

# FISCAL HIGHLIGHTS

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## Prison Population and Trends

### EXECUTIVE OFFICE AND CRIMINAL JUSTICE

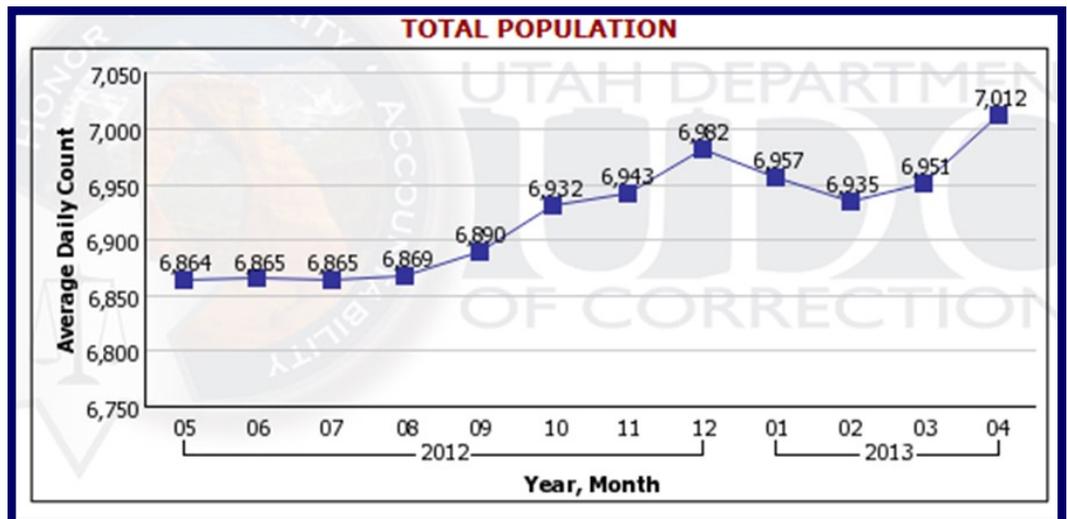
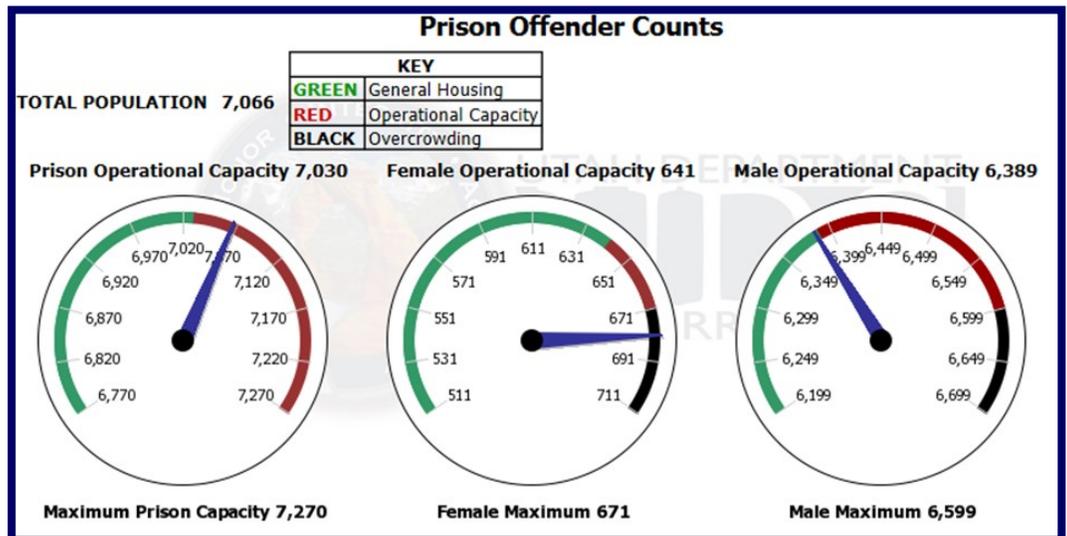
Staff Contact: Gary Syphus

At the end of April 2013, Utah's prison population was 7,012 – up from 6,948 from the beginning of December 2012. Current prison facilities have an operational capacity of 7,030 inmates and a maximum capacity of 7,270 prisoners for FY 2013. For FY 2014, the Legislature funded an additional 180 beds (about \$3.1 million one-time) through county jails to manage the projected increase for FY 2014.

Current projections from the Department of Corrections estimate an additional 15 prisoners per month. Below are two

snapshots of (1) prisoner counts in April 2013 by male and female populations and (2) total prison population for the past 12 months.

Since the beginning of December 2012, the prison population increased by about 120 prisoners. While females make up about 10% of the prison population, they constituted approximately 50% of the increase. Managing the prison population becomes more complex as males and females must be housed separately. For FY 2014, the capacity to house the projected increases in the state prison population is stable.



LEGISLATIVE FISCAL ANALYST

## EXECUTIVE APPROPRIATIONS COMMITTEE

SENATOR LYLE HILLYARD & REPRESENTATIVE MEL BROWN, CO-CHAIRS

### MEETING SUMMARY - MAY 14, 2013

#### **Report: URS Liability, Contribution Rates, and Assumed Rate of Return**

*Staff Contact: Brian Fay*

Utah Retirement Systems (URS) is working to restore the retirement liability funded ratio to 100% following the 2008 losses. Earnings and losses are spread over 5 years to protect contribution rates from market volatility. The losses from 2008 have now been fully recognized resulting in a funding ratio of 76% for all state retirement systems. The unfunded liability was amortized over 25 years and URS is on schedule to be fully funded in 21 years. URS utilizes an actuarial assumed rate of return on investments of 7.5% which was calculated by the actuary utilizing various factors, including capital market assumptions. The State Auditor's Office audit on the URS system concluded that the likelihood of achieving the assumed rate of return is less than 50/50, and recommended the URS board consider lowering the assumed rate of return to a level with less risk.

#### **Report: Federal/Non-Federal Funds**

*Staff Contact: Gary Syphus*

The EAC reviewed the grants report submitted by the Governor. The committee approved ten federal grants: six new, one supplemental, and three revisions of existing federal grants. The committee also approved four new non-federal grants. Details regarding these grants can be found at <http://le.utah.gov/interim/2013/pdf/00001945.pdf>.

#### **Report: Adoption of 2013 General Session Revenue Estimates**

*Staff Contact: Andrea Wilko*

The EAC adopted May revenue estimates which took the February consensus forecast and adjusted it for legislative changes. This revenue figure will be used by the Division of Finance to calculate any potential surplus at the end of the fiscal year.

#### **Report: Five-Year Budget and Revenue Projections**

*Staff Contact: Andrea Wilko*

Staff presented a five-year forecast of the state's revenues and expenditures. If current trends continue, the State should have a positive cash position at the end of five years for both the General and Education Funds. Transportation could have a negative cash position at the end of five years. This is largely the result of bonding which gets treated as an ongoing expenditure stream in a trend analysis. Due to constitutional requirement for a balanced budget, the Legislature will adjust spending going

forward to meet the revenue expectations.

#### **Report: Financial Ready Utah Presentation**

*Staff Contact: Steve Allred*

Dr. Chris Martenson addressed the committee on the topics of the economy, our monetary system, the exponential rate at which debt and other inputs to the economy have grown, potential unsustainability of exponential systems, and risks going forward. He also presented to the Federal Funds Commission later in the day. A copy of his presentation is available at:

<http://le.utah.gov/interim/2013/pdf/00001955.pdf>.

#### **Report: LFA In-depth Budget Review**

*Staff Contact: Steven Allred*

Joint Rule 3-2-502 requires the Executive Appropriations Committee to annually select an agency, institution, or program to be the subject of an in-depth budget review. This year the Fiscal Analyst's Office recommended a study of "off-budget" funds and operations. The study will identify each fund or operation, state entity using it, purposes for which it exists, history of revenues and expenditures, and any recommendations that arise from the study. The committee approved the study.

#### **Report: GOMB In-depth Budget Review**

*Staff Contact: Steven Allred*

UCA 63J-1-701 requires the Legislative Management Committee (LMC), upon request from an appropriations committee, to request an in-depth budget review by the Governor's Office. The Executive Appropriations Committee approved a recommendation that the LMC ask the Governor's Office to study the Department of Veterans' and Military Affairs during the 2013 Interim.

#### **Report: 2013 General Session Budget Highlights**

*Staff Contact: Jonathan Ball*

[The FY 2014 Appropriations Report](http://le.utah.gov/interim/2013/pdf/00001950.pdf) shows how the 2013 Legislature balanced the budget and is now available online. The document provides detail on each item of appropriation and is also searchable. A person looking for a specific bill and item number, or an amount associated with a particular initiative, can just type that initiative's name into Acrobat's "Find" toolbar and click enter. (To "Find" the toolbar, right-click the existing toolbar and put a check next to "Find".) As always, the Fiscal Analyst's staff is happy to provide clarifications, answer questions, and respond to requests. Full link to the report is: <http://le.utah.gov/interim/2013/pdf/00001950.pdf>.



## Tuition and Fee Increases for USHE and UCAT, 2013-2014

### HIGHER EDUCATION

Staff Contact: Spencer Pratt & Angela Oh

Each year, following the General Session, the State Board of Regents meets and approves tuition increases for the upcoming academic year for the institutions in the Utah System of Higher Education. On March 29, the Board approved a first-tier tuition increase of five percent and a second-tier tuition increase of one percent for Utah Valley University and Salt Lake Community College only. The increase is expected to generate almost \$28.6 million, most of which will be used for compensation and related benefits for employees. The Board also approved fee increases for each institution. The tuition and fee increases are shown in the following table:

USHE Tuition and Fee Increases for 2013-2014					
Institution	1 <sup>st</sup> Tier	2 <sup>nd</sup> Tier	Total %	Total \$	Fee %
University of Utah	5.00%		5.00%	\$10,100,000	0.88%
Utah State University	5.00%		5.00%	\$4,961,000	0.26%
Weber State University	5.00%		5.00%	\$3,265,000	3.00%
Southern Utah Univ.	5.00%		5.00%	\$1,600,000	16.23%
Utah Valley University	5.00%	1.00%	6.00%	\$4,500,000	8.13%
Dixie State University	5.00%		5.00%	\$1,079,100	3.71%
Snow College	5.00%		5.00%	\$419,000	0.00%
Salt Lake Comm. Coll.	5.00%	1.00%	6.00%	\$2,650,000	1.70%
<b>Total USHE</b>				<b>\$28,574,100</b>	

The Utah College of Applied Technology (UCAT) Board of Trustees also has met and approved a \$0.05 per membership hour tuition increases for FY 2014. In addition, the Board approved an additional \$0.15 per membership hour increase for students at Davis ATC and an additional increase of \$0.25 per membership hour for students at Dixie, Mountainland, and Uintah Basin ATCs. The increases are summarized in the following table:

UCAT Tuition Increases for 2013-2014				
Institution	1 <sup>st</sup> Tier	2 <sup>nd</sup> Tier	Total %	Total \$
Bridgerland ATC	2.94%		2.94%	\$42,800
Davis ATC	2.94%	8.82%	11.76%	\$262,900
Dixie ATC	2.94%	14.71%	17.65%	\$67,700
Mountainland ATC	2.94%	14.71%	17.65%	\$147,600
Ogden/Weber ATC	2.94%		2.94%	\$52,800
Southwest ATC	2.94%		2.94%	\$10,900
Tooele ATC	2.94%		2.94%	\$4,100
Uintah Basin ATC	2.94%	14.71%	17.65%	\$116,500
<b>Total UCAT</b>				<b>\$705,300</b>



## Fleet Purchases of 52 CNG Vehicles

### INFRASTRUCTURE & GENERAL GOVERNMENT

Staff Contact: Gary Ricks

The Division of Fleet Operations (DFO) is an Internal Service Fund within the Department of Administrative Ser-

vices (DAS). The division's responsibilities include performing all administrative duties related to managing the state's vehicles, coordinating all vehicle purchases, managing the fleet information system for all state vehicles, making rules, operating a fuel dispensing service, and setting rates to recover costs.

During the 2013 Legislative Session, lawmakers raised the division's FY 2013 Authorized Capital Outlay by \$1 million to increase the number of Compressed Natural Gas (CNG) vehicles within the fleet. This action supports Utah's participation in a multi-state memorandum of understanding with 21 other states to create a wider market for CNG vehicles and improve the air quality for the citizens of Utah.

DFO reported that as of May 14, 2013, the Draper fleet office has received 34 CNG Honda Civics. Two additional CNG Honda Civics and 16 CNG Chevrolet Silverado Trucks are ready to be delivered by the deal in the next few weeks. The incremental spending increase on the new 52 CNG vehicles is \$629,000.



## USTAR 2013 General Session Recap

### BUSINESS, ECONOMIC DEVELOPMENT & LABOR

Staff Contact: Zackery King

During the 2013 General Session, the Legislature took multiple actions affecting the Utah Science Technology and Research Initiative (USTAR) budget. First, the Legislature increased ongoing General Fund appropriations by \$5 million beginning in 2014, bringing total General Fund ongoing appropriations to about \$22 million. This \$5 million in new money represents a 30% increase and breaks down to \$2 million for new research teams and \$3 million to restore the base budget to pre-FY 2009 levels.

Second, the Legislature requested an audit of USTAR's budget, performance, and accountability processes.

Third, the Legislature created the "USTAR Research Teams" line item in USTAR's budget to provide further transparency and accountability of state funds appropriated to USTAR.

Further detail can be obtained at the following links: [USTAR Budget Issues for FY 2014](#) and [Utah Science Technology and Research Initiative \(USTAR\)](#).



## Marketplace Fairness Act

### GOVERNMENT OPERATIONS

Staff Contact: Steven Allred

On May 6, the U.S. Senate voted 69-27 in favor of the Marketplace Fairness Act (MFA). The bill now goes to the House of Representatives for consideration. As has widely been reported in the media, the bill would authorize states that adopt certain simplification provisions to require out-of-state retailers with more than \$1 million per year in out-of-state sales to collect and remit the state's sales taxes.

The legislation requires participating states to provide free software for remote sellers that calculates sales and use taxes due on each transaction. Under current law, states can only collect taxes from businesses with a physical location in the state.

According to the National Retail Federation (NRF), the \$1 million threshold would exempt 99% of Internet sellers. (click the link to view video: <http://video.pbs.org/video/2365004130>).

The U.S. Department of Commerce reports that five percent of retail sales were e-commerce in 2012 ([http://www.census.gov/retail/mrts/www/data/pdf/ec\\_current.pdf](http://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf)). The NRF believes that number will double in the next six years.

[NCSL cites a University of Tennessee study](#) estimating states will lose \$23.3 billion in 2012 from being prohibited from enforcing sales tax on on-line and catalog purchases. For Utah, the study estimates a loss of \$180.7 million. We don't know if passage of the MFA would actually increase Utah's sales tax revenue by that amount. We should note that that a portion of sales taxes is not collected due to retailer non-compliance, lack of enforcement, bankruptcy, or other factors.

Under terms of S.B. 68, 2013 General Session, if the MFA does become law, any additional revenue will be deposited in a separate restricted account, to be used to lower tax rates as determined by the Legislature.

[Utah is one of 24 states](#) that already have complied with the Streamlined Sales and Use Tax Agreement, which enables volunteer sellers, both on-line and catalog, to collect sales taxes for their state.



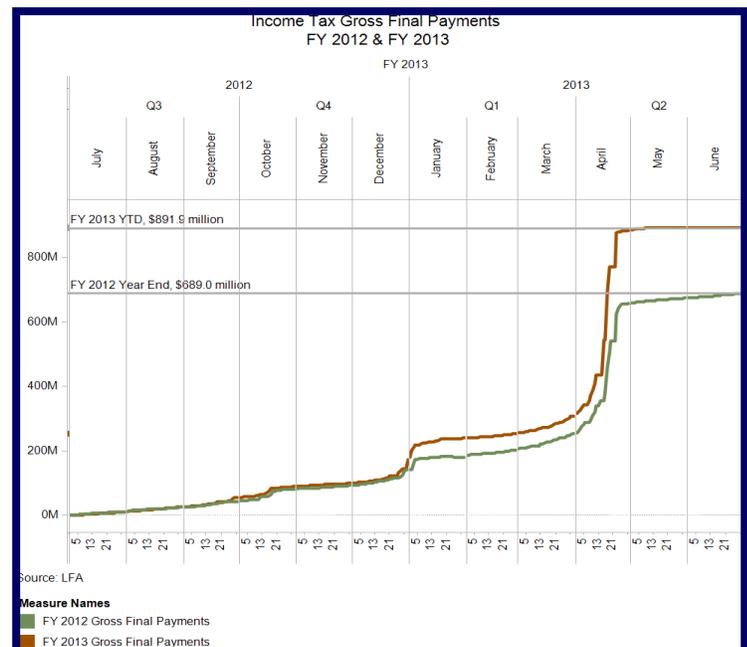
## Why Is Education Fund Revenue So High?

### PUBLIC EDUCATION

Staff Contact: Thomas Young

The Tax Commission's ten-month TC-23 shows a year over year (YoY) growth rate for the individual income tax of 15.8% and a YoY growth rate for the corporate income tax of 33.7%, both of which are above the respective consensus targets.

Why is revenue coming in above target? Both for the individual income tax and the corporate tax, the answer is almost completely due to unexpected gross final payments for tax year 2012.



On the individual income tax side, gross final payments are up about \$202.9 million from FY 2012 year end to FY 2013 YTD collections.

On the corporate income tax side, the revenue increase to date is due to 2012 fourth quarter payments, tax year 2012 final payments, and tax year 2012 late payments, with fourth quarter 2012 payments coming in up \$27 million compared to fourth quarter 2011 revenue, final payments up \$14 million, and late payments up \$22 million.

As to why the income and corporate taxes are coming in above target, the results are mostly due to realized capital gains associated with all-time equity market highs, federal tax changes causing cost conscious investors to shift gains into 2012, higher than anticipated dividend income, and higher levels of 2012 bonus income unrelated to the federal tax increases.



## FY 2014 Capital Improvement Projects

### INFRASTRUCTURE AND GENERAL GOVERNMENT

Staff Contact: Mark Bleazard

The Legislature annually appropriates funds to the capital improvements line item in the capital budget for repairs of existing buildings. The Legislature also approves a list of all requested capital improvement projects from state agencies and institutions and allows the State Building Board to allocate funding to the most critical of those approved projects.

During the 2013 General Session, the Legislature approved requested capital improvement projects amounting to over \$180 million and appropriated \$87.7 million to the capital improvements line item. The State Building Board met in April 2013 and allocated the \$87.7 million as listed in the table below.

FY 2014 Capital Improvement Allocations	
<b>Higher Education</b>	
Utah State University-Eastern	\$1,248,000
Dixie State University	1,707,000
Salt Lake Community College	3,861,000
Snow College	1,717,000
Southern Utah University	2,638,000
University of Utah	21,450,000
Utah State University	7,469,000
Utah Valley State University	3,820,000
Weber State University	3,917,000
Utah College of Applied Tech	3,601,000
<b>Subtotal Higher Ed</b>	<b>\$51,428,000</b>
<b>State Agency</b>	
Agriculture	\$200,000
Alcoholic Beverage Control	588,000
Capitol Preservation Board	3,249,000
Community & Culture	141,000
Corrections	3,073,000
Courts	3,158,000
DFCM	5,042,100
Fair Park	590,000
Health	1,204,000
Human Services	3,783,000
National Guard	2,488,000
Natural Resources	2,869,000
Public Ed/Rehab/Deaf & Blind	844,000
Public Safety	433,000
Tax Commission	865,000
Transportation	2,009,000
Workforce Services	775,000
Statewide Programs	5,000,000
<b>Subtotal State Agencies</b>	<b>\$36,311,100</b>
<b>Grand Total</b>	<b>\$87,739,100</b>

Projects receiving funding include infrastructure upgrades, roofing improvements, paving improvements, and general repairs to buildings.

The Legislature also included intent language that re-

quires the State Building Board and the Division of Facilities Construction and Management to “propose a prioritized scoring process” to determine allocation of capital improvements appropriations. This process is beginning to take shape and its progress will be reported in the near future.



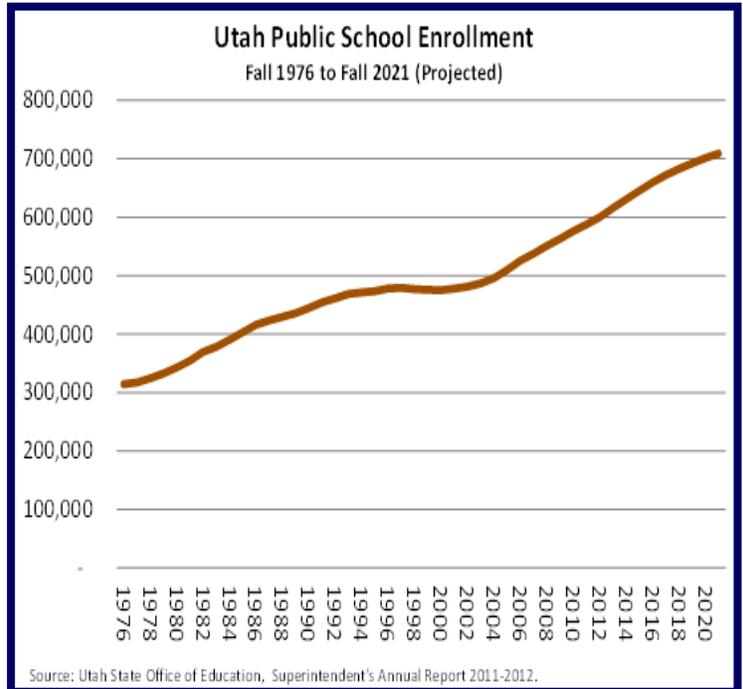
## Student Enrollment Growth – History & Projections

### PUBLIC EDUCATION

Staff Contact: Ben Leishman

Utah’s public schools have experienced a pattern of annual student enrollment increases for the past 40 years. In fact, since 1976 there have only been three years of enrollment decline. Between the fall of 1998 and the fall of 2000, enrollment declined by 3,882 students, a decrease of 0.8%.

Beginning in fall 2001, student enrollment began to increase again and annual increases have stabilized around 2%. Since the fall of 2000, total enrollment increased by 124,975 students. Utah public schools enrolled 600,244 students in fall 2012, an increase of 26% since 2000.



Projections indicate that student enrollment will continue to increase into the next decade. However, the annual change will likely decrease to approximately 1.5 percent a year. The Utah State Office of Education projects that total enrollment may approach 709,200 students by the fall of 2021. This is an increase of an additional 108,900 students in the public education system, an increase of over 18%.



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## RETURN SERVICE REQUESTED



### Measuring Our Own Performance

Staff Contact: Jonathan Ball

Utah Legislators regularly emphasize performance measurement as integral to budgeting. We, your staff, take that seriously in our analysis and recommendations for state agency and education budgets. Perhaps more importantly, we apply performance metrics to our own operation. We track measures for objectivity, accuracy, and relevance in our daily activities, and we report those to the Legislative Management Committee's Subcommittee on Oversight.

One of our internal measures is on-time delivery of fiscal notes. By legislative rule, we are required to provide a fiscal note on each numbered bill within three days of its numbering. If we can't complete the note in three days, we have to ask sponsors for an extension.

We began measuring on-time fiscal notes performance in 2008. As the adage goes, what gets measured, gets improved. Since 2008, we've had a goal of 95% on-time performance, and last year we finally

achieved that goal. We did so by examining our process, identifying bottlenecks, and leveraging those bottlenecks with technology and personnel.

Our getting fiscal notes done on-time allows you to get your bills heard in committee or on the floor. Our perfor-

mance impacts your effectiveness. We know that, and we'll continue measuring and improving our performance so that we serve you well.

