$107 Million of Excess Federal TANF Spending Authority - Stephen C. Jardine

The Department of Workforce Services (DWS) administers the federal Temporary Assistance for Needy Families (TANF) program - a flexible funding source for states to assist needy families. DWS spent $46,806,400 in TANF funds in FY 2013 (the last full year of reported *actual* spending). During the 2014 General Session, DWS indicated to the Social Services Appropriations Subcommittee that it had $107 million in excess TANF spending authority. In response, the Legislature authorized $17.3 million in additional uses for TANF funding and directed DWS through legislative intent language.

States can use TANF funds on benefits, services, or activities that achieve the four TANF goals described in the following section. DWS determines the eligibility of programs for TANF funding. The $107 million in excess TANF authority is due to the cumulative effect of the TANF block grant funds received from the federal government being more than DWS used in some years. A summary of Utah TANF expenditures compared to national TANF spending is included. A list of possible future uses of excess TANF spending authority is also included.

TANF is a flexible federal block grant to assist needy families

The federal TANF block grant is "essentially a flexible funding source for states to address the needs of needy families. Federal TANF funds must be used to address these four basic purposes:

1. Provide assistance to needy families so that children can be cared for in their own homes

2. Reduce the dependency of needy parents by promoting job preparation, work and marriage

3. Prevent and reduce the incidence of out-of-wedlock pregnancies

4. Encourage the formation and maintenance of two-parent families."

(Source: *Innovative Uses of TANF Funds*, compiled by the National Conference of State Legislatures, or NCSL, at the request of the Utah Office of the Legislative Fiscal Analyst, February 2014.)

Can use TANF funds on benefits, services, or activities that achieve the four TANF goals

Funds can be used for benefits, services, or activities aimed at achieving any of these four goals. "Examples include:

- Short-term non-recurring aid (diversion payments)
- Child care for working families
- Transportation for working families
- Refundable tax credits
- Individual development accounts
- Education and training for low-income parents

- Family formation/healthy marriage/pregnancy prevention activities

These can be provided to cash welfare recipients and those not receiving any cash aid. In FY 2012, roughly 29% of all federal TANF funds were spent on direct cash assistance. Most states are using the bulk of funds on other programs and services. Utah spent 26% on basic assistance and the rest on other services and activities." (Source: *Innovative Uses of TANF Funds*, NCSL, February 2014.)

DWS determines the eligibility of programs for TANF funding

The Department of Workforce Services, based upon the four TANF purposes, determines eligible uses of TANF funds. DWS decisions are subject to federal review after the fact, either through the Single State Audit and Fiscal Reporting Requirements/Records submitted to the federal Agency for Children and Families quarterly.

DWS had $107 million in additional TANF spending authority as of January 2014

During the 2014 General Session, DWS indicated to the Social Services Appropriations Subcommittee that it had $107 million excess TANF spending authority as of January 2014 (see the table found on page 5 of the issue brief *Federal Funds - Department of Workforce Services,* http://le.utah.gov/interim/2014/pdf/00001530.pdf).

$107 million excess authority results from the cumulative effect of the TANF grant being more than needed in some years

DWS accumulated its $107 million excess TANF spending authority due to the cumulative effect of the TANF block grant funds received from the federal government ($75.6 million each year contingent upon DWS obtaining the full Maintenance of Effort, or MOE, requirement) being more than DWS used in some years. This happened in enough years and in sufficient amounts, to increase the DWS excess TANF spending authority to $107 million as of January 1, 2014.

The Legislature funded $17.3 million in additional TANF uses

The Social Services Appropriations Subcommittee directed DWS to use $17.3 million flexible TANF federal funds. Funding for the following items is dependent upon the availability of and qualification for Temporary Assistance for Needy Families federal funds.

- $8,193,200 - Child care competitive rate subsidy: increases the lowest three rates for licensed child care centers from the 43rd to the 60th percentile of Utah rates. DWS states that the federal government would like Utah to work toward paying at the 75th percentile.

- $2,179,200 - Afterschool programs to address intergenerational poverty: starts 21 new and expands 32 current afterschool programs in Title I schools. The total fund request represents an increase of funding from DWS to afterschool programs of 57%.
- $1,500,000 - Refugee services: 1) case management for refugees who need this service longer than the required two years; 2) caseload size reduction for refugee case managers; 3) additional English as a Second Language teachers; and 4) the development, implementation, and maintenance of the core programs to be operated at the planned Utah Refugee Community Center.
- $1,500,000 - Mental Health Early Intervention for Children/Youth: Childrens mental health promotion and mental illness prevention. An additional $1.5 million one-time from the General Fund was provided to the Department of Human Services for a similar purpose.
- $1,000,000 - Children's Center: preschool for children with serious emotional or behavioral problems who are provided with a continuum of needed mental health services.
- $1,000,000 - Supported Employment for Individuals with Disabilities: funding of this item is contingent upon federal approval of a waiver application to be submitted by the Department of Workforce Services. If funded, it would provide for programs to place people with disabilities in jobs in regular work environments by funding on-the-job training and other assistance to help solve problems that may arise in the course of that employment.
- $750,000 - Family Resource Facilitator Higher Education Navigator Program: post-secondary academic success and self-sufficiency assistance for children who either have or will age out of foster care.
- $566,600 - Child care for 60 days during temporary unemployment: 20 hours of child care help for 60 days while someone is between jobs, unemployed, and looking for work.
- $300,000 - Marriage Commission: maintain existing commission staff and expand efforts statewide to provide courses locally to help individuals form and sustain healthy and enduring marriages.
- $150,000 - Hyrum Community Resource Center: direct services in English and Spanish to children and families to strengthen families while preventing child abuse.
- $104,000 - Garland Community Resource Center: increase a rural communities access to resources and services to assist in self-reliance and connect to technology.
- $50,000 - Weber County Youth Impact Program: youth services in Weber County.

The Legislature also provided additional directions to DWS through intent language, to:

1. Ensure that the funding for these programs is dependent upon the availability of and qualification for Temporary Assistance for Needy Families federal funds (H.B. 2, Items 75, 78, 79, 80, 82);

2. Prepare proposed performance measures for all TANF federal fund increases and give this information to the Office of the Legislative Fiscal Analyst (LFA) by June 30, 2014 (S.B. 3, Items 67, 73, 76, 79 and H.B. 2, Items 67, 74, 78, 84);

3. Make efforts to use TANF funding to increase services to families in need statewide (H.B. 2, Item 75);

4. Pursue TANF funding for items identified by the Legislature as possible candidates for meeting TANF purposes (H.B. 2, Item 75);

5. Seek a federal TANF waiver during the 2014 Interim in order to waive federal TANF requirements with regard to supported employment services provided to individuals with disabilities who might otherwise meet the TANF purposes (H.B. 2, Item 75); and

6. Provide a report to the LFA on items 3, 4, and 5 no later than September 1, 2014.

A summary of Utah TANF expenditures compared to national TANF spending

Utahs TANF expenditure pattern compares to the national average in the following ways:

- "spend substantially more on work-related activities (26% versus only 8% nationally)
- slightly more on non-recurrent short term benefits
- slightly more on SSBG [Social Services Block Grant] transfer and less on childcare than national average
- slightly less on other non-assistance and assistance authorized under prior law." (Source: *Innovative Uses of TANF Funds*, NCSL, February 2014.)

TANF Categorical Spending – Utah Compared to Nation

Spending by Category (in millions)	Utah Spending		National Spending
	Amount	Percentage	Percentage
Basic assistance	$27	26%	29%
Work-related activities	$27	26%	8%
Child care	$7	7%	16%
Admin/Systems	$9	8%	7%
Refundable tax credits	$0	0%	8%
Non-recurrent short term benefits	$5	4%	2%
Social Services Block Grant (SSBG) transfer	$8	7%	4%
Pregnancy prevention and family formation	$7	6%	7%
Authorized under prior law and other non-assistance	$16	15%	19%

(Source: NCSL)

Possible future uses of Excess TANF spending authority

In its response to a request from Utah, NCSL provided the following possible list of TANF expenditure options beyond what Utah is currently doing:

- Put more TANF funding into child care.
- Raise the work bonus for those who are employed 30 hours per week (Utah already provides an extra $60 per month for those who are working 30 hours or more per week).
- Put more funding into the other programs already identified in Utahs TANF state plan (homeless prevention, marriage, pregnancy prevention, etc.).
- Identify other services (similar to the ones reported by other states below) for additional TANF funding such as:

o **Child welfare payments and services** (29 states)

Work with our child welfare agency to identify and work with needy families at risk of abuse or neglect:

- Provide cash assistance to needy caretaker relatives
- Screen families sanctioned under TANF for risk of abuse or neglect
- In-home services
- Family preservation

NCSL Note: *Federal government is very clear that TANF funds cannot be used to supplant state spending.*

o **Domestic violence** (15 states)

- Information and referral
- Short-term emergency shelter or transitional housing
- Case management
- Counseling

o **Mental health and addiction services** (14 states)

- Assessment
- Referral
- Individual and group counseling
- Residential treatment services

o **Education and youth programs** (11 states)

- Afterschool and community-based programs
- School-related social services
- Mentoring/tutoring

o **Early childhood care and education** (14 states)

- Pre-Kindergarten
- Head start/Early Head Start
- School readiness programs
- Early childhood home visitation

o **Health/Disability** (11 states)

- Outreach to children for immunization
- Disability assessment
- Vocational rehabilitation services
- Respite care for caregivers
- Non-medical services to allow disabled children to remain at home

NCSL Note: *TANF funds may not be used for medical services other than pre-pregnancy family planning services.*

o <u>Teen pregnancy and prevention programs</u> (9 states, including Utah)

- Family planning
- Home visiting
- Parenting education

NCSL Note: *Utah reported spending $1.37M on home visitation for families with newborns.*

o <u>Child support</u> (6 states)

- Supplemental payments and other services not covered by the states Title IV-D plan or reimbursed by IV-D
- Child support pass-through and disregard
- Grants to local agencies for providing support services to unemployed non-custodial parents (Wisconsin)

o <u>Employment services and work supports</u> (12 states)

- Employment preparation and work supports
- Transportation services
- Purchase of tools/supplies, uniforms, etc.

o <u>Marriage and parenting initiatives</u> (10 states)

- Life-skills education
- Peer group instruction
- Parenting workshops

o <u>Emergency assistance</u> (20 states, including Utah)

- Clothing distributions
- Remedial care
- Information referral
- Counseling
- Securing family shelter (homeless prevention, housing search)

NCSL Note: *Utah reported spending $3.5M on services and volunteer hours for families in crisis - service associated with food distribution.*

o <u>Adult post-secondary education</u> (5 states)

- Scholarship programs
- Tuition payments
- College tutoring services
- Adult basic education

o <u>TANF program expenses</u> (22 states)

- Program management and related expenditures
- Fraud prevention
- Quality control

- Case management

NCSL Note: *there is some confusion around the difference between TANF program expenses and administrative costs that are reported separately.*

o Additional expenditures (24 states, including Utah)

- Case management, planning, linking, monitoring and evaluating client outcomes (New York)
- Medical services (Hawaii, Illinois and Utah)
- Homeless prevention (Illinois, New York, Oregon)
- Nutritional assistance and food bank services (New York and Montana)

NCSL Note: *some states reported spending on services that could have been reported under other categories, ex. domestic violence or child welfare services.*

o Additional programs or potential expansions

- Establish and fund a refundable Earned Income Tax Credit (EITC) or fund federal EITC outreach efforts

NCSL Note: *25 states and the District of Columbia have earned income tax credits. All but Minnesota base it on the federal credit.*

- Provide matching funds for individual development accounts (IDA).
- Fund subsidized jobs and/or expansion of "bonus" payment for working.
- Put more money into child care - (Utah spends slightly less in this category).
- Pregnancy prevention: abstinence programs, visiting nurse services, and programs and services for youth such as teen pregnancy prevention campaigns, counseling, and after-school programs that provide supervision when school is not is session. A state may also fund a media campaign for the general population on abstinence or prevention of out-of-wedlock childbearing.
- Family formation: parenting skills training, premarital and marriage counseling and mediation services, activities to promote parental access and visitation, job placement and training services for noncustodial parents, initiatives to promote responsible fatherhood and increase the capacity of fathers to provide emotional and financial support for their children, and crisis or intervention services.
- States can use federal TANF dollars for pregnancy prevention and family formation purposes to serve single or childless adults or youth and can serve persons without regard to income.

NCSL provided the following two suggestions for a state thinking how it would use excess federal TANF spending authority:

- Does the state just want to spend the unspent dollars? If so, look at short-term or one-time funding options.
- What are the goals of the TANF program and how can this money be used to further those goals?

Division of Air Quality: New Appropriations Update - Angela J. Oh

Air quality was a priority during the 2014 General Session. Lawmakers passed legislation to cut emissions, encourage energy efficiency, support clean vehicles and fuels, and reduce wood smoke in areas that are exceeding health standards for air pollution. Funding provided by one-time and ongoing appropriations will boost air quality research and agency staffing, increase public awareness of clean air issues, retrofit heavy-duty diesel engines, swap out high-polluting small engines, and convert wood-burning fireplaces to natural gas in homes where wood is the sole source of heat.

The Department of Environmental Quality's Division of Air Quality (DAQ) received a $500,400 ongoing appropriation for an air quality public awareness campaign in partnership with existing clean air programs such as UCAIR and TravelWise. The Legislature appropriated $500,000 one-time to DAQ to help convert homes that burn wood as their sole source of heat and $250,000 one-time was appropriated to educate the public on the hazards of wood smoke. The Clean Air Retrofit, Replacement, and Off-road Technology (CARROT) program received $200,000 one-time for grants and loans to small businesses and individuals seeking to reduce the emissions from their heavy-duty diesel or small-engine equipment.

In addition to the items above, legislators appropriated $1.4 million one-time to DAQ that allocated $1 million for Utah-specific air quality research. The remaining $400,000 is for improved emissions inventory, photochemical modeling, and equipment (including a volatile organic compound infrared testing camera) for use in the Uintah Basin. DAQ also received $400,000 in ongoing funding for four full-time employees to work on Uintah Basin oil and gas permitting and compliance.

In preparation for the new research funding, available after July 1st, DAQ began a stakeholder-driven process in April to identify and prioritize potential projects. Six research areas were determined to be most critical in order to address Utah's unique air pollution sources, meteorology, and topography to provide a firm scientific basis for future air quality planning. The main research areas include:

- Improved Emissions Inventories for Precursors to Ozone and PM2.5 Formation
- Air Quality Computer Modeling Improvement
- Long Range Transport of Dust and Smoke from Wildfires
- Continuous Improvement in Compliance with DAQ State Implementation Plan (SIP) Control Strategies
- Ambient Air Monitoring Network Improvement
- Engineering Review of Reasonable Available Control Technology/Best Available Control Technology (RACT/BACT) for Industrial Sources

DAQ has set the following schedule to ensure that projects can be completed in the time frame of 6 to 18 months after the funding is available:

- April 23: Public solicitation of areas of research needs
- May 7: Air Quality Board informational item
- May 9: University research representatives validate project areas needed
- May 23: Close of solicitation of proposed areas of research
- May 30: DAQ selects proposed areas of research
- June 2: DAQ solicits full research proposals from selected researchers
- June 27: Full research proposals due
- July 11: DAQ selects research proposals and awards funding

As of May 20, 2014, there were 36 proposals submitted for consideration in the scoping process with a total cost over $3.5 million.

One of the criteria identified to select projects was the leveraging of other research funding. It is likely that the total value of the new research selected will exceed the available one-time money through the application of in-kind and other funding sources.

Air quality concerns will continue to be an area of focus. The appropriations related to air quality during the 2014 General Session addressed some significant needs and aims to ensure that the state is in a better position to improve air quality.

DJJS - Receiving Centers and Youth Services - Zackery N. King

What is the next step for receiving centers and youth services? Receiving centers and youth services (RC&YS) have been provided by state or local government in one form or another for many years in Utah, and currently serve a unique niche in the continuum of programming provided by the Division of Juvenile Justice Services (DJJS). They are a front-end service to treat youth and families, with the aim of preventing youth from penetrating further into the DJJS system. Due to tightened budgets and recent federal Medicaid changes, revisiting the service delivery model and how RC&YS are funded statewide is recommended. The Legislature has an opportunity during the 2015 General Session, to provide important policy direction for RC&YS and to solidify a state-local partnership in funding them. With this state-local funding approach, the potential exists to allocate state funds for RC&YS more efficiently, and to expand their scope of service throughout the state.

The Legislature has already begun taking the next step through both legislation and the appropriations process in the 2013 and 2014 General Sessions. Legislative action taken during these general sessions has initiated a transition from a state funded model to a state-local funding model for RC&YS. A summary explanation for this is due to the heavy utilization of RC&YS by local government entities. Local governments value these programs and have expressed a desire to continue maintain them. Additionally, finding a stable funding model to support these programs is a motivation for recent actions taken by the Legislature (see Section 1 in the Appendix for additional detail).

Additional steps the Legislature can take for RC&YS are:

- Audit RC&YS for efficiency and effectiveness of service delivery and use of appropriations.
- Determine best practices for service delivery and state-local funding models.
- Solidify the state-local partnership for funding and service delivery by adopting an official matching model.
- Pass legislation to establish best practices for service delivery and state-local funding in statute.

Vantage Point Example

A potential state-local funding model is found in the Utah County receiving center -- Vantage Point. Vantage Point is an added service to Wasatch Mental Health (WMH) -- the local mental health center -- and is funded largely with Medicaid dollars available through WMH. The state does provide funding for Vantage Point, but this amount is less than 50% of its operating budget (see Table 5 in Section 1 of the Appendix for a funding breakdown). If Utah County and the surrounding municipalities contributed funding to Vantage Point, ongoing state funds could be used to support these services in other areas. The state has 13 local mental health special service districts -- could the Vantage Point/ WMH model be a statewide model for RC&YS?

The remainder of this newsletter reviews historical appropriations to RC&YS, and summarizes legislative action taken in recent general sessions to create a state-local partnership in funding them.

Receiving Centers and Youth Services Budget Summary

DJJS budgets for RC&YS are split - depending upon geography - between two line items, with total spending at approximately $6.2 million dollars (FY 2013 budget). The State of Utah currently funds about 94 FTEs to administer these programs and services at nine locations. Appropriations for RC&YS has been an item of discussion dating back to the 2008 2nd Special Session, when federal Medicaid reductions and coinciding state budget reductions were being implemented (see Section 1 in the Appendix for additional detail).

Since then, RC&YS have been allocated one-time funds to aid in filling budget needs as the aforementioned reductions have taken effect on operations. Some impacts at the state level include the closing of a satellite program in Davis County, reduction in available beds at receiving centers, and reduced hours of operation at a majority of locations. Table 1 below shows appropriations by fiscal year since 2009.

Receiving Centers and Youth Services Appropriations		
Table 1	**Ongoing**	**One-time**
2009	($419,000)	$627,900
2010	($4,079,200)	$4,079,200
2011	$3,300,000	
2012		
2013		$750,000
2014		$750,000
2015	$439,400	$290,000

2013 General Session and Interim

During the 2013 General Session, the Legislature passed S.B. 218, "Receiving Centers Funding Amendments". This bill specifies that funding for RC&YS "is intended to be broad based" and include "federal grant money, local government money, and private donations." In addition to this legislation, a $750,000 one-time appropriation was made to sustain service delivery in Blanding and Cedar City through June 30, 2014. Accompanying intent language required an in-depth report on current RC&YS statewide.

In August of 2013, the Executive Offices and Criminal Justice Appropriations Subcommittee (EOCJ) held an interim meeting where DJJS presented the intent language report, and RC&YS were discussed at length. One result of this interim meeting was the CCJJ working group assignment to focus on funding models for that include local government participation.

2014 General Session

Discussions about RC&YS continued in EOCJ's January 31 budget hearing during the 2014 General Session. On this day, the CCJJ working group presented its report focused on potential funding models which include local government participation. Thirteen recommendations came out of this report and are included in Section 2 in the Appendix.

As shown in Table 1 above, the Legislature appropriated a combination of ongoing and one-time funding for RC&YS to begin implementation of the CCJJ Working Group report recommendations in FY 2015. The Legislature also passed accompanying intent language with these appropriations:

It is the intent of the Legislature that the $439,400 ongoing General Fund and $290,000 one-time General Fund
appropriations to receiving centers and youth services for the FY 2015 budget, be used for implementation
of recommendations 1, 8, 9, 11, and 13 contained in the CCJJ working group report titled "Youth Services and
Receiving Centers Working Group Report.

Conclusion

The Legislature has initiated a state-local funding model for RC&YS in the past two general sessions. By funding RC&YS with a state-local partnership, these programs and services can potentially be expanded to a greater population in the state.

The nature of these programs and services creates numerous instances where cross-over treatment and programming between DJJS, the Division of Child and Family Services (DCFS), and multiple local government entities occurs -- Vantage Point/WMH in Utah County is an example. RC&YS fill a unique niche in the treatment of youth at the front end of Utah's DJJS model which can divert youth from penetrating the system further - this is beneficial to the youth and their families, and also less costly to the state. Local government entities have expressed concern over the prospect of closing these programs in their communities.

For the optimal treatment of youth and betterment of their families, and for the efficient and effective use of taxpayer dollars spent on juvenile justice in Utah, it is recommended that further steps be taken by the Legislature to solidify recent actions taken in the 2013 and 2014 General Sessions and to provide direction on how these programs will be operated in the future.

APPENDIX

Section 1. Receiving Centers and Youth Services Funding Breakdown

The table below is taken from the intent language report, prepared by DJJS, and subsequently presented to EOCJ in its August 2013 interim meeting. It shows the multiple funding models currently in place for receiving centers and youth services statewide.

FY 2013 Stats/Details

- Of the approximate $6.2 million budget, local governments contribute less than $1 million, or about 15% of the funding for these programs and services. Salt Lake County makes up 94% of local government contributions statewide.
- Vantage Point (Provo/Utah County) has the most diverse funding mix of all locations:
  - Rather than a direct appropriation from a local government entity, Provo's amount comes by way of the local mental health authority's state match contributions for Medicaid dollars and totals less than one percent.
  - State funding for Vantage Point is about 41% of total funding.
  - Medicaid dollars are about 45% of total funding.
  - Other federal grants are about 14% of total funding.
- Archway (Ogden/Weber County) does not receive any monetary contributions from local government entities:
  - About the same size as the Salt Lake County program - 95 percent of the Salt Lake County budget
  - The only contribution of in-kind donations statewide - valued at $129,000.
  - About 37% of youth admissions are from Davis County.
- About 41% of youth admissions to receiving centers statewide resulted from local law enforcement officers dropping off youth at a facility.

Table 5. RECEIVING CENTER AND YOUTH SERVICES REVENUE SOURCES FY2013

Location	FY2013 Total Budget	State $	Federal Grant $	Federal Medicaid & Title IVE $[11]	City & County $	City & County In-kind Donations	# FTE's
Logan	369,700	369,700	0	0	0	0	5.5
Ogden	1,582,000	1,252,000	250,000	80,000	0	($129,000 savings in free county lease space)	21
Salt Lake: Main & South	1,658,700	578,900	204,000	0	875,800	0	22.5
Provo	1,080,200	443,500	149,800	483,200[12]	3,700	0	16
Richfield	337,500	337,500	0	0	0	0	6
Cedar City[a]	415,000	395,000	0	20,000	0	0	8.6
St. George[b]	420,900	364,900	0	0	56,000	0	8
Blanding[a]	355,000	355,000	0	0	0	0	6
Total	**$6,219,000**	**$4,096,500**	**$603,800**	**$583,200**	**$935,500**		**93.6**

[a] Locations funded with one-time funding from the Utah Legislature for FY 14.
[b] Location partially funded with $85,000 in one-time funding for FY14.

Section 2. CCJJ Working Group Report Recommendations

The CCJJ Working Group Report was presented to EOCJ during the 2014 General Session. The 13 recommendations from the report are included below. Recommendations 1, 8, 9, 10, and 11 were included in intent language accompanying the Legislature's 2015 appropriation for receiving centers and youth services.

1. Stabilize funding for Youth Services and Juvenile Receiving Centers (JRC) with on-going State dollars as the budget allows.

2. Repackage Youth Services and JRC to clearly identify the services provided.

3. Youth Services and JRC should develop new and diverse partnerships with local and state organizations, including local mental health and substance abuse authorities.

4. An information campaign should be undertaken by JJS and local partners to ensure communities are aware of services offered by Youth Services and JRC.

5. A formula for distributing state dollars is not recommended as each site varies in program administration. State funding should be allocated based on the individual needs of each community.

6. Expand pick-up orders to Youth Services to include status offending youth who fail to comply with probation orders. This would be in lieu of pick-up orders to detention and at the discretion of the judge.

7. Pick-up orders to Youth Services should be offered wherever youth service beds are available.

8. Should match from local governments be necessary, it should be equitable and implemented over three to five years. This would allow local communities to build capacity within their infrastructure and budgets.

9. Agencies who bring youth from outside the JRC home county should contribute proportionally to any match requirement.

10. Any data used in a formula should be averaged over at least three years to reduce year to year volatility.

11. The Legislature should consider providing base funding plus local match to expand Juvenile Receiving Centers and Youth Services to new communities.

12. Billing private insurance for services is not feasible for JJS and should not be done. However, billing Medicaid and private insurance should be considered where partnerships with local mental health and substance abuse authorities have been established and should be encouraged to expand in areas where there are not current partnerships in place.

13. JJS should continue to gather and record detailed Youth Services and Receiving Center data.

Economic Development Incentives - Andrea Wilko

Financial incentives are provided through the Utah Governor's Office of Economic Development and the Utah State Tax Commission for business relocation, expansion and operations.

Incentives may be offered as either grants or tax credits. The incentive amount and duration is decided by the Governor's Office of Economic Development Board and Executive Director, based on statutory guidelines and evaluation criteria including the financial strength and historical stability of the company, the number and salary of jobs created, amount of new state tax revenue, long-term capital investment, competition with other locations, and whether the company is in a targeted industry.

Most state incentives are awarded on a post-performance basis so that companies must meet specific milestones, including generation of new state tax revenue, before incentives are disbursed. However, certain tax credits are authorized without requiring the oversight of the Governor's Office of Economic development including research tax credits and certain manufacturing tax credits. The key incentives offered by the state are listed below:

Economic Development Tax Increment Financing (EDTIF): The EDTIF tax credit is a post-performance, refundable tax credit for up to 30% of new state revenues (sales, corporate and withholding taxes paid to the state) over the life of the project.

Industrial Assistance Fund (IAF): The IAF is a discretionary fund allocated by the state legislature to help encourage job growth in Utah. Incentives are paid on a post-performance basis after jobs are created in yearly increments. Jobs must be retained over the life of the project.

Enterprise Zones: Under this program, areas are identified by local elected and economic development officials and designated by the state. Certain types of businesses locating or expanding in a designated zone may claim state income tax credits.

Motion Picture Incentive Fund: A post-performance tax credit of production dollars spent in the State of Utah. An approved production is eligible for a rebate of up to 20% on every dollar spent in the state.

Recycling Market Development Zones: More than 20 Utah communities have been designated as Recycling Market Development Zones to incent businesses to use recycled materials in their manufacturing processes and create new products in Utah.

Renewable Energy Development Incentive (REDI): A post-performance, refundable tax credit for up to 100% of new state tax revenues (sales, corporate and withholding taxes) over the life of the project.

Research Tax Credits: Companies doing qualified research in Utah may be eligible for a non-refundable income tax credit of up to 5% for qualified research activity and up to 6% for qualified investments in research machinery and equipment.

Rural Fast Track Program (RFTP): A post-performance grant available to small companies in rural Utah. The program provides an efficient way for existing small companies to receive incentives for creating high-paying jobs in rural areas of the state.

Sales Tax Exemption for Manufacturing Equipment: Manufacturers (SIC 2000-3999) may be eligible for exemption from sales tax on the purchase of new equipment for Utah plant start-ups and replacement manufacturing equipment purchases.

Tourism Marketing Performance Fund: This is a performance based funding mechanism linked to increases in sales tax revenue for 21 tourism related industries. Funding is used to fund the tourism advertising program.

Higher Education Tuition Increases for 2014-2015 - Spencer C. Pratt

Following the 2014 General Session, the State Board of Regents met and approved a 4.0% first-tier tuition increase for the 2014-2015 academic year for the Utah System of Higher Education. In addition to the first-tier tuition, the Regents also approved second-tier tuition increases for the University of Utah (1.8%), Utah State University (1.5%), and Snow College (2.0%). The increases are projected to generate approximately $32.2 million. Of this amount, $26.6 million will be allocated for compensation and targeted salary increases, $1.7 million is for Student Support and Initiatives, $2.4 million is for Academic Support and Initiatives, $1.0 million is for utilities and maintenance, $400,000 is for scholarships, and $100,000 is for other mandated costs. The following table shows the tuition increases, as well as the Regents-approved student fee increases.

USHE Tuition and Fee Increases for 2014-2015

	1st tier	2nd tier	Total	Fees
University of Utah	4.0%	1.8%	5.8%	6.3%
Utah State University	4.0%	1.5%	5.5%	2.5%
Weber State University	4.0%	0.0%	4.0%	3.2%
Southern Utah University	4.0%	0.0%	4.0%	0.8%
Utah Valley University	4.0%	0.0%	4.0%	1.4%
Snow College	4.0%	2.0%	6.0%	0.0%
Dixie State College	4.0%	0.0%	4.0%	3.0%
Salt Lake Community College	4.0%	0.0%	4.0%	2.5%

In April 2014, the Utah College of Applied Technology (UCAT) Board of Trustees approved membership hour tuition on UCAT campuses as shown in the following table. The increase at Davis ATC is offset by a reduction in student fees while the increase at Ogden Weber ATC is expected to fund two positions in the student services center.

UCAT Membership Hour Tuition Rates 2014 and 2015

	FY 2014	FY 2015
Bridgerland ATC	$1.75	$1.75
Davis ATC	$1.90	$2.00

Dixie ATC	$2.00	$2.00
Mountainland ATC	$2.00	$2.00
Ogden Weber ATC	$1.75	$1.80
Southwest ATC	$1.75	$1.75
Tooele ATC	$1.75	$1.75
Uintah Basin ATC	$2.00	$2.00

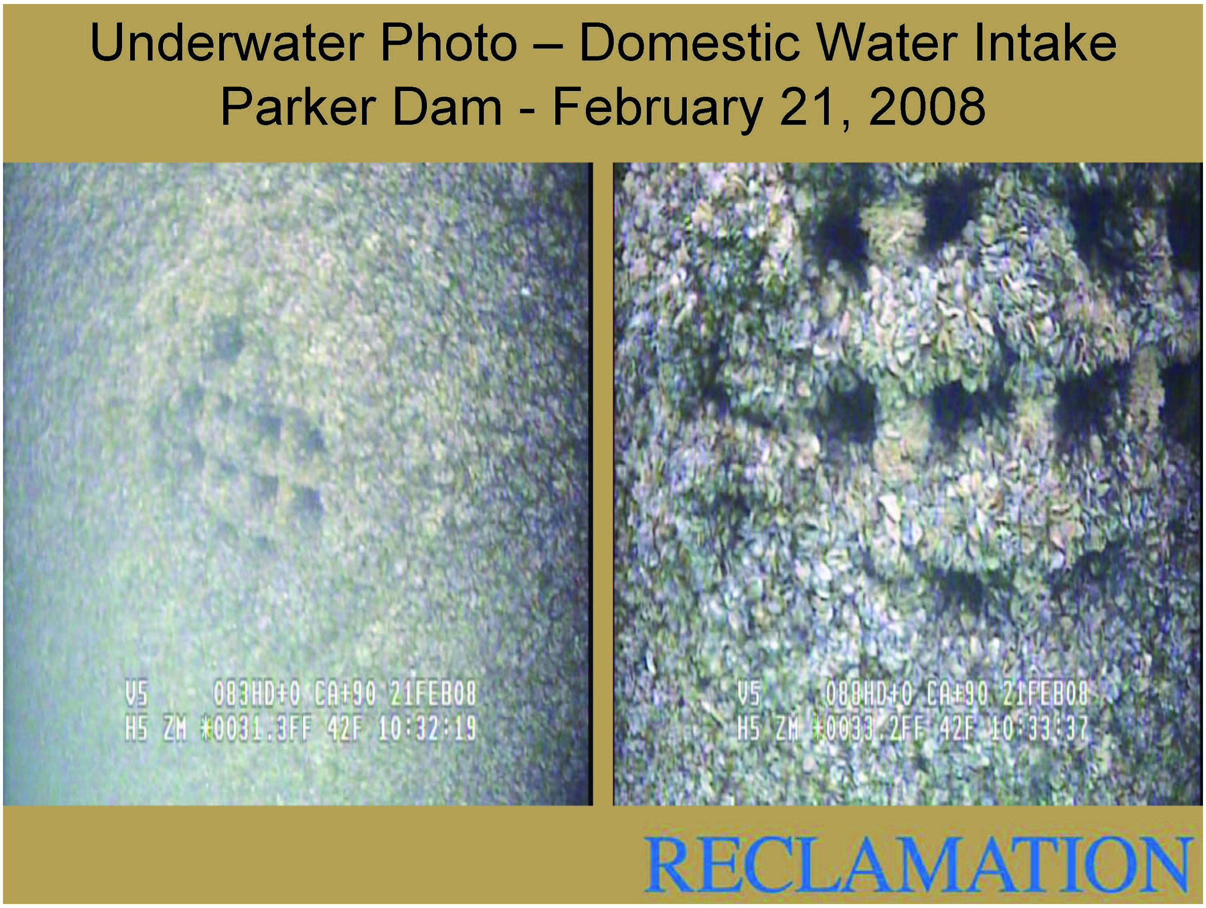
How Will Quagga Mussel Impact Utah Financially? - Ivan D. Djambov

Now that the invasive quagga mussels are established in Lake Powell, how long before they get to other Utah waters, and how much will it cost Utah taxpayers each year to mitigate for the damages they cause?

The quagga mussels spread very fast. A female produces up to a million larvae per year, and the mussels do not have many natural predators in North America. Adult quagga can also survive 3-5 days out of the water in summer temperatures.

Small in size (adult mussels are no larger than an adult's thumbnail), the quagga mussel colonies can grow so close together that they cover the entire bottom of a lake. They block off pipelines and screens for culinary water, sanitation, intakes to power plants and irrigation. The mussels also degrade the water flavor for drinking water facilities, clog up sprinklers at golf courses, impact fisheries, and require extra repairs and maintenance for boat owners. For infested states, the costs to live with quagga is hundreds of millions of dollars per year.

Source: http://greatlakesoutdoors.wordpress.com



Source: usbr.gov

Source: examiner.com

Source: marronebioinnovations.com

How Fast Will They Spread?

It took six years for the quagga mussel to get from Lake Mead to Lake Powell. The logical questions are: how long before they infest the next body of water in Utah and which body of water will it be?

The primary ways of spread of the mussel are through boats and canals/pipes. With Lake Powell being downstream to Utah on the Colorado River, and the Lake Powell pipeline not yet constructed, the most likely way of spreading the quagga in Utah is boats.

The 2014 boating season in Lake Powell has already started. It is common for boaters who spend time in Lake Powell to visit other bodies of water in Utah either on their way home or within the following week or two. What are these bodies of water? The table below provides the top ten waters in Utah used by Lake Powell boaters in 2013.

Top 10 Utah Waters Used by Lake Powell Boaters, 2013	
1	Utah Lake
2	Bear Lake
3	Pineview
4	Rockport
5	Sand Hollow
6	Jordanelle
7	Deer Creek
8	Hyrum
9	Flaming Gorge
10	Yuba

According to the Division of Wildlife Resources, the top three destinations in 2013 for boaters coming from Lake Powell were Utah Lake, Bear Lake, and Pineview Reservoir. Statistically, these are the most likely waters to be infested next with quagga. However, since thousands of boats from Lake Powell are used all over Utah, and since it takes only one vessel carrying the mussel or its larvae to spread it, there are no guarantees for any other water body in Utah. The speed of the quagga invasion will depend on the effectiveness of the state's efforts to slow the spread and the willingness of the boaters to do their part.

How Much More Will Utah Taxpayers Have to Pay?

The economic impact of quagga to Utah is going to be significant. There will be direct additional costs to water users, power-generation facilities, and agriculture to mitigate for blocked pipelines and screens, intakes to power plants, and irrigation. There will also be additional economic impacts to the state as a result of the loss of revenue to Utah's tourism, fishing and recreation industries.

Based on the actual costs incurred by eastern states infested with quagga, the Division of Water Resources has estimated that the additional costs will be over $21 million per year for maintenance and mitigation (see table below). This figure does not include the costs for cleaning pipelines (over 1,120 miles), canals (7,700 miles), and secondary water systems, because these costs are yet to be identified.

Potential Additional Costs Assuming Statewide Infestation

Category	Annual Cost
Water treatment plants (31)	**$10,359,618**
Coal power-generating plants (7)	$3,745,273
Industrial (10, probably more)	**$3,116,201**
Reservoirs (150, monitor only)	$1,987,008
Hatcheries & aquaculture (33)	**$1,805,979**
Hydro power-generating plants (56, largest three estimated)	$197,372
Golf courses (128, monitor only)	**$49,259**
Pipelines (1,120+ miles)	unknown
Canals (7,700 miles)	**unknown**
Secondary water systems	unknown

These cost estimates are based on the assumption that all major bodies of water in Utah are infested with quagga, which has not yet happened, but according to the experts, it is just a matter of time.

Is there a Relationship between Educational Attainment and Employment Growth? - Thomas E. Young

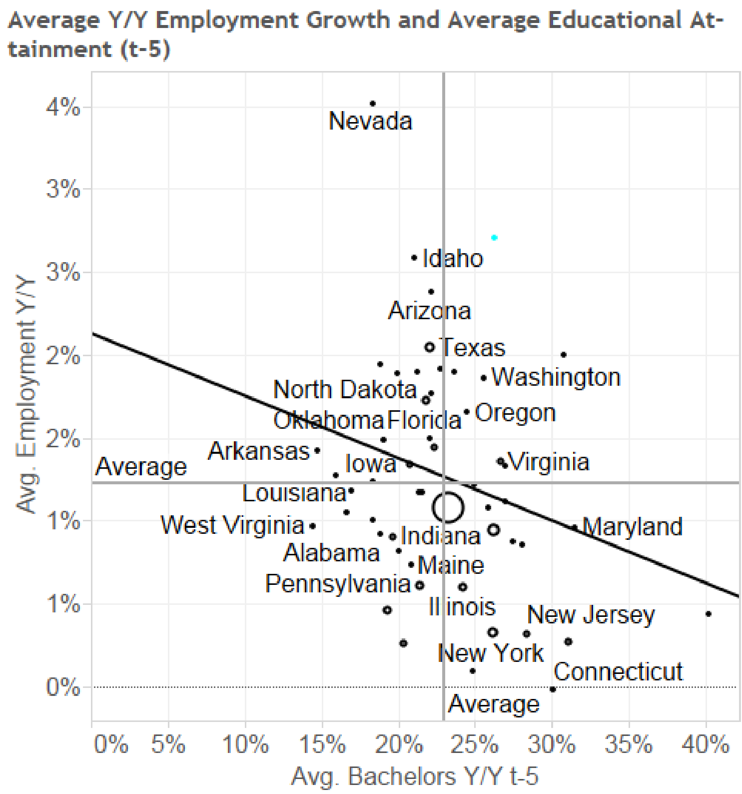
The Education Interim Committee heard presentations on long-term planning for educational attainment. As background, the following is what the relationship is between the percentage of the population with a Bachelors degree or higher and employment growth.

Overall, the relationship is negative over all years. The negative correlation simply means that states where a higher percentage of the population has a Bachelors degree generally experience slower employment growth.

The linear result would imply that, for example, if the percentage of individuals with a Bachelors degree in Utah went from say 33% to 40%, the anticipated average growth rate would decline from say 3.2% to 2.5%.

Here's how the relationship has changed across time in animated GIF format. Overall, the relationship is always negative, and has become weaker over time. In general, in years of economic growth, employment growth is faster in areas with lower educational attainment numbers, while in recession years, employment growth is higher in areas with higher educational attainment.

The result might be due to the lagged effect education may have on employment. The following static picture averaged across all years and animated GIF do not confirm any lagged effects when looking at a five-year period.



The result that a more highly educated workforce generally experiences slower employment growth may be due to wage pressure (states with higher average wages generally grow slower), differences in the industry makeup within each state, the shifting of earning potential out more years, and other factors.

In any event, places where educational attainment is more prevalent generally experience lower employment growth.

Jail Reimbursement Program and Appropriations - Fiscal Years 2011-15 - Gary K. Ricks

The Jail Reimbursement Program provides reimbursement to Utah counties for days spent in county jails by offenders sentenced to jail as a condition of felony probation or by parolees who are held in jail. During the 2009 General Session, the Legislature passed House Bill 220, "State Payment and Reimbursement to County Correctional Facilities." The Legislation assigned management of the program to the Commission on Criminal and Juvenile Justice (CCJJ). However, the program's budget was transferred to the Division of Finance within the Department of Administrative Services. The Division of Finance was tasked with making the annual payments to counties per direction from CCJJ using funds appropriated by the Legislature to the program.

Over time, the Legislature has steadily strengthened and increased the sources of funding for the Jail Reimbursement Program. For FY 2011, the Legislature appropriated $6 million from the General Fund, of which $3 million was ongoing. The previous fiscal year had only been funded with one-time and nonlapsing balance appropriations. For FY 2012, the Legislature added another $5 million ongoing from the General Fund, nearly doubling the annual program appropriation to $11 million from the previous year. For FY 2013, the $3 million one-time was replaced with $3 million ongoing from the General Fund, for a total ongoing appropriation of $11 million. The Legislature subsequently added another $967,100 for FY 2014 and $1 million for FY 2015.

From FY 2011 through FY 2015, the Legislature has increased the Jail Reimbursement funding by $6,967,100 or more than 116%. The FY 2015 appropriation is $12,967,100 ongoing from the General Fund.

Medicaid and CHIP Enrollment Trends Since the Beginning of Mandatory Medicaid Expansion - Russell T. Frandsen

Since the beginning of the Medicaid mandatory expansion as part of federal health care reform in January 2014, the following has happened with caseloads through April 2014:

- **Medicaid** - caseloads have increased 23,700 or 9% since December 2013.
  - The consensus forecast for Medicaid included an increase largely due to currently eligible clients signing up for Medicaid as well as the elimination of an asset test.
  - The baseline caseload for Medicaid had decreased 2% or 5,700 clients from July 2013 through December 2013.
- **Children's Health Insurance Program (CHIP)** - caseloads have decreased 17,900 or 53% since December 2013.
  - The consensus forecast for Medicaid included a large reduction in caseloads due to more children qualifying for Medicaid due to the elimination of the asset test.
  - The baseline caseload for CHIP had decreased 3% or 1,100 clients from July 2013 through December 2013.

What does it mean? There might be some additional savings if costs also come in lower than anticipated.

Sequestration Update - Steven M. Allred

In December 2013, Congress passed the Bipartisan Budget Act of 2013 (BBA), providing states some certainty in federal funding and reducing the threat of federal shutdowns for the next two years.

By way of background, the Budget Control Act of 2011 (BCA) required Congress to reduce the deficit by $1.2 trillion over ten years (FY 2012 to FY 2021). Since Congress failed to come up with deficit reduction legislation, automatic spending cuts called sequestration kicked in. The American Taxpayer Relief Act of 2012 postponed the FY 2013 cuts for two months and reduced that year's sequestration to make up for the shorter amount of time in which to achieve savings. All non-exempt programs received across-the-board cuts of approximately 5 percent.

Beginning in FY 2014, sequestration is handled differently. "Mandatory" programs (those in which the annual cost is determined by statutory eligibility criteria) will continue to experience across-the-board cuts similar to FY 2013. The majority of mandatory funding awarded to states is exempt from sequestration, but some mandatory funding is not exempt, notably grants for rehabilitation, mineral leasing, social services block grants, and payments in lieu of taxes.

Non-exempt "Discretionary" programs (those in which funding is determined by annual appropriations bills) will not undergo across-the-board cuts in FY 2014 - FY 2021. Rather, appropriations must adhere to spending caps, and Congress can choose to cut or spare individual programs through the appropriations process.

The BBA increased the spending caps for FY 2014 and FY 2015 by $63 billion ($45 billion in FY 2014 and $18 billion in FY 2015). It offset the increases with $85 billion in deficit reductions achieved mostly through increased airline passenger fees, decreased federal employee pensions, decreased military retiree COLAs before age 62, and extended sequestration of non-exempt mandatory programs for two years until FY 2023. Federal spending will thus be larger in the next two years but less in subsequent years until FY 2023 (barring future changes to the law).

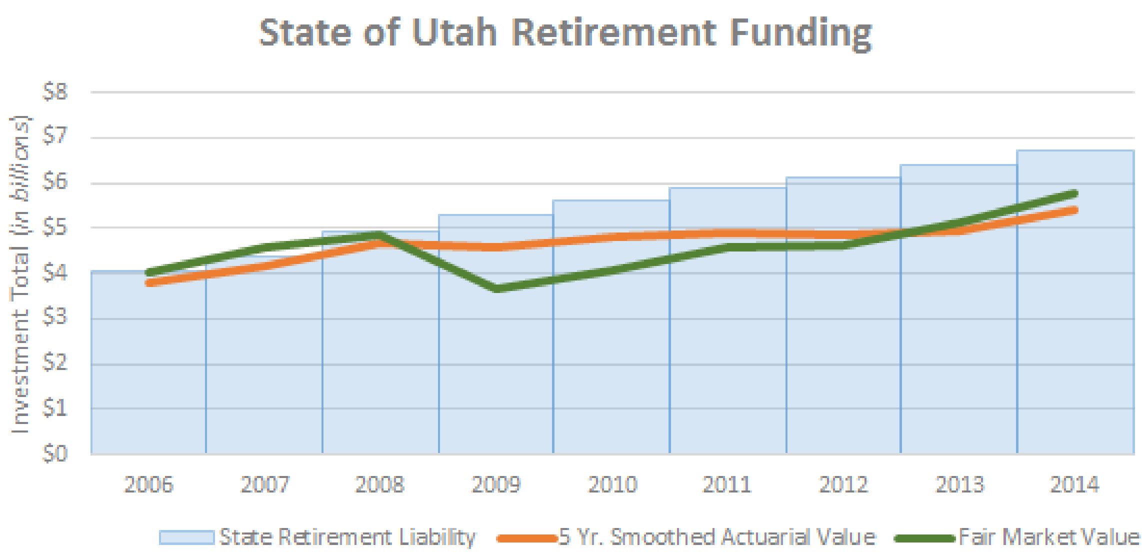
Federal funds are 27 percent of the state budget in FY 2015. While passage of the BBA provides more certainty to states than we've had in the recent past under the "fiscal cliffs," risks remain. Such risks could include debt ceiling standoffs, geo-political events, loss of federal borrowing capacity, and many others.

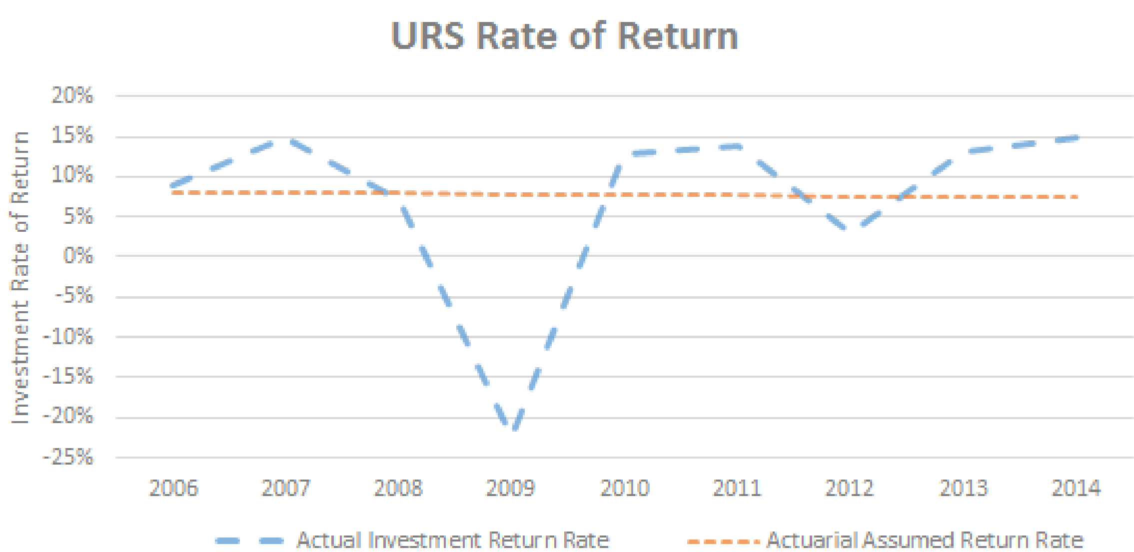
The Billion Dollar Retirement Gap - Brian D. Fay

In 2008, the Utah Retirement System (URS) experienced investment losses of nearly 25 percent, leaving a $7 billion unfunded liability. As the single largest member of URS, these loses resulted in an unfunded retirement liability for the State of Utah of just over $1.6 billion. In January 2009, the State began a 25 year amortization of this funding gap and as of January 2014, the unfunded retirement liability for the State was just under $942 million.

Actuarial Value vs. Fair Market Value

The fair market value (FMV) of investments fluctuates sharply in response to the market. To protect the state budget from these sharp fluctuations, URS utilizes a 5-year smoothed expected rate of return for determining the actuarial required contribution (ARC).





While this actuarial valuation stabilizes contribution rates, it can create some confusion by creating an actuarial value of assets that differs from the fair market value. This also results in two funding ratios.

Funded Ratios

As of January 2014, the state pension liability stood at $29.17 billion. Fair market value of assets stood at $25.59 billion (86.0%) and actuarial value of assets stood of $23.41 billion (80.2%). This difference is due to nearly $400 million in investment gains that have not yet been recognized in the actuarial value.

Unfunded Liability Amortization

The state began a 25-year amortization plan to bring the pension funded ratio back to 100% in January 2009. For the past 5 years, approximately 40% of the retirement contributions made by the state have gone to amortize the unfunded liability. For FY 2015, the amortization portion of retirement contributions for the state will equate to nearly $100 million. Thanks to funding by the Legislature and to higher-than-expected returns on investments, URS has already reduced the FMV unfunded liability by 42%.