

What's Still Eating Utah's General Fund?

Unfunded Earmarks are Undermining the Budget Process and Affecting Utah Families and Children



PRESENTATION TO TAX REVIEW COMMISSION

**MATTHEW WEINSTEIN
FISCAL POLICY DIRECTOR
JUNE 25, 2015**



ABOUT VOICES FOR UTAH CHILDREN

Since 1985, Voices for Utah Children has worked to make Utah a place where all children thrive. We start with one basic question: "Is it good for kids?" At Voices for Utah Children, we believe that every child deserves the opportunity to reach his or her full potential.

Voices for Utah Children • 747 E. South Temple, Suite 100 • 801-364-1182 • www.utahchildren.org



ABOUT THIS REPORT

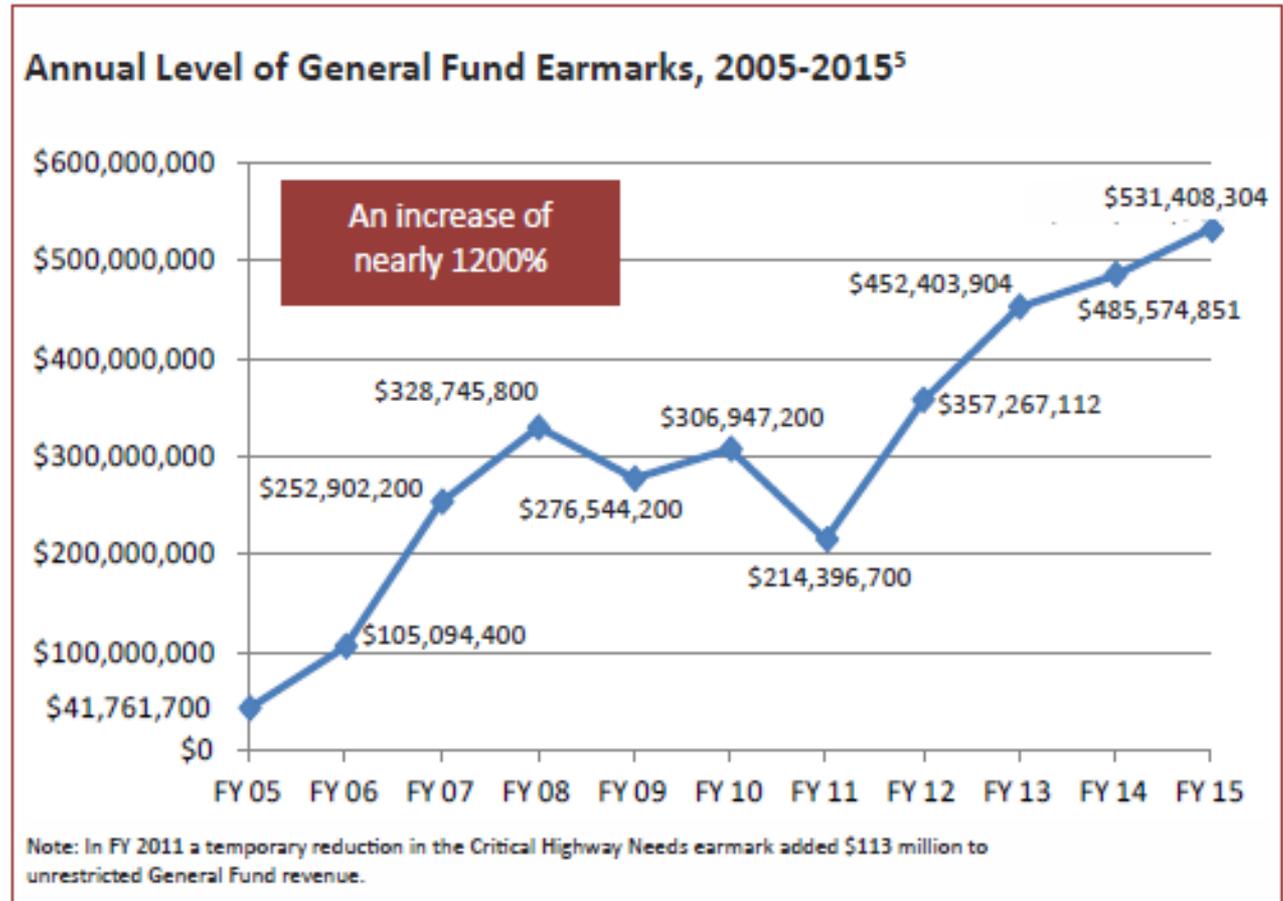
This report, “What's Still Eating the General Fund: How Unfunded Earmarks Are Undermining the Budget Process and Affecting Utah Families and Children,” is an updated version of a 2012 report entitled “What’s Eating the General Fund.”

The author of the report was Matthew Weinstein, MPP, Fiscal Policy Director with Voices for Utah Children.

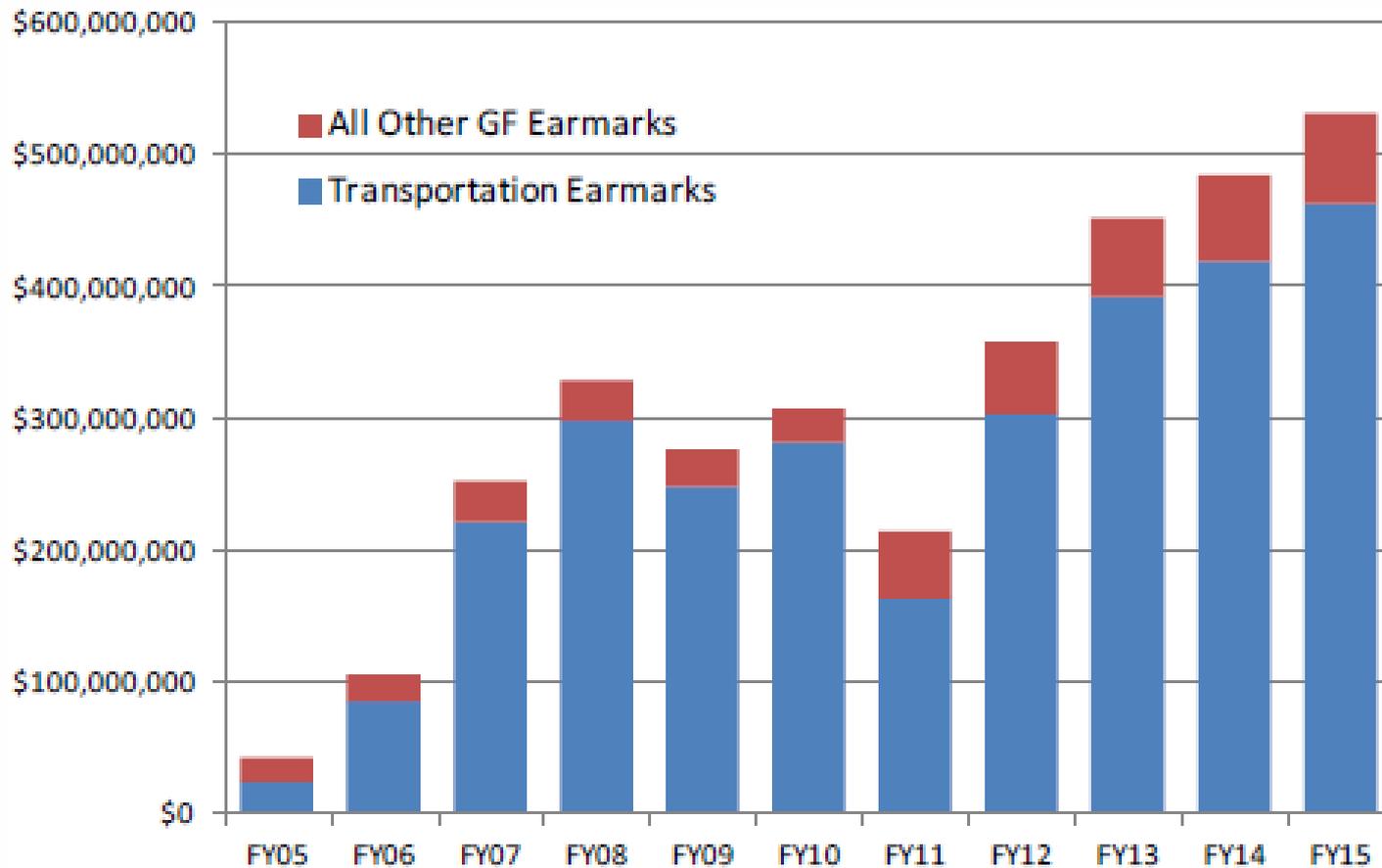


ANNUAL LEVEL OF GENERAL FUND EARMARKS, 2005-2015

Year	Amount of General Fund Earmarks
FY 2005	\$ 41,761,700
FY 2006	\$105,094,400
FY 2007	\$252,902,200
FY 2008	\$328,745,800
FY 2009	\$276,544,200
FY 2010	\$306,947,200
FY 2011	\$214,396,700
FY 2012	\$357,267,112
FY 2013	\$452,403,904
FY 2014	\$485,574,851
FY 2015	\$531,408,304



Transportation Dominates General Fund Earmarks⁶



Note: In FY 2011 a temporary reduction in the Critical Highway Needs earmark reduced restricted revenue by \$113 million.



Social services advocates urge lawmakers to restore earmarked revenues

By Marjorie Cortez, Deseret News
Published: Friday, Feb. 27 2015 7:10 p.m. MST

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Social services advocates called on Utah lawmakers Friday to restore earmarked revenues to the state's general fund to address urgent needs in social services and education.

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SALT LAKE CITY — Social services advocates called on Utah lawmakers Friday to restore earmarked revenues to the state's general fund to address urgent needs in social services and education.

"Robbing Peter to pay Paul has become an unfortunate pattern in Utah's public finance decision-making," Matthew Weinstein of the child advocacy organization Voices for Utah Children said at a news conference at the state Capitol.

Most of the earmarks are dedicated to transportation and water infrastructure projects, diverting resources from education, services for people with disabilities, and behavioral health treatment, the advocates said. The earmarks were established without identifying new revenue sources to fund them, an open letter to lawmakers said.

"Earmarking ties policymakers' hands so they can't adapt to the evolving needs of the state's ever-growing and ever-changing economy and population," Weinstein said.

The letter was signed by representatives of the Catholic Diocese of Salt Lake City's Peace and Justice Commission, Comunidades Unidas, Community Action Partnership of Utah, Disability Law Center, Legislative Coalition for People with Disabilities, National Alliance on Mental Illness - Utah, Salt Lake Community Action Program, Utah Housing Coalition, Utah League of Women Voters, Utahns Against Hunger, and Voices for Utah Children.



THREE MAJOR CONCERNS ABOUT EARMARKS

1. Budget process concerns:

- a) Ties the Legislature's hands
- b) Undermines normal annual budget scrutiny and balancing of priorities



THREE MAJOR CONCERNS ABOUT EARMARKS

2. Concerns with the 17% rationale

- a) Not a standard public budgeting principle
- b) Should this principle be applied to all categories of consumer spending?
- c) Undermines the principle behind user fees, a broadly applied principle that seeks to have the market for public goods more closely resemble the market for private goods
- d) A rationale or a rationalization?



CONCERN #3: “UNFUNDED EARMARKS”

“Unfunded earmarks” meet two criteria:

1. They were created to address newly identified state investment needs.
2. The earmarking/diversion of funds was necessary because no new revenue source was created to finance the newly identified needs.



IMPACT OF THE UNFUNDED EARMARKS ON OTHER STATE PRIORITIES

Disabilities Services

Cost to Utah to eliminate the critical needs wait list

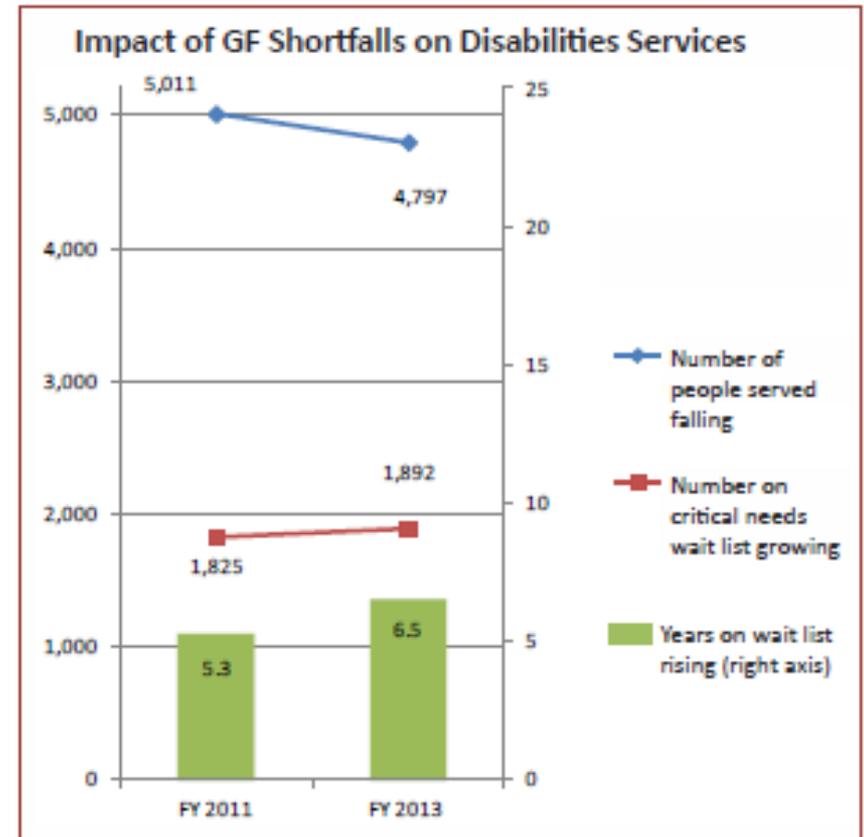
\$12,677,507
(which would be matched by an additional \$30,304,378 in federal funds)

Utah's starting wage for direct service staff

\$8/hour
(lowest in the nation)

Annual turnover rate for direct service staff

86%

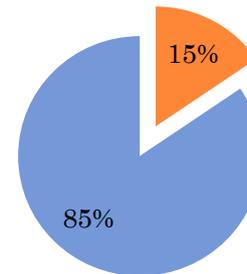


IMPACT OF THE UNFUNDED EARMARKS ON OTHER STATE PRIORITIES

Mental Health and Substance Abuse Services

Impact of GF Shortfalls on Substance Abuse Services

■ 15% of substance abuse treatment needs being met ■ Unmet Need = 85%

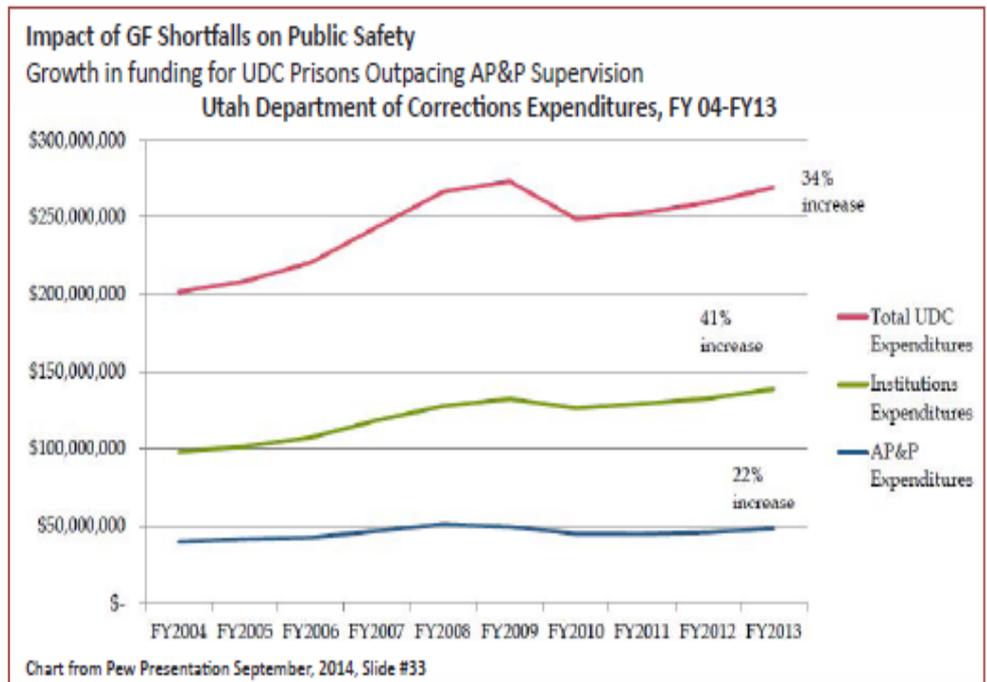


IMPACT OF THE UNFUNDED EARMARKS ON OTHER STATE PRIORITIES

Public Safety

Pew Charitable Trusts' Public Safety Performance Project has told the Prison Relocation Commission and Commission on Criminal and Juvenile Justice that there exist "significant shortfalls in treatment and reentry resources."

These shortfalls are a factor in the Pew Charitable Trusts' finding that Utah Probation & Parole system is not doing enough to reduce rising reincarceration rates.



Pew also found that funding for Adult Probation & Parole has not kept pace with the growth in overall Utah Dept of Corrections funding .



IMPACT OF THE UNFUNDED EARMARKS ON OTHER STATE PRIORITIES

Higher Education

2000-2015

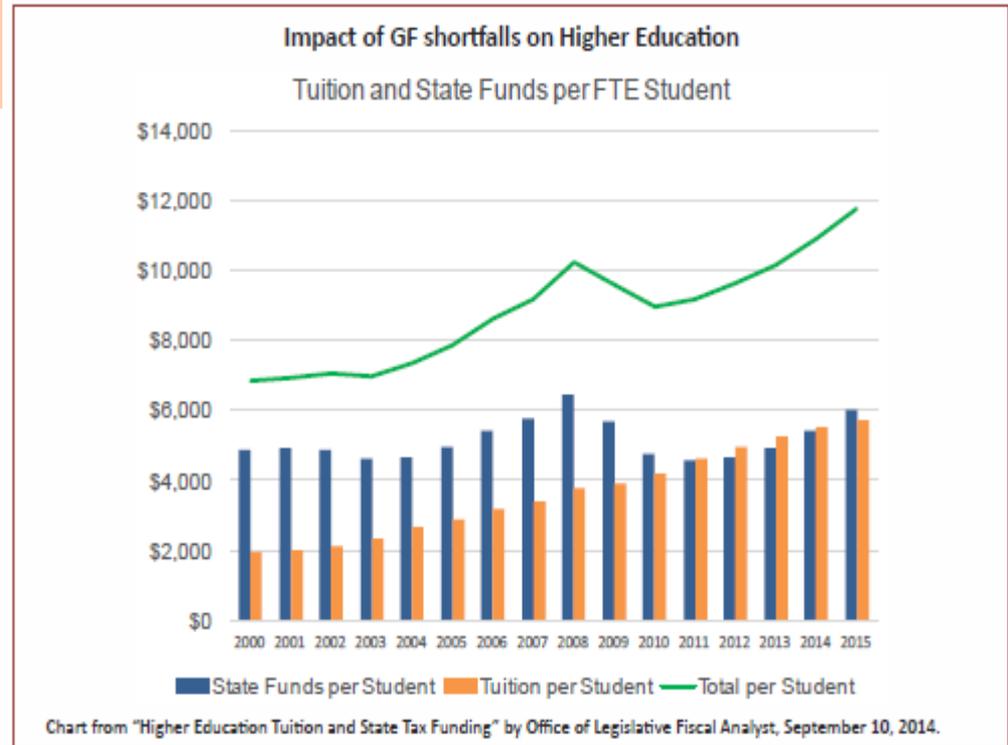
**State
Funding for
Higher Ed
per student:**

**UP BY
~\$1,000**

**Tuition per
student:**

**UP BY
~\$4,000**

Figures are in nominal dollars
(not adjusted for inflation)

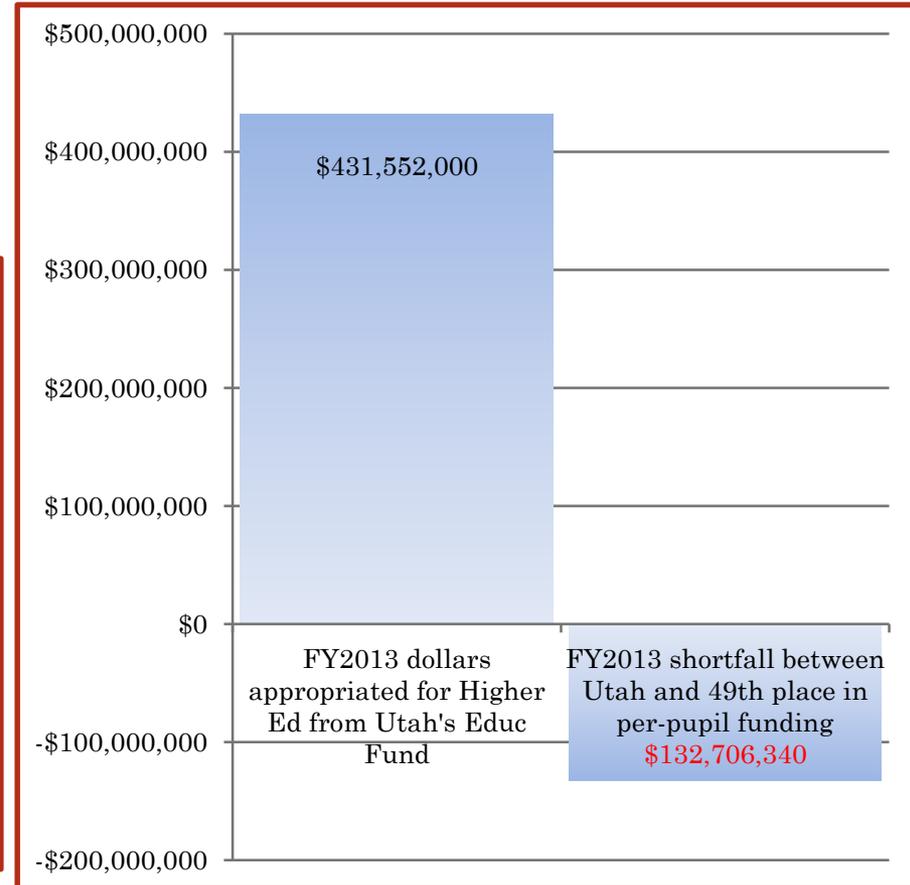
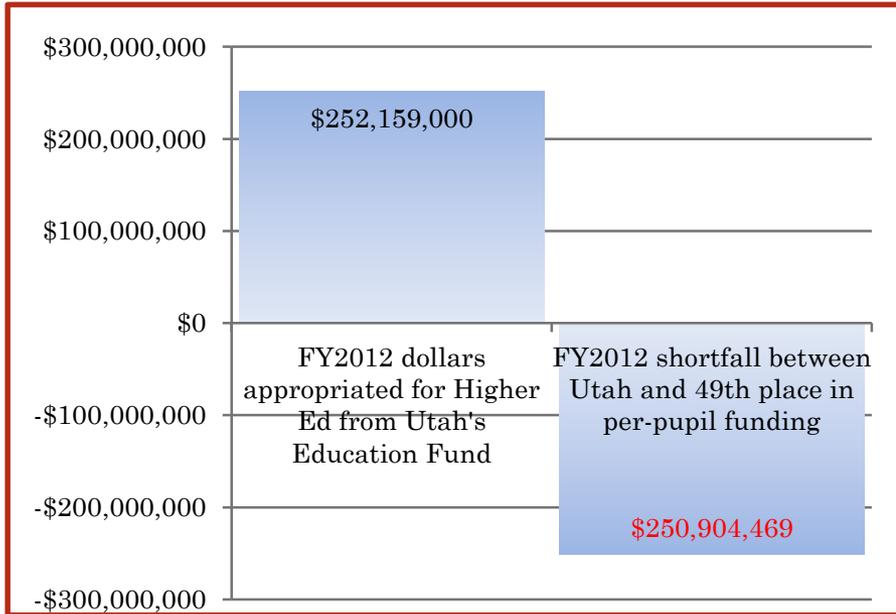


What impact does this have on achieving
the state's goal of 66 by 2020?



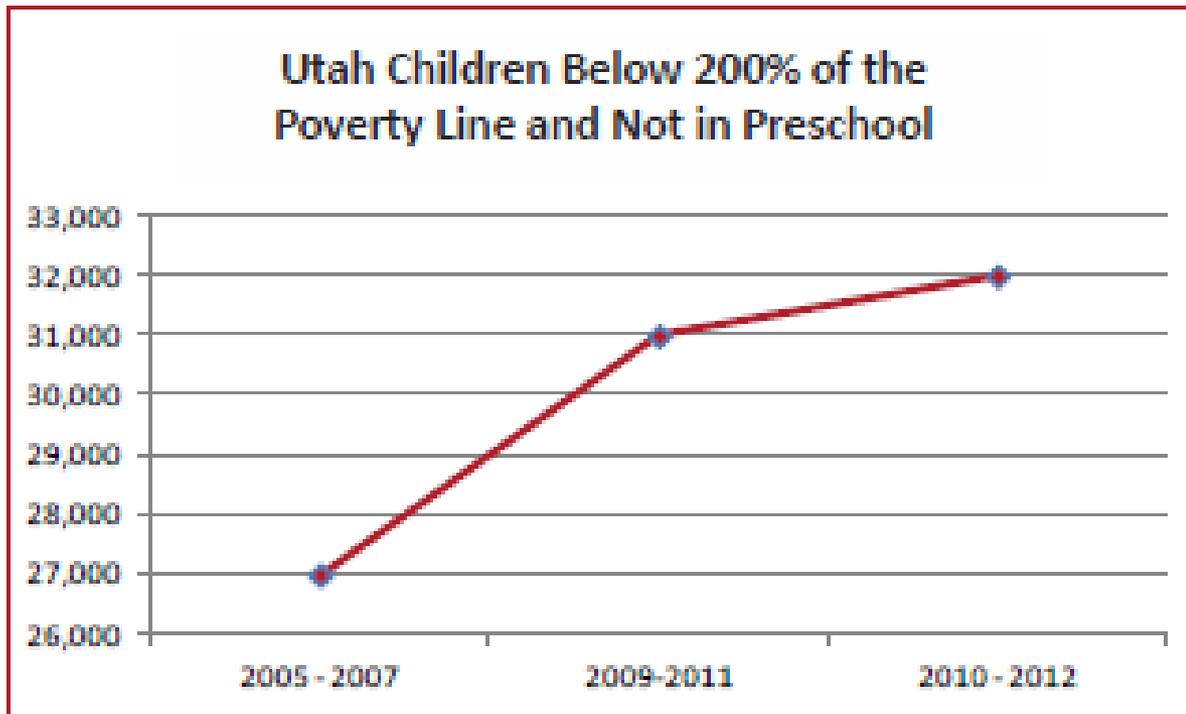
IMPACT OF THE UNFUNDED EARMARKS ON OTHER STATE PRIORITIES

K-12 Education



IMPACT OF THE UNFUNDED EARMARKS ON OTHER STATE PRIORITIES

Pre-K Education



THESE SHORTFALLS WILL IMPACT UTAH'S ABILITY TO ACHIEVE ITS GOALS

- 1. Economic development goals such as 66 by 2020**
- 2. Goals related to reduction of intergenerational poverty identified by the Intergenerational Welfare Reform Commission**





UTAH'S PLAN FOR A STRONGER FUTURE:

FIVE- AND TEN-YEAR PLAN TO ADDRESS

INTERGENERATIONAL POVERTY

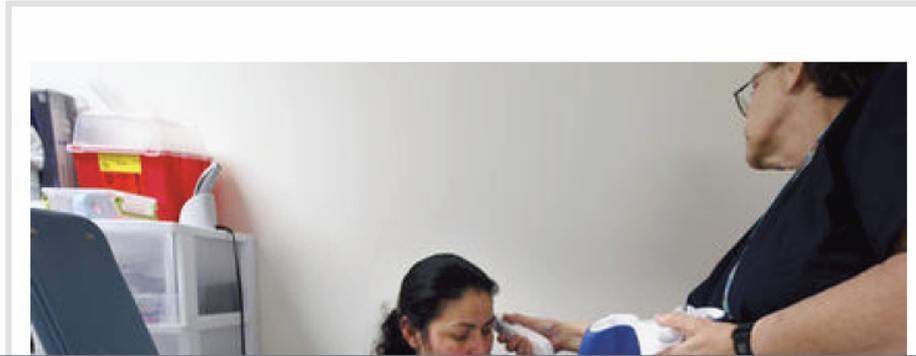
*Submitted by the Members of the Intergenerational
Welfare Reform Commission*



State unveils plans to 'measurably reduce' rates of intergenerational poverty among Utah children

By Marjorie Cortez , Deseret News

Published: Tuesday, March 31 2015 9:11 p.m. MDT



SALT LAKE CITY — Key state administrators Tuesday unveiled a roadmap intended to "measurably reduce" the number of Utah children remaining in poverty as adults.

UTAH'S THIRD ANNUAL REPORT

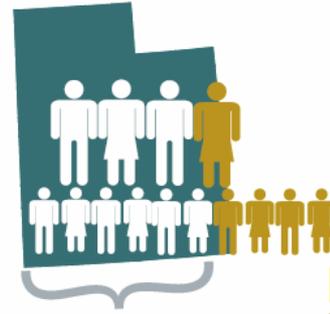
ON INTERGENERATIONAL POVERTY, WELFARE DEPENDENCY
AND THE USE OF PUBLIC ASSISTANCE

AND

UTAH INTERGENERATIONAL WELFARE REFORM COMMISSION
ANNUAL REPORT

2014

Children in Jeopardy
of Remaining in Poverty



236,056
at-risk child cohort

52,073
IGP child cohort

Public Assistance, Cohort Comparison

	2012	2013	2014
Total PA	151,170	149,639	149,053
IGP Adults	35,778	36,449	35,816
Non-IGP PA	115,392	113,190	113,237



TWO IMPORTANT CONTEXTUAL/HISTORICAL POINTS

- 1) Earmarks continue an unfortunate pattern of “robbing Peter to pay Paul” that began with the 1996 state constitutional amendment allowing diversion of Education Fund revenues for higher education.
- 2) This pattern has been reinforced by the downward trend in Utah’s overall level of taxation. The earmarking phenomenon has, in turn, enabled this trend.



THE DOWNWARD TREND IN UTAH'S “TAX BURDEN”



UTAH FOUNDATION
RESEARCH • ANALYZE • INFORM

Research Report

Report Number 726, January 2015

Easing the Burden

Utah Taxes Taking Lowest Share of Income in 20 Years

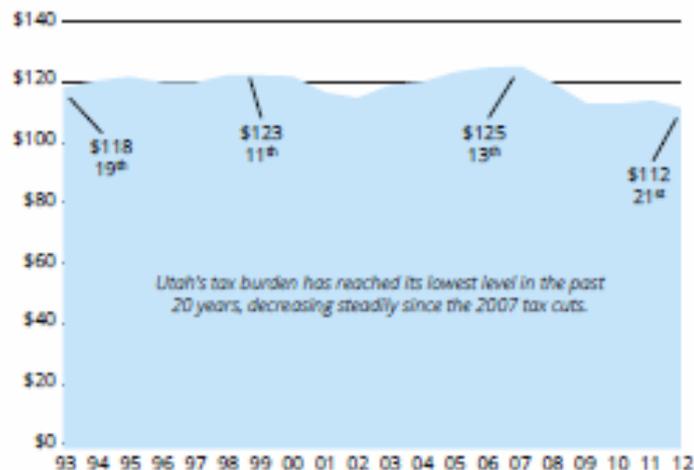




KEY FINDINGS

- Utah's tax burden is at \$111.60 per \$1,000 of personal income, the lowest burden in the past 20 years. (see page 1)
- Utah's tax burden ranks twenty-first among states. (see page 1)
- Utah's 2007 tax cuts correspond with a decrease in the tax burden of \$8.19, resulting in Utah's ranking falling by eight places from thirteenth in 2007. (see page 3-4)
- In the past 20 years, state and local governments have pivoted away from using new taxes and instead rely more on fees. (see page 6)
- Over the past 20 years, the state tax burden has decreased while the local government tax burden has increased. (see page 6)
- The Great Recession had little impact on the tax burden. (see page 6)

Utah Tax Burden per \$1,000 of Personal Income over Past 20 Years, with National Rankings



Source: U.S. Census Bureau, Bureau of Economic Analysis. Calculations by Utah Foundation.

Utah's Tax Burden per \$1,000 Personal Income, 2012

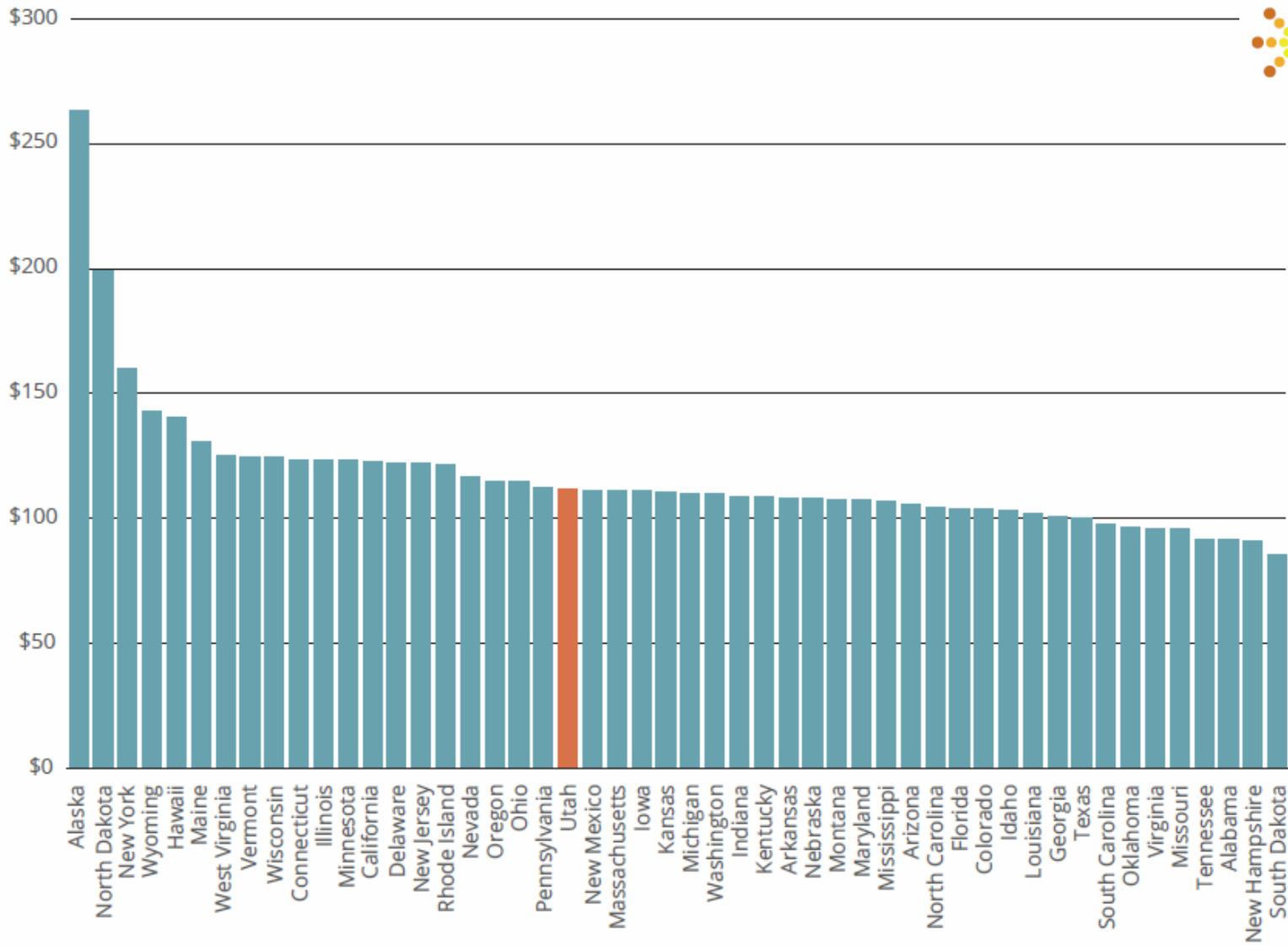
	Utah	Utah's National Ranking
Taxes & Mandatory Fees	\$111.60	21
Individual income tax	\$24.85	20
Sales tax	\$25.17	19
Property tax	\$26.98	32
Corporate income tax	\$2.60	32
Motor fuel tax	\$3.75	15
Other taxes	\$12.92	41
Mandatory Fees	\$15.32	9

Source: U.S. Census Bureau, Bureau of Economic Analysis. Calculations by Utah Foundation.

This research report was written by Utah Foundation Research Analyst Christopher Collard. Additional assistance was provided by Research Director Shawn Teigen. Mr. Collard can be reached for comment at (801) 355-1400, or by email at christopher@utahfoundation.org.



Figure 1: Tax Burden by State, per \$1,000 Personal Income



Source: U.S. Census Bureau, Bureau of Economic Analysis. Calculations by Utah Foundation.



CONCLUSION: POLICY RECOMMENDATIONS IN OUR REPORT

- 1) When new public investment needs are identified, new revenue sources should be found to finance them.**
- 2) Use of earmarks should be reduced to the levels of a decade ago and those that remain should include sunset provisions.**





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Utah Child Population Experiences Rapid Growth

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