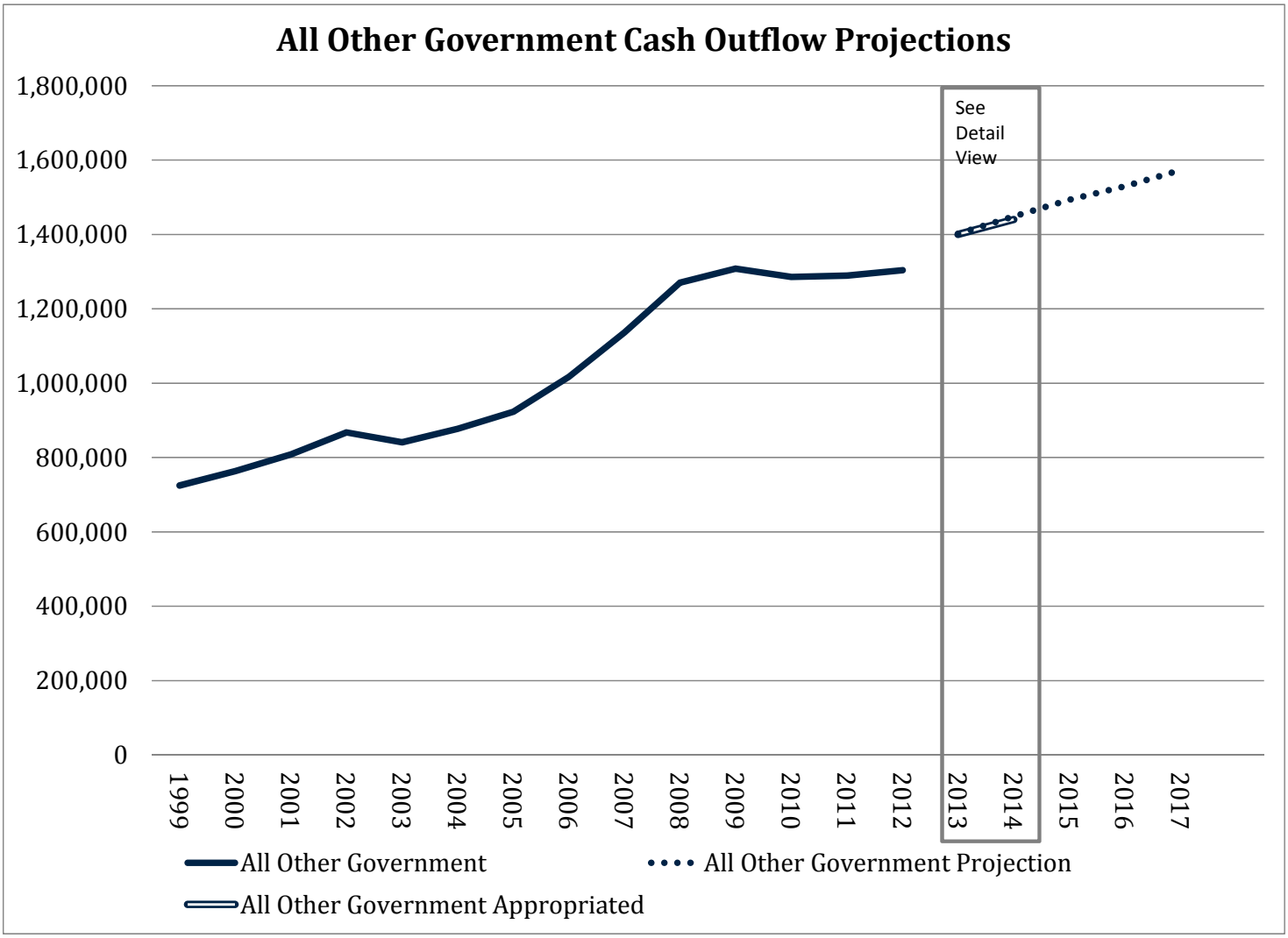
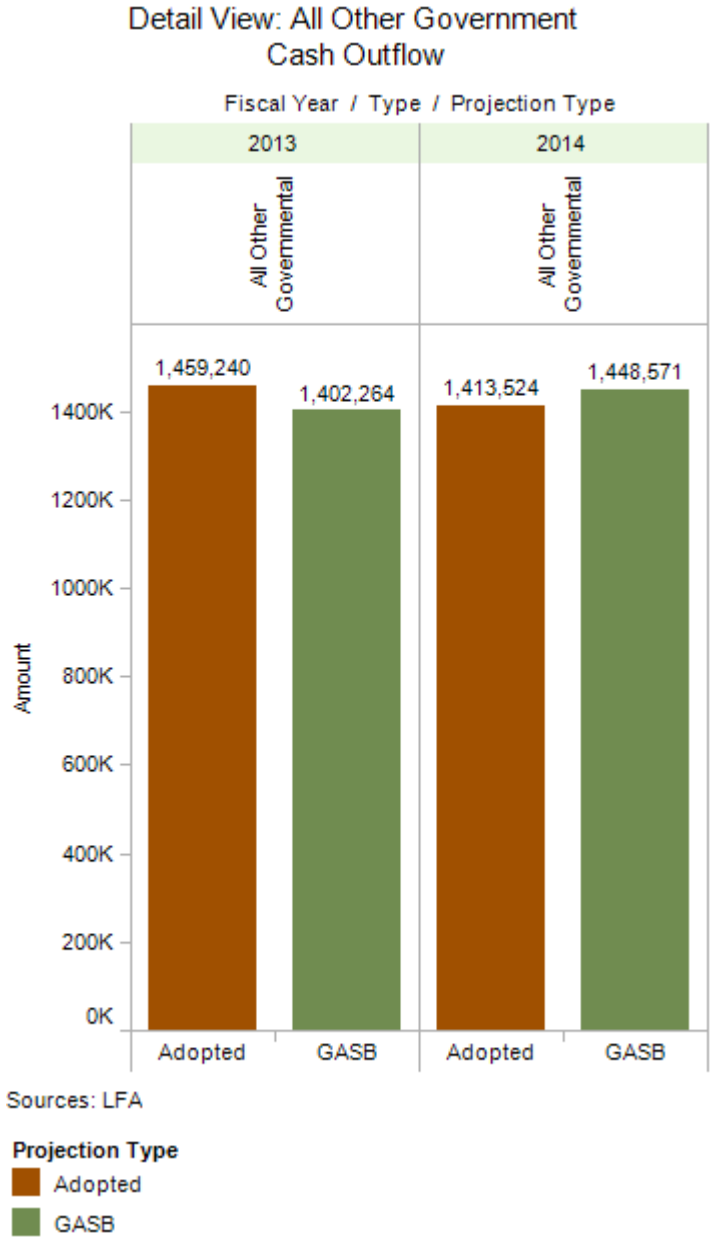


Figure 47 – Detail View: Differences between the All Other Government Cash Outflow GASB/Current Consensus Forecasts



COMPONENT 3: TOTAL FINANCIAL OBLIGATIONS

GASB argues that long run forecasts of potential debt obligations such as pensions, OPEB, and other long term contracts are necessary in order to measure a governmental entity's ability to achieve intergenerational equity. Projections of these financial obligations help users assess the government's ability to pay for its debt and other financial obligations over time.

A narrative discussion of the obligations identifying the known causes of fluctuations can assist users in understanding the long run viability of the governmental entity. The information will be particularly helpful in showing those instances where annual payments made for obligations do not meet the actual cost of the obligations.

Pensions and OPEB

Projections of financial obligations such as unfunded pension liabilities and OPEB reflect the financial impact of past decisions and help users identify future liabilities and assess the government's ability to meet these obligations.

Utah's State Employees' OPEB plan is administered through the State Post Retirement Benefits Trust Fund. The assets of the trust are dedicated to providing coverage to eligible employees. Over the past two years the State has experienced a decrease in the accrued liability of the fund due to three factors: 1) fully funding the Annual Required Contribution over the last two fiscal years; 2) changes in benefit provisions that shifted increases in health care costs to employees and retirees; and 3) the State Employees' plan is a closed plan (only state employees entitled to receive benefits and hired before January 1, 2006 are eligible).

Utah recognized its OPEB liability in 2005 and took action to stop its growth. H.B. 213, 2005 General Session, "Unused Sick Leave at Retirement Amendments," closed most state employees' (excluding elected officials and employees of the State Board of Education hired before July 1, 2012) option to accumulate sick leave and exchange it for post-retirement state-paid medical insurance (this was known as "Program I" sick leave). Subsequent actions described on the following page also closed the options for elected officials and employees of the State Board of Education. The State's Annual Required Contribution (ARC) to amortize its OPEB liability over 25 years is currently $37.6 million, down from a high of $53.5 million in 2006. This trend is expected to continue over the period of the forecast, through FY 2017. The following tables (Table 1 and Table 2) show the history behind the OPEB Program.

Table 1 - Utah Employees' OPEB Plan Liability, Assets, and Required Contributions

Utah Employees' OPEB Plan

Year	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accued Liability	Funded Ratio	Annual Required Contribution
*2006	669,617,000	-	669,617,000	0%	53,491,000
2008	446,601,300	53,851,100	392,750,200	12%	43,819,000
2010	481,392,500	106,604,700	374,787,800	22%	37,593,600

*Initial Estimate

Table 2 - State Employee OPEB Plan Schedule of Employer Contributions

State Employee OPEB Plan Schedule of Employer Contributions		
Year Ended	Annual Required Contributions	Percentage Contributed
June 30, 2007	50,433,000	101.37%
June 30, 2008	53,491,000	98.71%
June 30, 2009	53,491,000	100.00%
June 30, 2010	43,819,000	100.00%
June 30, 2011	43,819,000	100.00%
June 30, 2012	37,594,000	115.16%

In addition to H.B. 213, the Legislature has taken steps to limit future retirement liability as follows:

- S.B. 43, 2010 General Session**,** "Post-Retirement Employment Amendments" repealed a requirement that a covered employer who hires or rehires a retiree contribute to a qualified defined contribution plan (e.g. a 401k) for that employee the same percentage of salary that the employer would otherwise pay to the defined benefits retirement system.
- S.B. 63, 2010 General Session, "New Public Employees' Tier II Contributory Retirement Act" created for employees hired on or after July 1, 2011 a lower cost hybrid system in which defined contributions play a larger role. The state will use savings from the new system to maintain the current retirement system for existing employees. The bill also closed the Utah Governors' and Legislators' retirement plan: new officials who take office after July 1, 2011 are only eligible to participate in the state's defined contribution plan, and are not eligible for post-retirement Medicare supplemental coverage.
- S.B. 156, 2012 General Session, "Elected Official Retirement Benefits Amendments" eliminated the three-year window post-retirement health insurance plan for legislators and governors, including their spouses, who begin elected service for the first time after January 1, 2012.
- H.B. 194, 2013 General Session, "State Employee Benefits Amendments" created a new sick leave program. All sick leave hours accrued after January 4, 2014 will have no benefit at retirement or termination. The state will now match a portion of a benefited employee's 401(k) contribution at an amount to be determined later.
- In September 2012, the State School Board eliminated its post-retirement health insurance incentive plan for education employees hired on or after July 1, 2012.

Prior to the economic downturn of 2008, the Utah Retirements Systems' funded ratios (assets divided by liabilities) were consistently between 91.0 and 95.0 percent. Since the downturn, ratios have been approximately in the 80.0 to 85.0 percent range. URS has requested and received rate increases from the Legislature to help make up for some of those losses.

Table 3 - Utah Retirement Systems State and School

Utah Retirement Systems State and School					
Year		Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio
2007		14,192,132,000	13,418,901,000	773,231,000	95%
2008		15,236,262,000	13,095,537,000	2,140,725,000	86%
2009		16,082,824,000	13,703,112,000	2,379,712,000	85%
2010		16,813,392,000	13,859,037,000	2,954,355,000	82%
2011		17,694,698,000	13,819,201,000	3,875,497,000	78%
2012	*	17,830,502,000	13,635,131,000	4,195,371,000	76%
2013	*	18,673,344,000	14,568,544,000	4,104,800,000	78%
2014	*	19,493,846,000	15,380,220,000	4,113,626,000	79%
2015	*	20,289,551,000	16,056,193,000	4,233,358,000	79%
2016	*	21,058,248,000	16,845,697,000	4,212,551,000	80%
*Projected Values					

An accounting of total financial obligation is necessary for the analysis in order to assess the potential liability of the state for several long term contracts. By including the total financial obligations in the report users can assess whether or not the state has the resources to pay for long term commitments without shifting the burden forward to future generations. Looking at current policies and budget allocations, Utah appears to be a sustainable path going forward.

COMPONENT 4: DEBT SERVICE

GASB recommends that annual debt service payments be forecast in order to assess a governmental entity's ability to meet the annual payments as they come due. This information can then be measured against other cash outflows. The CAFR already includes current debt service costs, the projection would require that these be forecast for five years beyond the actual year. Both principal and interest should be included in the forecast.

Current projections do not include the cash outflows of future annual principal and interest payments of bond obligations that have been authorized (but not yet issued). For the purposes of the report the future annual principal and interest payments only need to be included if it is expected that those authorizations will be issued during the projection period. GASB argues that annual projections of debt service will provide users with a basis for assessing the magnitude of debt service payments in comparison to other ongoing cash outflows.

One of the State's primary tools to finance large capital projects such as highways and buildings are General Obligation (GO) bonds. Each year, Utah appropriates an amount sufficient to pay GO principal, interest, and fees in order to avoid levying a state property tax. Utah has never defaulted on a bond issuance nor resorted to a property tax levy to pay debt service. Debt service for the State is shown through FY 2008 through FY 2017 for bonds that have been issued.

Table 4 – Debt Service

Debt Service		
Year	Principal	Interest
FY 2008	150,660,000	56,445,878
FY 2009	167,700,000	54,029,711
FY 2010	175,490,000	96,203,814
FY 2011	209,060,000	124,656,587
FY 2012	251,130,000	154,103,900
FY 2013	295,470,000	143,043,124
FY 2014	314,855,000	129,779,074
FY 2015	292,515,000	115,843,144
FY 2016	320,180,000	100,817,394
FY 2017	313,285,000	85,789,619

Utah currently has four bonds that have been authorized but not yet issued:

- Capital Facility Projects
  - 2004 Authorization House Bill 2: $1,623,400
  - 2008 Authorization Senate Bill 298: $42,500,000
- Highway Projects
  - 2007 Authorization House Bill 314: $1,165,200
  - 2009 Authorization House Bill 185: $313,318,200.

While GASB states that future annual principal and interest payments need to be included if it is expected the authorizations will be issued during the projection period, it is unclear when the unissued bonds may

be issued. Authorization is at the discretion of the Legislature. Due to the uncertainty of when they may be issued, we have noted them in this report but have not included them in the debt service schedule.

COMPONENT 5: GOVERNMENTAL INTERDEPENDENCE

By definition, state-federal programs create a permanent fiscal interdependency tying the state and federal government together in the long run. Due to the nature of service interdependencies, GASB has determined that quantitative projections would impose undue cost for the potential benefit and would not provide any meaningful figures. Rather, GASB has determined that this information should be completely in narrative form. Governmental interdependence in Utah is in the form of resource dependence rather than service interdependence.

Key measures of intergovernmental interdependence are[10]:

- Direct federal revenue to a state.
- Percentage of total state revenue (all sources).
- Direct federal grants to local governments, federal purchases from state businesses.
- Federal payments to individuals (e.g.: wages, pensions, Social Security, Medicare).
- Total direct and indirect federal flows.
- Real gross domestic product (GDP) by state.
- Total federal flows as a percent of state GDP.

For the on-books accounts and revenue sources covered by this report, during FY 2012, the State received $3.5 billion from the federal government – 30.7 percent of total state revenues covered by this report. Funds flowing from the federal government to the State are subject to changes to federal laws and appropriations. Based on the reported financial position of the federal government, including disclosures concerning fiscal sustainability, it is at least reasonably possible that events will occur in the near term that will significantly affect the flows of federal funds to the State. These include the following:

Sequestration Scenario
Covered Grants Reduction from FY 2012 (Full Year)
(Thousands of Dollars)

	Amount	Type of Grant
Boating Safety	(68)	State
Emergency Management Performance Grants	(333)	State
State Homeland Security Grant Program	(214)	State
Crime Victims Fund – Assistance	(305)	State
Justice Assistance Grants	(123)	State
Juvenile Accountability Block Grant	(22)	State
Juvenile Justice Formula Grants	(31)	State
Res. Substance Abuse Treatment - State Prisoners	(5)	State
State Criminal Alien Assistance Program	(100)	State
Violence Against Women	(105)	State
Coop State Research Animal Health/Disease	(2)	State
Coop State Research Coop Forestry	(19)	State
Coop State Research Hatch Act	(174)	State
Extension Service Expand Food & Nutrition	(31)	State

[10] Source: US Census Bureau, "State and Local Government Finance Summary Report"

Extension Service Pest Management	(5)	State
Extension Service Renewable Resources	(4)	State
Extension Service Smith Lever	(128)	State
Forest Service - National Forests	(804)	State
Special Milk Program	(6)	State
Specialty Crop Block Grant	(22)	State
WIC - Supplemental Feeding Program	(3,576)	State
21st Century Community Learning Centers	(480)	State
Adult Education Basic Grant	(212)	State
Assistive Technology State Grant Program	(34)	State
Client Assistance State Grants	(9)	State
Comp Ed (Title I) - Local Education Agencies	(7,117)	State
Comp Ed (Title I) - Migrant	(146)	State
Comp Ed (Title I) - State School Improvement Grants	(260)	State
Comp Ed (Title I) - State Agency Neglect & Delinq.	(74)	State
Education For Homeless Youth	(33)	State
English Literacy and Civics Education State Grants	(30)	State
Independent Living	(24)	State
Language Acquis. Grants	(368)	State
Mathematics and Science Partnerships	(88)	State
Protection & Advocacy Individual Rts	(13)	State
Rehab. Services - Basic State Grant	(1,348)	State
Rural and Low-Income Schools Program	(5)	State
Services for Older Blind Individuals	(17)	State
Small, Rural School Achievement Program	(56)	State
Special Education Basic State Grant	(8,360)	State
Special Education Infants & Toddlers	(414)	State
Special Education Preschool Grants	(267)	State
State Grants for Improving Teacher Quality	(1,233)	State
State Library Program	(135)	State
State Testing Funds	(416)	State
Supported Employment State Grants	(23)	State
Vocational Education - Basic State Grant	(970)	State
TEFAP - Emergency Food Asst. Administration	(19)	State
Abandoned Mine Reclamation Fund	1,448	State
Fish & Wildlife - Fish Restoration	(337)	State
Fish & Wildlife - Hunter Safety	(50)	State
Fish & Wildlife - Wildlife Restoration	(207)	State
Historic Preservation Fund	(59)	State
Minerals Mgmt. Service: Mineral Leasing	(4,417)	State
State Wildlife Grants	(53)	State
Surface Mining Reclamation	(159)	State
Community Service Employ for Older Americans	(223)	State
Disability Veterans' Outreach Program	(72)	State
Employment Service State Grants	(543)	State
Local Veterans Employment Representative Program	(2)	State

UI State Administration Base Allocation	(2,132)	State
Workforce Investment Act - Adult Training	(325)	State
Workforce Investment Act - Dislocated Workers	(476)	State
Workforce Investment Act - Youth Activities	(408)	State
Natl. Endowment for the Arts- State Programs	(55)	State
State Energy Program	(22)	State
Weatherization Assistance Program	(56)	State
EPA - Clean Water SRF Grants	(575)	State
EPA - Drinking Water SRF Grants	(686)	State
EPA - Hazardous Waste Financial Assistance	(57)	State
EPA - Nonpoint Source (Sec. 319)	(110)	State
EPA - Pesticides Enforcement	(14)	State
EPA - Pollution Control (Sec. 106)	(136)	State
EPA - Public Water System Supervision	(70)	State
EPA - State and Local Air Quality Management	(262)	State
EPA - Underground Injection Control	(12)	State
Community Development Block Grant - Nonentitlement (States)	(312)	State
Emergency Solutions Grants - Nonentitlement (States)	(84)	State
HOME Investment Partnerships - Nonentitlement (States)	(229)	State
Housing Opportunities for Persons with AIDS	(39)	State
Administration on Aging Congregate Meals	(194)	State
Administration on Aging Home Delivered Meals	(98)	State
Administration on Aging Support Services	(162)	State
Battered Women's Shelters	(86)	State
CAPTA State Grants	(25)	State
CDC - Immunization Grants	(437)	State
CDC: State and Local Capacity	(509)	State
Chafee Education and Training Vouchers	(24)	State
Child Care & Development Block Grant	(2,083)	State
Child Welfare Services	(284)	State
Community Services Block Grant	(266)	State
Community-Based Child Abuse Prevention	(32)	State
Consolidated Health Centers	839	State
Dev. Disabilities - Basic Support	(52)	State
Dev. Disabilities - Protection & Advoc.	(29)	State
Family Caregiver	(68)	State
Homeless Mental Health (PATH)	(40)	State
Hospital Preparedness Program	(256)	State
Low Income Home Energy Assistance	(1,841)	State
Maternal & Child Health Block Grant	(453)	State
Mental Health Block Grant	(258)	State
Nutrition Services Incentive Program	(105)	State
Preventive Health -- Rape Prevention and Education	(21)	State
Preventive Health Block Grant	(55)	State
Preventive Health Services	(9)	State
Promoting Safe and Stable Families	(158)	State

Protection and Advocacy for Individuals with Mental Illness	(33)	State
Refugee Assistance Cash & Medical	(698)	State
Refugee Assistance Social Services	(69)	State
Refugee Targeted Assistance	191	State
Ryan White - HIV/AIDS Part B	(379)	State
Social Services Block Grant	(1,010)	State
Substance Abuse Prevent. & Treatment Block Grant	(1,299)	State
Voting Access for Individuals with Disabilities - P & A	(5)	State
Vulnerable Elder Rights Protection Activities	(10)	State
Total	**(48,983)**	

Most of the funding between Utah and the federal government is through resource dependence where the federal government provides funding for various state run programs. As a result, these revenues are shown in the major category tables presented throughout this report and are forecast based on historical trends.

Even if sequestration does not occur, or is postponed, massive federal debt suggests that at some point all states will have to take cuts to federal funds. To prepare for this Utah is doing the following:

- Engaging in contingency planning by accounting for all federal funds received by an agency and identifying the portion of agency budgets that is federal funds. Additionally, agencies are developing a plan for federal cuts at both 5.0 percent and 25.0 percent levels.
- Agencies are also cataloguing federal grants subject to sequestration into a common database.
- Legislators and the Governor are looking at potential increases to the Rainy Day Fund caps to cover potential shortfalls due to changes in federal funds.
- The Legislature has implemented a federal fund review process.
- The Legislature has limited the liability of agencies for federal funds through intent language.

Because of these policies Utah is likely to be able to sustain current expenditure trends. The numbers shown in this report include only the amounts shown in the state budget. There is an additional $3.2 billion (FY 2012) in federal support that is not budgeted which could also be at risk including unemployment insurance, and grants in aid of colleges and universities.

ECONOMIC AND DEMOGRAPHIC FACTORS IMPACTING FUTURE STATE RESOURCES

GASB considered requiring governments to include information related to demographics and economic indicators as they are important indicators of the viability of government economies. However, they ultimately decided not to include them as necessary components. We have provided a review of the broad level factors that impact state revenues and expenditures to help users understand some of the factors contributing to overall state resource well-being.

***Economic forces**:* Businesses located in the state have become more diverse over the prior two decades, with increasing reliance on demand for information technology and professional services. In addition to the economic diversification into the aforementioned highly competitive industries, production within the states' boundaries also depends heavily on natural resources (natural gas, oil, and other mining) and manufacturing than do other states. Each of these industries, in addition to the other not mentioned, is anticipated to be important above-average drivers of economic growth in the coming years.

***Demographic forces**:* Long term projections of the population level and diversity, which affects the population's need for services and its ability to contribute resources to the government, were identified by GASB as issues useful for fiscal sustainability. However, GASB decided not to include this category as a component of information to be reported due to the fact they wanted the data to reflect a broader overall environment.

In spite of GASB's choice to not include demographics as a component of information we believe that at least a narrative discussion of its potential should be included in an analysis of future resource demands. For that reason we have included a brief discussion of potential demographic issues that could impact Utah's future resource demand.

Utah's racial and ethnic composition is changing, with significant growth over the past decade in the Hispanic population. Over the past 10 years, the white, non-Hispanic, population has decreased from 85.0 percent to 80.0 percent. This will result in changing demand for certain government services particularly those related to education, health, and human services.

Utah's 65 and older population is expected to increase from approximately 3.0 percent to 5.0 percent through 2020. This demographic shift could have a strong impact on state services as it may lead to additional demands for health care, assisted living, and other age related services.

CAUTIONARY NOTICE PROPOSED BY GASB

GASB recommends that the following notice be included with any projection required under the preliminary views report:

> "The financial projections that follow assume current fiscal policies would be continued, with consideration of historical information as well as known events and conditions that affect the projection periods. These financial projections may be used to assess whether projected cash inflows will be sufficient to sustain public services and to meet financial obligations as they come due. However, it is important to note that projections of cash inflows, cash outflows, and accrued financial obligations based on current policy do not represent a forecast or a prediction of the most likely outcome.
>
> Financial projections may be based upon assumptions regarding changes in social, economic, and demographic events and conditions that are inherently subject to uncertainties. Therefore, readers are cautioned that actual future financial results of Utah may be significantly different from the financial projections reported."[11]

[11] Source: Governmental Accounting Standards Series: Preliminary Views

DATA COLLECTION

The historical data used in the forecast stems from the CAFR–Required Supplementary Information Budgetary Comparison Schedule actual budget for the General Fund, Education Fund, Transportation Fund, Transportation Investment Fund, and the DABC's enterprise fund. Under the Preliminary View, GASB would also require a forecast for Enterprise Funds but this forecast does not include them in order to limit the scope of the report. The report uses a 14 year history in order to capture a reasonable trend line. For others doing similar reports, we would recommend using a history that goes back as far as possible to allow for a more accurate forecast which takes into account economic cycles. Using the actual budget provides a base that takes into account spending and tax changes implemented in a given fiscal year.

The cash inflow and outflows include five day accrual adjustments. The five days were considered close enough to actual cash inflow for a given fiscal year so that no adjustments were made to the CAFR figures in order to make the numbers actual cash.

To meet the criteria proposed by GASB, the forecast used autoregressions against historical data for both revenues and expenditures. Historical changes to tax rates, and earmarks would be accounted for by default in the autoregression in the years after they occur. Ongoing changes to expenditures will also be accounted for in the historical data. There are not any revenue or expenditure changes expected under current statutes for the forecast period.

The projections of cash inflows and outflows do not include the potential impact from the federal health care reform act or the fiscal cliff. Although both are considered current policy, the impacts are difficult to assess at this time and will be highly dependent on rules implemented at the federal government level.

The autoregressions show there is enough General Fund cash inflow less cash outflow to cover anticipated expenditures over the coming five years (Figure 48). Additionally, there will likely be more than enough Education Fund cash inflow to cover anticipated expenditures over the five year forecast (Figure 49).

Reviewing the Transportation Fund autoregressions, it appears there is not enough to cover anticipated Transportation Fund and Transportation Investment Fund expenditures over the time frame considered (Figure 50).

Note that in years when cash inflow less cash outflow plus net transfers is less than zero, the State did not actually end the year short on cash, but rather used non-lapsing balances, transfers from the rainy day funds, and other restricted sources of revenue to achieve the Constitutional requirement of a balanced budget.

GASB proposes including information for primary government including governmental activities and business-type activities with net subtotals for the General Fund, other governmental activities, total governmental activities, total business-type activities, and a net total for the entire primary governments. For the purposes of this report we only included forecasts related to the budgets associated with the General Fund, Education Fund, Transportation Fund, Transportation Investment Fund, and the Department of Alcoholic Beverage Control's Enterprise Fund.

Finally, it is important to note that projections are based on current policy do not necessarily represent a forecast or prediction of the most likely outcome.

Figure 48 - General Fund Cash Inflow - Cash Outflow + Net Transfers

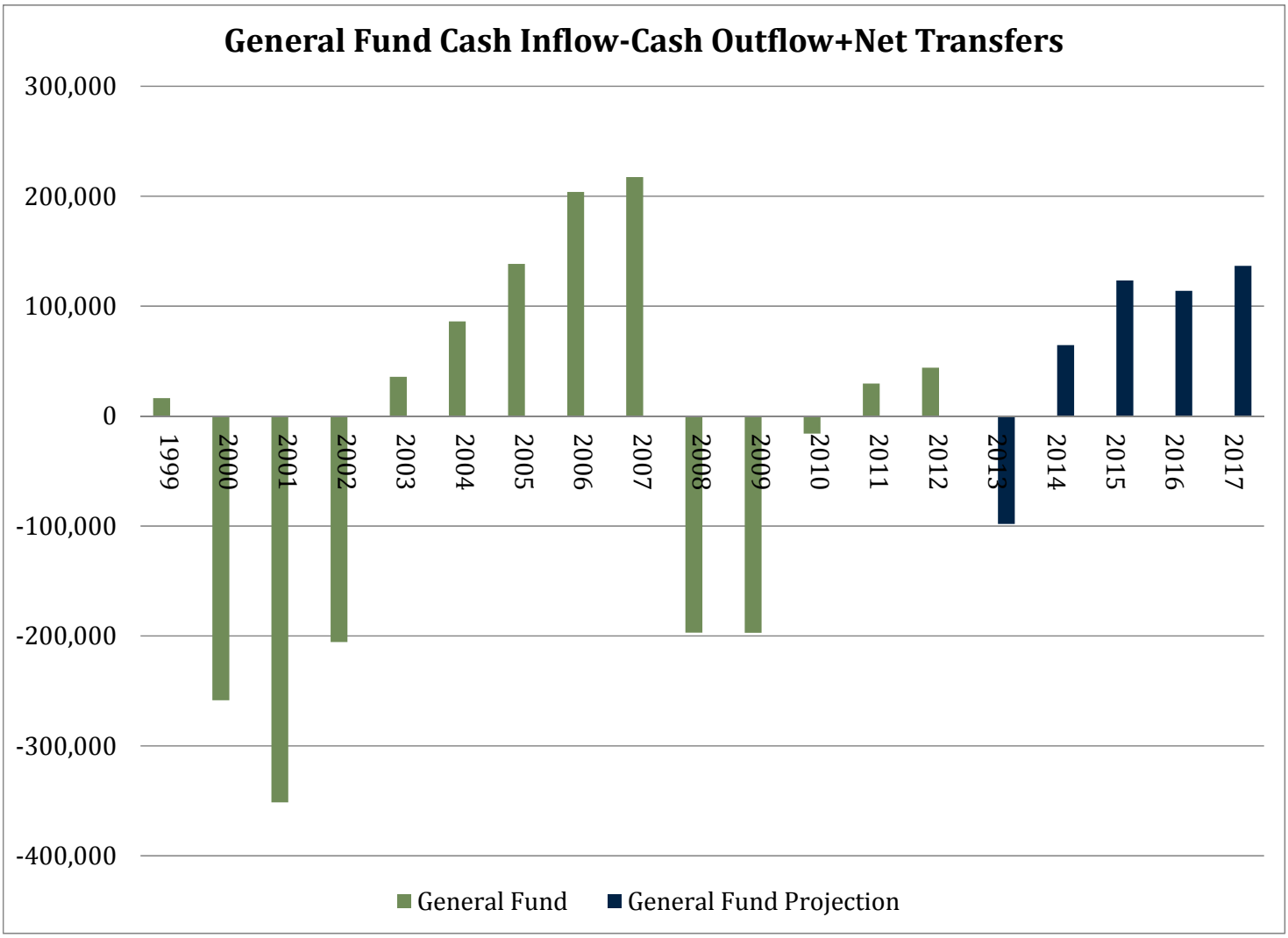


Figure 49 - Education Fund Cash Inflow - Cash Outflow + Net Transfers

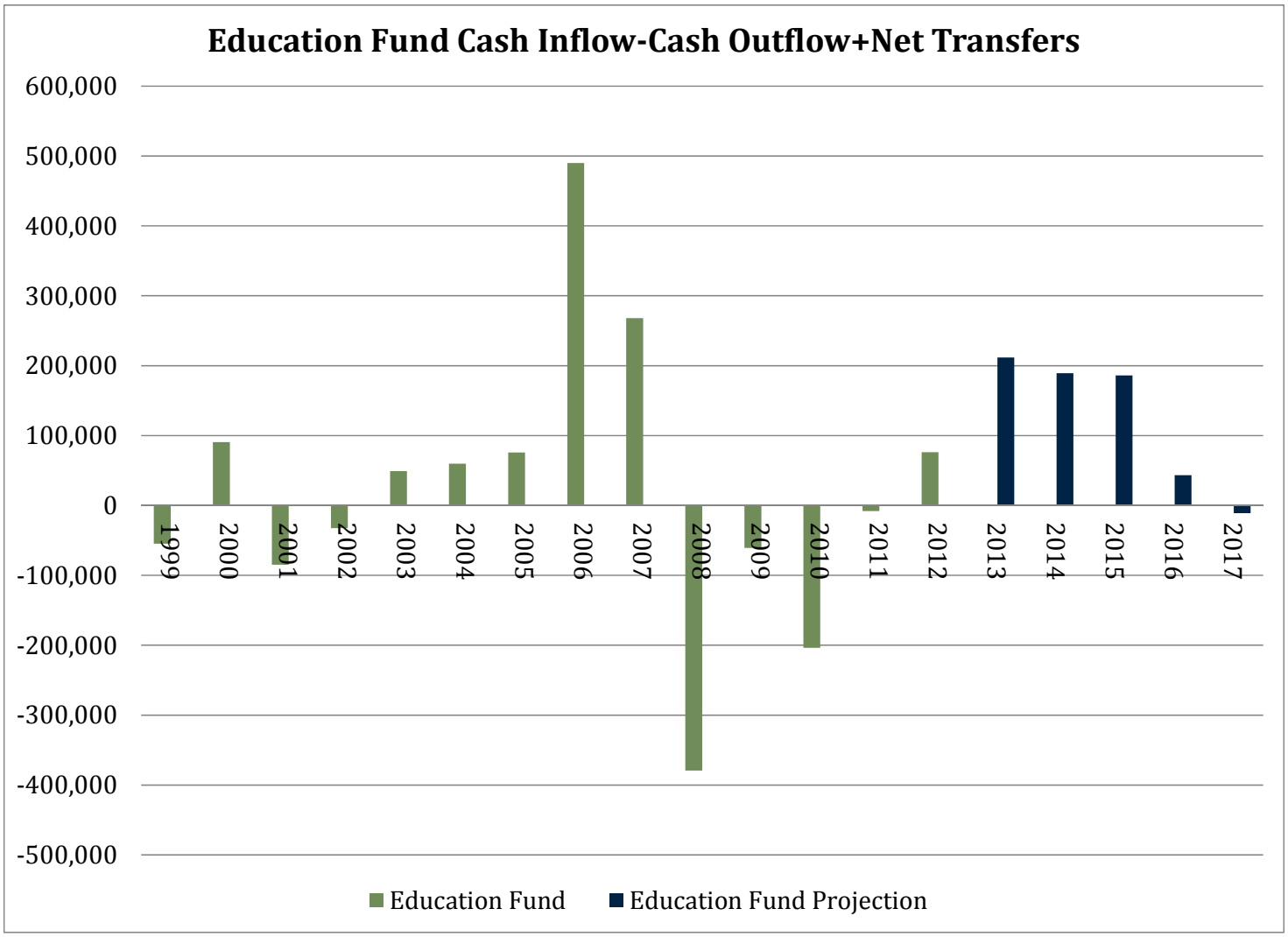
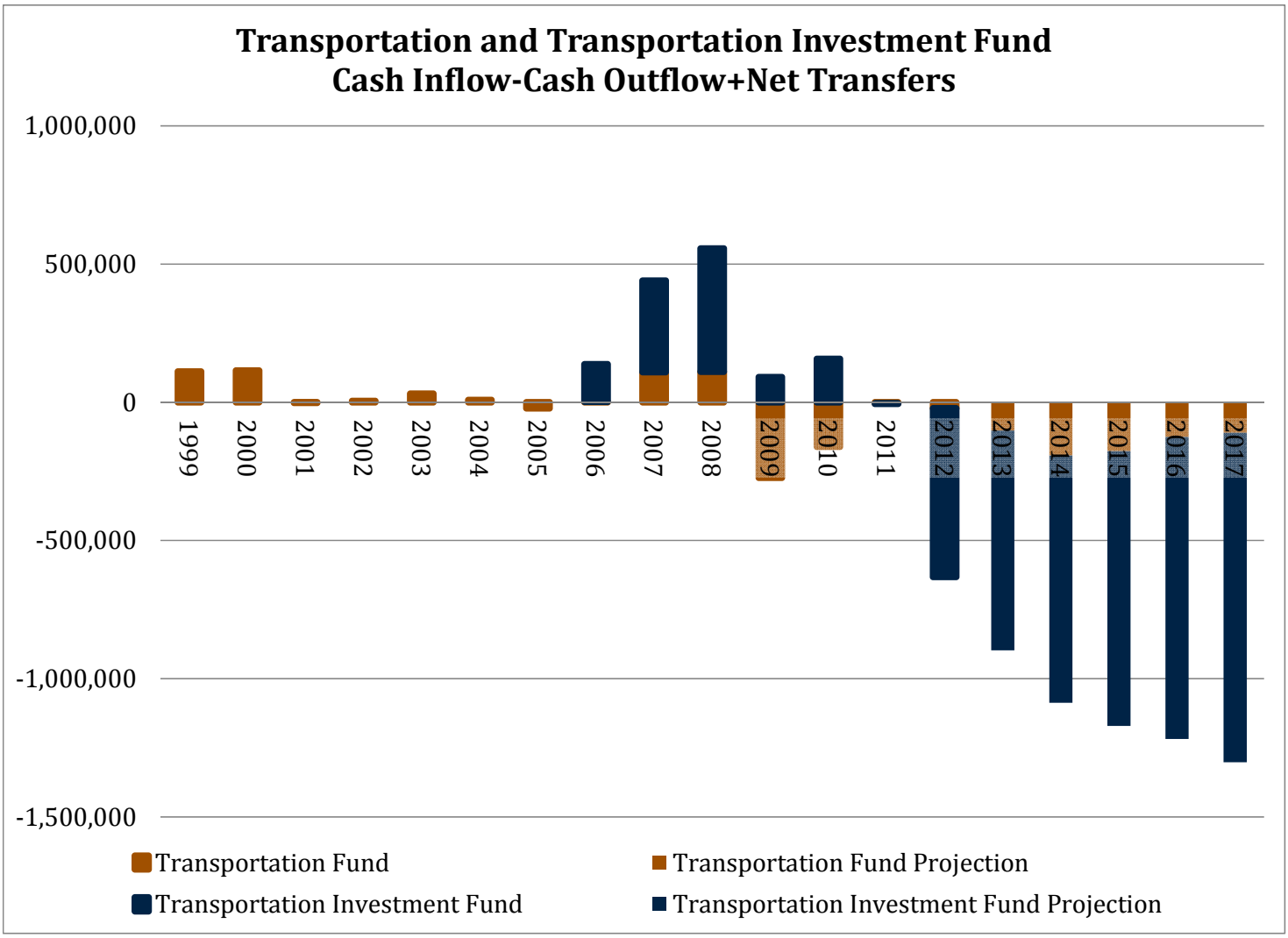


Figure 50 - Transportation Related Cash Inflow - Cash Outflow + Net Transfers



FORECASTING ISSUES

In developing this forecast, we faced several issues that we think GASB should consider before issuing a final report. Those issues are detailed below.

- Recent budget and revenue history is not an indication of long term trends. Depending on the economic situation, univariate forecasts may understate or overstate likely revenue and expenditure conditions for purposes of the five year forecast. For instance, presuming economic indicators are not used, a univariate forecast may understate long term trends because businesses and the economy as a whole just went through the worst recession since the Great Depression.
- The proposed methodology does not account for legislative will or the fact that Utah has a constitutional requirement for a balanced budget.
- The proposed methodology ignores projected demographic trends and economic indicators. As a result the forecasts used in the budget process will conflict with the forecast presented in the CAFR.
- The proposal to exclude projected economic indicators in preference of only historical information makes the forecast univariate. Within the universe of univariate forecast models are autoregressive integrated moving average (ARIMA), autoregressive moving average (ARMA), Box-Jenkins, autoregressive conditional heteroskedasticity (ARCH and GARCH), vector autoregressive models, exponential smoothing models, rolling windows estimation, and many other variations. Each model produces a different forecast. We have the ability to evaluate the performance of the different models against each other and can choose the model that minimizes the errors or minimizes some other factor, but there is no requirement to do so. Because of that, certain univariate models can be manipulated to produce results close to what forecasts with projected economic indicators would produce. We recommend further guidance on what types of models can be used with the historical information.
- The forecasts are sensitive to the amount of historical information and the starting period. We would recommend some guidance on how much history may be used and when the initial year for the forecast should take place.
- Although univariate models can capture business cycles, they generally do not.
- Timing may be a problem since the most recent year actuals are needed before a forecast can occur.
- CAFR data does not break out revenue sources into ongoing and one-time. As a result, one-time revenue will get built into the trend-line resulting in overstated revenues.

CONCLUSION

This review served a two-fold purpose:

1) Testing the validity of GASB's proposal on *Economic Condition Reporting: Financial Projections*; and
2) Assessed the economic sustainability of the State's current revenue and expenditure trends.

We arrived at the following conclusions:

- **Utah is fiscally sustainable**: In using one-factor trend analyses of revenues and expenditures, we found that Utah is fiscally sustainable through FY 2017 for all but Transportation related expenditures.
- **Utah pays its debt obligations**: Using current policies, Utah sets aside the amounts necessary to cover bonded indebtedness. Furthermore, the Legislature has made commitments to reduce and cover obligations related to other financial indebtedness including retirement and OPEB.
- **Limited applicability of the GASB-based forecasts**: The financial position of the State is affected by several factors including economic, social and financial factors, but the methodology proposed by GASB allows only the historical financial factors to be considered, which limits the applicability of the forecasts.

Recommendations

1. **Use GASB-based forecasts in conjunction with consensus revenue process**: If the State is required to use GASB's methodology going forward, we recommend that it be used in conjunction with the State's consensus revenue process in order to evaluate the limitations of the trend and to address potential concerns in the budget process.
2. **Allow for sufficient lead time for forecast publication and coordination among branches**: Any future reports will require coordinated efforts between the Legislative and Executive branches of government. We recommend allowing ample lead time to create a report. Data for the year-end is generally not available until late September. Including the data in the CAFR as proposed by GASB could delay the publication of the report.

Author's Note

GASB has currently put the 5 year forecast project on hold.

	A	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA	AB	AC	AD
1	**Appendix A: General Fund Detail Table**																				
2	**Revenues**	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Percent of	2013	2014	2015	2016	2017
3	General Fund Revenue	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Total	Forecast	Forecast	Forecast	Forecast	Forecast
4	Sales & Use Tax	1,316,404	1,369,637	1,431,427	1,441,318	1,443,974	1,501,938	1,634,522	1,806,265	1,857,813	1,739,384	1,547,475	1,402,671	1,601,399	1,582,530	79.5%	1,601,178	1,664,866	1,728,554	1,792,242	1,855,930
5	All Other General Fund	172,141	248,102	238,882	197,371	257,349	254,888	256,095	324,990	371,613	354,200	320,900	310,907	372,654	408,864	20.5%	428,432	457,034	476,864	488,604	498,213
30	Total General Fund	1,488,545	1,617,739	1,670,309	1,638,689	1,701,323	1,756,826	1,890,617	2,131,255	2,229,426	2,093,584	1,868,375	1,713,578	1,974,053	1,991,394	100.0%	2,029,610	2,121,899	2,205,418	2,280,846	2,354,143
31																					
32	Department Specific Revenue (General Fund Restricted)																				
37	Federal Contracts & Grants	1,099,711	1,133,188	1,219,218	1,342,706	1,479,673	1,698,050	1,774,132	1,850,706	1,807,128	1,905,370	2,268,666	2,663,603	2,665,632	2,550,694	59.8%	2,770,108	2,896,994	3,023,880	3,150,766	3,277,652
38	Departmental Collections	171,995	183,551	199,768	211,932	198,334	222,916	258,928	278,380	292,803	329,535	325,953	324,300	358,794	421,125	9.9%	401,260	418,777	436,295	453,812	471,330
39	Higher Education Collections	162,052	170,253	192,929	221,890	260,464	284,948	323,533	331,587	357,874	390,638	416,933	491,441	567,787	624,958	14.6%	630,300	648,293	673,288	702,158	733,171
44	All Other General Fund Restricted	267,887	367,598	379,386	390,116	436,744	477,804	512,655	603,280	628,499	680,055	761,578	697,451	638,998	670,549	15.7%	773,487	843,969	882,592	894,921	944,562
47	Total Department Sepcific Revenues	1,701,645	1,854,590	1,991,301	2,166,644	2,375,215	2,683,718	2,869,248	3,063,953	3,086,304	3,305,598	3,773,130	4,176,795	4,231,211	4,267,326	100.0%	4,575,155	4,808,033	5,016,055	5,201,657	5,426,715
48	Intrafund Eliminations		-411,922	-444,043																	
49	Total Revenue	3,190,190	3,060,407	3,217,567	3,805,333	4,076,538	4,440,544	4,759,865	5,195,208	5,315,730	5,399,182	5,641,505	5,890,373	6,205,264	6,258,720	100.0%	6,604,765	6,929,933	7,221,473	7,482,504	7,780,858
50	**Expenditures**																				
53	Human Services (see note 2)	469,363	512,662	518,143	543,480	543,377	561,162	585,463	601,938	636,440	687,502	708,098	676,920	654,441	651,977	10.1%	719,758	736,193	752,628	769,062	785,497
54	Corrections	155,315	175,803	183,890	183,359	177,170	187,656	193,613	203,959	225,998	247,883	253,312	232,748	236,018	242,238	3.7%	263,215	272,384	279,881	279,010	284,834
57	Health and Environmental Quality	963,344	1,025,242	1,136,591	1,281,808	1,388,045	1,569,489	1,704,088	1,863,578	1,869,779	1,995,331	2,157,204	2,227,545	2,316,593	2,401,862	37.2%	2,579,960	2,696,331	2,812,702	2,929,073	3,045,443
58	Higher Education - All	677,158	708,496	770,140	883,298	895,583	922,340	997,446	1,048,345	1,107,171	1,239,017	1,233,599	1,271,256	1,331,131	1,382,473	21.4%	1,443,667	1,497,738	1,551,808	1,605,879	1,659,950
63	Employment and Family Services	306,617	291,806	291,793	327,100	369,473	398,542	420,067	417,588	411,396	441,698	531,522	686,563	719,554	722,958	11.2%	738,401	760,931	787,849	817,487	848,809
66	Community and Economic Development	74,280	76,135	85,060	87,940	91,056	89,312	86,631	82,710	105,185	127,423	143,899	171,235	151,664	137,924	2.1%	150,679	160,734	169,293	177,025	184,299
67	All Other Government	725,029	763,343	808,383	867,493	841,081	877,540	923,549	1,017,082	1,136,564	1,270,425	1,308,423	1,285,986	1,289,199	1,304,265	20.2%	1,402,264	1,448,571	1,493,274	1,529,839	1,573,356
78	Total Expenditures	3,141,511	3,301,549	3,525,050	3,903,179	4,037,559	4,329,073	4,630,613	4,948,531	5,161,350	5,633,973	5,938,846	6,148,270	6,310,918	6,463,535		6,884,051	7,139,763	7,398,261	7,651,340	7,913,055
79	Expenditure Adjustments																				
80	Higher Education and Trust Appropriated Expen	-479,197	-500,084	-533,604																	
81	Intrafund Eliminations	-364,179	-411,922	-444,043																	
82																					
84	**Other Financing Sources**																				
85	Capital Leases Acquisition										2,131	2,010	11,122								
86	Proceeds of General Obligation Bonds	15,650	0	1,602																	
89	Transfers In, All	225,520	248,069	268,793	226,550	161,055	190,191	307,040	345,292	652,932	911,717	591,278	401,228	426,430	472,978		599,786	702,639	737,818	729,905	725,519
90	Transfers Out, All	-257,836	-265,429	-312,737	-334,242	-164,322	-215,571	-297,886	-388,197	-589,855	-873,826	-490,981	-159,213	-291,156	-224,165		-418,762	-428,259	-437,757	-447,255	-456,752
91	Operating Transfers from Component Units			526																	
92	Operating Transfers to Component Units	-483,901	-503,641	-537,279																	
93	Sales of Capital Assets										80	11,001		9	10						
96	Total Other Financing Sources	-500,567	-521,001	-579,095	-107,692	-3,267	-25,380	9,154	-42,905	63,077	40,102	113,308	253,137	135,283	248,823		181,024	274,380	300,061	282,650	268,767
97																					
98	Revenue-Expenditures+Transfers in+Transfers out	16,363	-258,502	-351,427	-205,538	35,712	86,091	138,406	203,772	217,457	-196,900	-197,044	-15,882	29,620	43,998		-98,262	64,550	123,274	113,814	136,571
99																					
100	CAFR Page # for each annual report		pg. 84-85	pg. 86-87	pg. 96	pg. 100	pg. 106	pg. 106	pg. 108	pg. 112	pg. 115	pg. 118	pg. 124	pg. 128	pg. 128						
101	Notes																				
102	Note 1: Sources: actual data setms from the Comprehensive Annual Financial Report, Division of Finance; projection and adopted data is from LFA																				
103	Notes 2: in 2002, the name was changed to "Human Services and Youth Corrections"																				
104																					
113	**Expenditures, Revenue Sources Compared Against Appropriated for FY 2013 and FY 2014**																				
114		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
115	Human Services	469,363	512,662	518,143	543,480	543,377	561,162	585,463	601,938	636,440	687,502	708,098	676,920	654,441	651,977						
116	Health and Environmental Quality	963,344	1,025,242	1,136,591	1,281,808	1,388,045	1,569,489	1,704,088	1,863,578	1,869,779	1,995,331	2,157,204	2,227,545	2,316,593	2,401,862						
117	Higher Education	677,158	708,496	770,140	883,298	895,583	922,340	997,446	1,048,345	1,107,171	1,239,017	1,233,599	1,271,256	1,331,131	1,382,473						
118	Employment and Family Services	306,617	291,806	291,793	327,100	369,473	398,542	420,067	417,588	411,396	441,698	531,522	686,563	719,554	722,958						
119	All Other Government	725,029	763,343	808,383	867,493	841,081	877,540	923,549	1,017,082	1,136,564	1,270,425	1,308,423	1,285,986	1,289,199	1,304,265						
120	Human Services Projection															719,758	736,193	752,628	769,062	785,497	
121	Health and Environmental Quality Projection															2,579,960	2,696,331	2,812,702	2,929,073	3,045,443	
122	Higher Education Projection															1,443,667	1,497,738	1,551,808	1,605,879	1,659,950	
123	Employment and Family Services Projection															738,401	760,931	787,849	817,487	848,809	
124	All Other Government Projection															1,402,264	1,448,571	1,493,274	1,529,839	1,573,356	
125	Human Services Appropriated															706,137	711,797				
126	Health and Environmental Quality Appropriated															2,492,736	2,586,269				
127	Higher Education Appropriated															1,397,898	1,450,082				
130	All Other Government Appropriated															1,459,240	1,413,524				
131																					
132		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
133	Federal Contracts & Grants	1,099,711	1,133,188	1,219,218	1,342,706	1,479,673	1,698,050	1,774,132	1,850,706	1,807,128	1,905,370	2,268,666	2,663,603	2,665,632	2,550,694						
134	Federal Contracts & Grants Projection															2,770,108	2,896,994	3,023,880	3,150,766	3,277,652	
135	Departmental Collections	171,995	183,551	199,768	211,932	198,334	222,916	258,928	278,380	292,803	329,535	325,953	324,300	358,794	421,125						
136	Departmental Collections Projection															401,260	418,777	436,295	453,812	471,330	
137	Higher Education Collections	162,052	170,253	192,929	221,890	260,464	284,948	323,533	331,587	357,874	390,638	416,933	491,441	567,787	624,958						
138	Higher Education Collections Projection															630,300	648,293	673,288	702,158	733,171	
139	All Other General Fund Restricted	267,887	367,598	379,386	390,116	436,744	477,804	512,655	603,280	628,499	680,055	761,578	697,451	638,998	670,549						
140	All Other General Fund Restricted Projection															773,487	843,969	882,592	894,921	944,562	
141																					
142	Revenues - Expenditures + Net Transfers	16,363	-258,502	-351,427	-205,538	35,712	86,091	138,406	203,772	217,457	-196,900	-197,044	-15,882	29,620	43,998						
143	Revenues - Expenditures + Net Transfers Projection															-98,262	64,550	123,274	113,814	136,571	
144	Cumulative, Revenues - Expenditures + Net Transfers Projection															-98,262	-33,712	89,562	203,376	339,946	

	A	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA	AB	AC	AD
1	**Appendix B: Education Fund Detail Table**																				
2	**Revenues**	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Percent of	2013	2014	2015	2016	2017
3	Education Fund & Uniform School Fund Revenue (s	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Total	Forecast	Forecast	Forecast	Forecast	Forecast
4	Individual Income Tax	1,463,897	1,654,949	1,712,676	1,610,170	1,575,486	1,699,638	1,934,028	2,288,483	2,573,197	2,611,848	2,338,592	2,119,947	2,315,630	2,478,638	89.1%	2,680,075	2,834,230	2,902,965	2,911,569	2,919,921
5	Corporate Tax	192,221	186,936	183,141	127,320	160,522	162,860	206,730	368,869	419,318	410,879	263,892	259,458	261,911	272,355	9.8%	327,928	372,371	405,957	410,935	403,297
6	All Other Education Fund	6,836	2,420	8,990	15,204	13,349	19,292	20,711	37,546	0	0	0	32,824	34,691	30,880	1.1%	21,020	22,259	26,748	34,697	36,296
11	Total Education Revenues	1,662,954	1,844,305	1,904,807	1,752,694	1,749,357	1,881,790	2,161,469	2,694,898	2,992,515	3,022,727	2,602,484	2,412,229	2,612,232	2,781,873	100.0%	3,029,023	3,228,860	3,335,670	3,357,201	3,359,514
12																					
13	Department Specific Revenue																				
14	Federal Contracts & Grants	213,826	235,065	246,925	252,991	287,709	311,336	344,665	371,888	371,782	379,707	597,254	561,174	634,795	544,833	87.2%	623,196	655,298	687,401	719,504	751,607
15	All Other Department Specific Revenue	52,456	59,484	45,085	30,507	30,625	31,585	33,498	39,106	91,041	105,670	107,044	75,275	76,410	80,118	12.8%	82,026	85,166	88,381	91,647	94,949
24	Total Department Sepcific Revenues*	266,282	294,549	292,010	283,498	318,334	342,921	378,163	410,994	5,260	485,377	704,298	636,449	711,205	624,951	100.0%	705,222	740,465	775,782	811,151	846,555
25	Total EF & USF Revenue	1,929,236	2,138,854	2,196,817	2,036,192	2,067,691	2,224,711	2,539,632	3,105,892	3,460,598	3,508,104	3,306,782	3,048,678	3,323,437	3,406,824		3,734,245	3,969,325	4,111,453	4,168,352	4,206,069
28	**Expenditures**																				
48	Public Education	1,787,439	1,835,103	1,965,608	2,005,507	1,986,271	2,044,374	2,177,845	2,331,806	2,557,149	2,971,564	3,048,561	2,939,144	3,035,227	3,028,720		3,208,412	3,451,897	3,580,921	3,767,086	3,849,541
49	Education Support									2,998,524	0	0									
50	Leave/Postemployment Benefits	2,042	145	1,558																	
51	Total Expenditures	1,789,481	1,835,248	1,967,166	2,005,507	1,986,271	2,044,374	2,177,845	2,331,806	2,557,149	2,971,564	3,048,561	2,939,144	3,035,227	3,028,720		3,208,412	3,451,897	3,580,921	3,767,086	3,849,541
52	Intrafund Eliminations	-10,527	-10,941	-15,649																	
53																					
55	**Other Financing Sources**																				
56	Capital Leases/Contracts Issued												33								
61	Transfers In, All	8,800	9,952	11,480	126,279	1,565	2,110	2,980	6,215	2,201,901	2,369,808	2,227,988	8,664	7,261	7,646		3,305	1,565	-176	-1,916	-3,656
62	Transfers Out, All	-192,559	-211,994	-310,339	-189,388	-33,951	-122,725	-288,872	-290,073	-2,837,449	-3,285,656	-2,547,013	-322,038	-303,463	-309,696		-317,320	-329,773	-344,224	-355,792	-363,705
63	Transfers In (USF, 2007 - 2009 forward)									2,200,847	2,325,571	2,227,988									
64	Transfers Out (USF, 2007 - 2009 forward)									-50,107	-110,135	-55,265									
65	Operating Transfers to Component Units	0	-13																		
68	Total Other Financing Sources	-183,759	-202,055	-298,859	-63,109	-32,386	-120,615	-285,892	-283,858	-635,548	-915,848	-319,025	-313,341	-296,202	-302,050		-314,015	-328,209	-344,399	-357,707	-367,361
69																					
71	Revenue-Expenditures+Transfers in+Transfers out	-54,531	90,623	-84,857	-32,424	49,034	59,722	75,895	490,228	267,901	-379,308	-60,804	-203,840	-7,992	76,054		211,818	189,219	186,133	43,559	-10,833
72																					
73	CAFR Page # for each annual report		pg. 109	pg. 111	pg. 97	pg. 101	pg. 107	pg. 107	pg. 109	pg. 113	pg. 116	pg. 120	pg. 125	pg. 129	pg. 129						
74	Notes																				
75	Note 1: in FY 2007, reporting changed from the Uniform School Fund to the Education Fund/USF																				
76	*This includes General Revenues, Miscellaneous Other (USF) and Investment Income																				
77																					
78	**Expenditures, Revenue Sources Compared Against Appropriated for FY 2013 and FY 2014**																				
79		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
80	Individual Income Tax	1,463,897	1,654,949	1,712,676	1,610,170	1,575,486	1,699,638	1,934,028	2,288,483	2,573,197	2,611,848	2,338,592	2,119,947	2,315,630	2,478,638						
81	Corporate Tax	192,221	186,936	183,141	127,320	160,522	162,860	206,730	368,869	419,318	410,879	263,892	259,458	261,911	272,355						
82	All Other Education Fund	6,836	2,420	8,990	15,204	13,349	19,292	20,711	37,546	0	0	0	32,824	34,691	30,880						
83	Individual Income Tax Projection															2,680,075	2,834,230	2,902,965	2,911,569	2,919,921	
84	Corporate Tax Projection															327,928	372,371	405,957	410,935	403,297	
85	All Other Education Fund Projection															21,020	22,259	26,748	34,697	36,296	
86	Individual Income Tax Adopted															2,652,156	2,748,950				
87	Corporate Tax Adopted															312,600	285,450				
88	All Other Education Fund Adopted															37,479	28,950				
89		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
90	Public Education	1,787,439	1,835,103	1,965,608	2,005,507	1,986,271	2,044,374	2,177,845	2,331,806	2,557,149	2,971,564	3,048,561	2,939,144	3,035,227	3,028,720						
91	Public Education Projections															3,208,412	3,451,897	3,580,921	3,767,086	3,849,541	
92	Public Education Appropriations															3,105,509	3,230,915				
93																					
94	Revenues - Expenditures + Net Transfers	-54,531	90,623	-84,857	-32,424	49,034	59,722	75,895	490,228	267,901	-379,308	-60,804	-203,840	-7,992	76,054						
95	Revenues - Expenditures + Net Transfers Projection															211,818	189,219	186,133	43,559	-10,833	
96	Cumulative, Revenues - Expenditures + Net Transfers Projectior															211,818	401,037	587,170	630,729	619,896	

	A	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Z	AA	AB	AC	AD
1	**Appendix C: Transportation Fund Detail Table**																			
2	**Revenues**	1999	2000	2001	2002	2003	2004	2005	2006	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
3	Transportation Fund Revenue	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	
4	Motor Fuel Tax	224,691	237,574	229,410	237,925	236,639	239,925	241,484	240,432	254,676	250,669	235,481	243,295	252,501	252,954	253,670	255,325	256,979	258,634	260,289
5	Special Fuel Tax	73,699	76,590	80,590	84,406	84,523	86,163	93,837	101,098	111,150	112,984	101,367	94,812	102,613	104,099	109,569	115,552	119,722	121,840	123,021
6	All Other Transportation Fund Revenue (∑rows 8-17)	58,470	64,953	64,463	62,847	65,396	65,040	69,967	76,670	78,938	82,638	86,127	73,631	81,946	79,168	85,286	87,414	89,492	91,333	93,176
7	Licenses, Permits, and Fees (∑rows 8-17)																			
8	Motor Vehicle Registration Fees	24,886	25,848	25,935	27,378	28,359	29,390	30,690	32,579	34,293	35,366	34,917	33,447	35,110	35,686	37,065	38,265	39,354	40,375	41,353
9	Proportional Registration Fees	10,627	12,203	11,554	11,665	11,838	11,830	12,122	13,040	14,772	14,202	14,114	14,617	14,746	15,408	15,631	15,974	16,318	16,662	17,006
10	Temporary Permits	386	372	409	401	397	360	336	357	401	523	492	387	402	435	440	445	450	454	459
11	Special Transportation Permits	5,756	5,678	5,911	5,831	6,112	5,962	6,612	7,351	7,823	8,189	8,235	8,753	9,616	9,872	9,835	10,178	10,520	10,863	11,206
12	Highway Use Permits	7,166	8,123	7,473	8,000	7,944	8,148	8,421	8,588	8,090	7,574	12,520	8,297	11,120	10,107	10,541	10,669	10,969	11,173	11,430
13	Drivers License																			
14	Motor Vehicle Control Fees	4,123	4,173	4,093	4,167	4,289	4,515	4,757	5,062	5,302	5,295	4,552	4,391	4,552	4,777	5,028	5,196	5,253	5,237	5,212
15	Miscellaneous	1,689	1,605	1,881	1,610	1,721	1,852	1,895	1,928	1,625	2,208	2,094	2,152	2,212	2,282	2,274	2,322	2,370	2,419	2,467
16	Investment Income	1,369	3,911	4,616	2,075	1,655	1,934	3,457	5,746	4,871	7,602	3,370	0	191	596	2,254	2,161	2,067	1,973	1,880
17	Miscellaneous Other	2,468	3,040	2,591	1,720	3,081	1,049	1,677	2,019	1,761	1,679	5,833	1,587	3,997	5	2,219	2,205	2,191	2,177	2,163
18	Total Unrestricted	356,860	379,117	374,463	385,178	386,558	391,128	405,288	418,200	444,764	446,291	422,975	411,738	437,060	436,221	448,525	458,292	466,194	471,806	476,485
19	Department Specific Revenue																			
20	Restricted Sales Tax	17,859	18,315	18,886	31,235	34,348	31,882	35,438	35,551	35,322	152,393	122,281	65,640	68,632						
21	Sales and Aviation Fuel Taxes														74,283	75,158	78,148	81,137	84,127	87,116
22	Federal Contracts & Grants	165,514	167,564	126,595	205,982	191,104	204,741	197,328	264,262	255,247	283,992	322,175	421,819	293,018	454,343	406,934	427,347	447,760	468,174	488,587
23	Departmental Collections	33,815	39,658	43,480	44,055	41,947	45,583	46,225	50,190	54,670	67,876	64,688	81,332	82,592	89,122	89,863	92,206	95,372	98,961	102,768
24	All Other Department Specific Revenue	47,742	37,984	49,250	54,061	38,683	49,287	55,783	71,176	84,961	127,789	157,930	127,244	143,339	94,141	145,718	154,094	162,471	170,847	179,223
25	Aeronautics Fund	18,737	26,859	33,386	31,026	18,791	25,821	34,416	37,521	44,074	68,193	34,141	39,753	51,003	22,883	46,353	47,899	49,445	50,991	52,537
26	Investment Income	383	645	1,082	582	732	1,135	1,048	1,548	1,598	5,373	5,761	769	469	42	2,372	2,486	2,601	2,716	2,830
27	Restricted Taxes	7,859	-2,060	818																
28	Miscellaneous*	20,763	12,540	13,964	22,453	19,160	22,331	20,319	32,107	39,289	54,223	118,028	86,722	91,867	71,216	96,993	103,709	110,424	117,140	123,856
29	Other																			
30	Total Department Sepcific Revenues	264,930	263,521	238,211	335,333	306,082	331,493	334,774	421,179	430,200	632,050	667,074	696,035	587,581	711,889	717,674	751,795	786,740	822,108	857,694
31	Total Transportation Fund Revenues	621,790	642,638	612,674	720,511	692,640	722,621	740,062	839,379	874,964	1,078,341	1,090,049	1,107,773	1,024,641	1,148,110	1,166,199	1,210,087	1,252,933	1,293,915	1,334,180
32	Intrafund Eliminations	-16,893	-18,855	-26,320																
33	**Expenditures**																			
50	Transportation	510,776	527,709	539,274	665,042	573,874	634,727	701,332	800,726	858,783	1,100,673	1,403,297	1,246,498	997,766	1,087,500	1,255,944	1,315,324	1,374,705	1,434,085	1,493,466
51	Total Expenditures	510,776	527,709	539,274	665,042	573,874	634,727	701,332	800,726	858,783	1,100,673	1,403,297	1,246,498	997,766	1,087,500	1,255,944	1,315,324	1,374,705	1,434,085	1,493,466
52	**Other Financing Sources**																			
53	Proceeds of Revenue Bonds/Contracts			1,688																
54	General Obligation Bonds Issued					45,400					70,083	427,917	39,500							
55	Premium (Discount) on Bonds Issued					6,600														
56	Sales of Capital Assets									6,747	8,058	6,157	8,016	14,607	12,276					
57	Transfers In			27,100	36,131	19,412	28,127	48,406	83,449	146,830	264,234	189,981	115,904	114,097	66,476	170,703	182,348	193,993	205,638	217,283
58	Transfers Out			-102,835	-86,520	-107,483	-107,902	-109,216	-120,824	-54,308	-131,245	-150,054	-138,550	-145,341	-148,965	-150,224	-155,345	-160,466	-165,587	-170,708
61	Revenue-Expenditures+Transfers in+Transfers out	111,014	114,929	-2,335	5,080	30,695	8,119	-22,080	1,278	108,703	110,657	-273,321	-161,371	-4,369	-21,879	-69,266	-78,234	-88,244	-100,120	-112,711
62																				
63	CAFR Page # for each annual report	pg. 113	pg. 113	pg. 115	pg. 98	pg. 102	pg. 108	pg. 108	pg. 110	pg. 115	pg. 117	pg. 121	pg. 126	pg. 130	pg. 130					
64	Notes																			
65	*Forecast includes Investment Income																			
66		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
67	Motor Fuel Tax	224,691	237,574	229,410	237,925	236,639	239,925	241,484	240,432	254,676	250,669	235,481	243,295	252,501	252,954					
68	Special Fuel Tax	73,699	76,590	80,590	84,406	84,523	86,163	93,837	101,098	111,150	112,984	101,367	94,812	102,613	104,099					
69	All Other Transportation Fund Revenue (∑rows 8-17)	58,470	64,953	64,463	62,847	65,396	65,040	69,967	76,670	78,938	82,638	86,127	73,631	81,946	79,168					
70	Motor Fuel Tax Projection															253,670	255,325	256,979	258,634	260,289
71	Special Fuel Tax Projection															109,569	115,552	119,722	121,840	123,021
72	All Other Transportation Fund Revenue Projection															85,286	87,414	89,492	91,333	93,176
73	Motor Fuel Tax Adopted															250,700	255,325			
74	Special Fuel Tax Adopted															99,500	99,500			
75	All Other Transportation Fund Adopted															82,300	83,594			
76		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
77	Transportation	510,776	527,709	539,274	665,042	573,874	634,727	701,332	800,726	858,783	1,100,673	1,403,297	1,246,498	997,766	1,087,500					
78	Transportation Projection															1,255,944	1,315,324	1,374,705	1,434,085	1,493,466
79	Transportation Appropriated															1,817,891	1,257,000			
80																				
81	Revenues - Expenditures + Net Transfers	111,014	114,929	-2,335	5,080	30,695	8,119	-22,080	1,278	108,703	110,657	-273,321	-161,371	-4,369	-21,879					
82	Revenues - Expenditures + Net Transfers Projection															-69,266	-78,234	-88,244	-100,120	-112,711
83	Cumulative, Revenues - Expenditures + Net Transfers Projection															-69,266	-147,500	-235,744	-335,864	-448,575

	A	R	S	T	U	V	W	X	Y	Z	AA	AB	AC	AD
1	**Appendix D: Transportation Investment Fund Detail Table**													
2	**Revenues**	2006	2007	2008	2009	2010	2011	2012	Percent of	2013	2014	2015	2016	2017
3	Transportation Investment Fund Revenue	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Total	Forecast	Forecast	Forecast	Forecast	Forecast
4	Sales Tax	65,851	201,907	177,321	157,050	145,012	29,391	269,313	66%	351,572	395,633	439,694	483,755	527,816
5	Motor Vehicle Registration Fees	21,486	22,354	23,055	22,955	68,792	70,573	71,706	17%	72,857	74,027	75,215	76,423	77,650
8	All Other TIF Revenue	8,199	26,415	15,035	2,149	105,413	104,446	69,606	17%	138,704	144,069	149,434	154,799	160,164
17	Total Revenues Transportation Investment Fund	95,536	250,676	215,411	182,154	319,217	204,410	410,625	100%	563,133	613,729	664,343	714,977	765,630
18	**Expenditures**													
19	Transportation	176,300	363,982	373,222	293,498	771,720	980,628							
20	Capital Outlay							803,775		1,039,620	1,165,128	1,290,635	1,416,143	1,541,651
23	Total Expenditures	176,300	363,982	373,222	293,498	771,720	980,628	803,775		1,039,620	1,165,128	1,290,635	1,416,143	1,541,651
24	**Other Financing Sources**													
25	General Obligation Bonds					865,400	992,000	563,060						
26	Premium on Bonds Issued							83,340						
29	Transfers In	196,832	263,684	438,833	131,977	77,117	78,417	82,634		104,194	104,194	104,194	104,194	104,194
30	Transfers Out	-156,393	-182,977	-209,058	-222,796	-239,479	-284,280	-299,497		-322,403	-346,058	-369,713	-393,368	-417,023
31	Total Other Financing Sources	40,439	80,707	229,775	-90,819	703,038	786,137	429,537		-218,209	-241,864	-265,519	-289,174	-312,829
32	Revenue-Expenditures+Transfers in+Transfers out	135,975	331,383	445,186	91,335	156,855	-1,453	-610,013		-694,696	-793,262	-891,811	-990,340	-1,088,849
33														
34	CAFR Page # for each annual report			pg. 118	pg. 122	pg. 127	pg. 131							
35														
36		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
37	Transportation Investment Fund	176,300	363,982	373,222	293,498	771,720	980,628	803,775						
38	Transportation Investment Fund Projection								1,039,620	1,165,128	1,290,635	1,416,143	1,541,651	
39	Transportation Investment Fund Adopted								747,000	555,000				
40														
41	**Expenditures, Revenue Sources Compared Against Appropriated for FY 2013 and FY 2014**													
42	Sales tax	65,851	201,907	177,321	157,050	145,012	29,391	269,313						
43	Sales tax projection								351,572	395,633	439,694	483,755	527,816	
44	Sales tax adopted								373,531	409,240				
45	Motor Vehicle Registration Fees	21,486	22,354	23,055	22,955	68,792	70,573	71,706						
46	Motor Vehicle Registration Fees Projection								72,857	74,027	75,215	76,423	77,650	
47	Motor Vehicle Registration Fees Adopted								73,570	75,483				
48	All Other TIF Revenue	8,199	26,415	15,035	2,149	105,413	104,446	69,606						
49	All Other TIF Revenue Projection								138,704	144,069	149,434	154,799	160,164	
50	All Other TIF Revenue Adopted								105,733	106,156				
51														
52	Revenues - Expenditures + Net Transfers	135,975	331,383	445,186	91,335	156,855	-1,453	-610,013						
53	Revenues - Expenditures + Net Transfers Projection								-694,696	-793,262	-891,811	-990,340	-1,088,849	
54	Cumulative, Revenues - Expenditures + Net Transfers Projection								-694,696	-1,487,958	-2,379,769	-3,370,108	-4,458,957	

	A	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA	AB	AC	AD
1								Appendix E: DABC Detail Table												
2	**Revenues**	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Percent of	2013	2014	2015	2016	2017
3	DABC	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Total	Forecast	Forecast	Forecast	Forecast	Forecast
7	Receipts from Customers/Loan Interest/Fees/Pren	138,749	146,564	156,685	159,435	169,242	182,301	204,735	231,101	256,642	270,374	280,954	296,109	326,100		336,715	349,655	363,929	378,970	394,450
10	Total Revenue	138,749	146,564	156,685	159,435	169,242	182,301	204,735	231,101	256,642	270,374	280,954	296,109	326,100		336,715	349,655	363,929	378,970	394,450
11	**Expenditures**																			
12	Payments to Suppliers/Claims/Grants	78,955	81,548	86,441	86,239	91,174	99,836	112,239	124,092	139,359	147,558	156,754	166,219	176,874	71.3%	183,833	191,423	199,425	207,695	216,141
15	Payments for Employee Services and Benefits	9,228	9,835	10,379	11,259	11,371	12,103	12,990	13,235	15,088	16,290	16,231	16,021	15,487	6.2%	17,484	18,119	18,754	19,389	20,024
16	Payments to State Suppliers	945	2,093	1,094	1,234	1,118	1,542	-1,285	1,820	7,217	4,220	3,177	1,112	3,333	1.3%	3,632	3,847	4,063	4,278	4,493
17	Payments of Sales, School Lunch, and Premium Ta	22,534	22,854	24,974	24,004	25,597	29,390	31,824	36,302	41,312	40,764	42,610	45,283	52,348	21.1%	51,146	53,619	56,093	58,566	61,040
18	Total Expenditures	111,662	116,330	122,888	122,736	129,260	142,871	155,768	175,449	202,976	208,832	218,772	228,635	248,042		256,094	267,009	278,334	289,928	301,697
19	Revenue-Expenditures	27,087	30,234	33,797	36,699	39,982	39,430	48,967	55,652	53,666	61,542	62,182	67,474	78,058		80,621	82,646	85,595	89,041	92,753
20																				
21	CAFR Page # for each annual report	pg. 150	pg. 156	pg. 137	pg. 141	pg. 147	pg. 147	pg. 149	pg. 155	pg. 157	pg. 161	pg. 165	pg. 171	pg. 169						
22		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
23	Receipts	138,749	146,564	156,685	159,435	169,242	182,301	204,735	231,101	256,642	270,374	280,954	296,109	326,100						
24	Receipts Projections														336,715	349,655	363,929	378,970	394,450	
25	Payments to Suppliers/Claims/Grants	78,955	81,548	86,441	86,239	91,174	99,836	112,239	124,092	139,359	147,558	156,754	166,219	176,874						
26	Payments to Suppliers/Claims/Grants Projection														183,833	191,423	199,425	207,695	216,141	
27	Payments of Sales, School Lunch, and Premium Taxe	22,534	22,854	24,974	24,004	25,597	29,390	31,824	36,302	41,312	40,764	42,610	45,283	52,348						
28	Payments of Sales, School Lunch, and Premium Taxes Projection														51,146	53,619	56,093	58,566	61,040	
29	DABC, Employee costs, all other	10,173	11,928	11,473	12,493	12,489	13,645	11,705	15,055	22,305	20,510	19,408	17,133	18,820						
30	DABC, Employee costs, all other Projection														21,116	21,966	22,816	23,667	24,517	
31	DABC Receipts Adopted														347,277	371,586				
32	DABC, Payments to Suppliers/Claims/Grants Adopted														176,972	189,360				
33	DABC, Payments of Sales, School Lunch, and Premium Taxes Adopted														56,467	60,420				
34	DABC, Employee costs, all other Adopted														19,220	21,847				
35																				
36	Revenues - Expenditures + Net Transfers	27,087	30,234	33,797	36,699	39,982	39,430	48,967	55,652	53,666	61,542	62,182	67,474	78,058						
37	Revenues - Expenditures + Net Transfers Projection														80,621	82,646	85,595	89,041	92,753	
38	Cumulative, Revenues - Expenditures + Net Transfers Projection														80,621	163,267	248,862	337,903	430,656	