Fiscal Highlights

$119 m in Future Buildings "Phase" Funded - Mark Bleazard

A new law improves financial management for state buildings by recognizing the full cost of a facility before authorizing its construction. However, "phased" funding of some buildings still presents a risk.

The 2013 Legislature appropriated state funds totaling $95.3 million for FY 2014 capital development projects. In addition, it authorized $132.8 million for FY 2014 non-state funded capital development projects. Both state funded and non-state funded projects lists are shown below.

FY 2014 Capital Development Projects	
State Funded	
DHS State Hospital	$5,000,000
Ogden Juvenile Courts	29,300,000
UVU Classroom Building	54,000,000
Unified State Lab Module 2 (Design)	2,000,000
WSU Science Building (Design)	3,500,000
USU Eastern - Central Instructional (Planning)	500,000
USU Brigham City Campus (Planning)	500,000
Dixie East Elementary Purchase (Planning)	500,000
State Funded Total	**$95,300,000**
Non-State Funded	
USU Aggie Life & Wellness Center	$30,000,000
USU Blanding Recreation Center	900,000
USU Space Dynamics Laboratory	20,532,000
USU Athletic Complex/Training Center	7,500,000
USU Science & Technology - Tooele Campus	8,000,000
UofU Basketball Training Center-HPER Additio	23,600,000
UofU Kennecott Building Renovation - Phase II	11,040,000
SUU Center for the Arts	30,000,000
DPS Communications & Driver License - Price	1,277,000
Non-State Funded Total	**$132,849,000**
Grand Total	**$228,149,000**

During the 2013 General Session, the Legislature enacted S.B. 278 that amends UCA 63A-5-104 to add the following new text: If construction of a new building or facility will be paid for by non-state funds, but will require an immediate or future increase in state funding for operations and maintenance or for capital improvements, the Legislature may not authorize the new building or facility until the Legislature appropriates funds for:

(a) the portion of operations and maintenance, if any, that will require an immediate or future increase in state funding; and

(b) the portion of capital improvements, if any, that will require an immediate or future increase in state funding.

(7) (a) Except as provided in Subsection (7)(b) or (c), the Legislature may not fund the design or construction of any new capital development projects, except to complete the funding of projects for which partial funding has been previously provided, until the Legislature has appropriated 1.1% of the replacement cost of existing state facilities to capital improvements.

These amendments to the code will eliminate the dilemma of how to get funding for operations and maintenance and capital improvements for non-state funded buildings or facilities after they are constructed. The legislation also amended the code to require ongoing capital improvements funding to be appropriated in concert with approval and funding for state funded capital development projects.

The appropriations for the last five projects listed under "State Funded" category in the figure below represent funds for planning or design of the named building or facility. Estimated expenditures to complete those five projects (for a total additional cost of $118.5 million) are as follows:

- Unified Lab Module 2: $33.6 million;
- WSU New Science Building: $57.4 million;
- USU EasternCentral Instructional Building: $19.5 million;
- USU Brigham City Campus: $7.0 million; and
- Dixie East Elementary Purchase: $1.0 million.

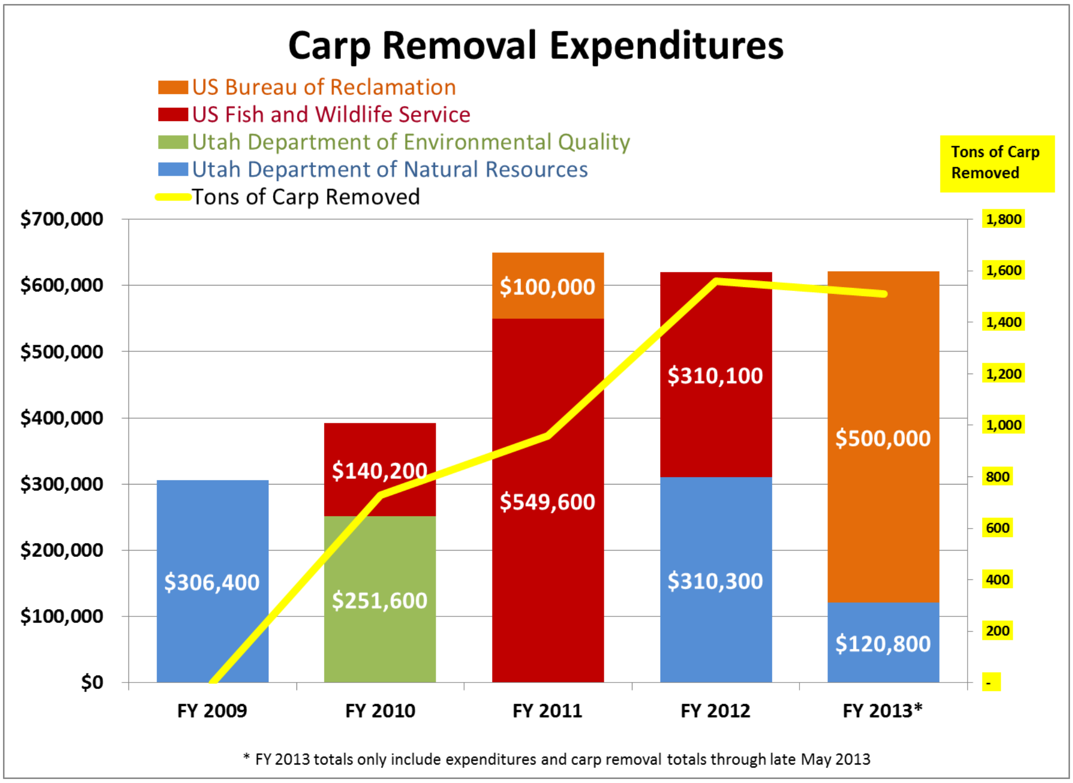
Future occupants of those facilities are likely anticipating those projects will get preference in the appropriations process during the next general session. However, it is not clear whether any funding for capital development will be available next year, nor is it clear that these projects will be prioritized by the State Building Board.

$2.6 Million Spent on Carp Removal So Far, What Are The Results? - Ivan D. Djambov

The carp is identified as the greatest obstacle for recovering the endangered June Sucker in Utah Lake. Carp are nonnative fish introduced to the Utah Lake in the 1880s, and are now estimated to comprise nearly 90% of the biomass of the lake. The carps aggressive foraging has altered the lakes ecosystem. Scientific research indicates that in order to reverse the negative impact of carp on a shallow lake, such as Utah Lake, the carp population has to be reduced by 75%. A study in 2008 estimated that the lake had 21,440 tons of carp.

The Department of Natural Resources, through its Species Protection Program, has partnered with other state and federal agencies to fund a carp removal project. The management has identified that if they remove 2,500 tons (5 million pounds) of carp per year, the 75% reduction goal can be reached in seven years.

The program has contracted with Loy Fisheries, a commercial fishing operation, and is paying $.20 per pound for the removed carp. The figure below provides the actual expenditures, the agency providing the funding, and the tons of carp removed each year.

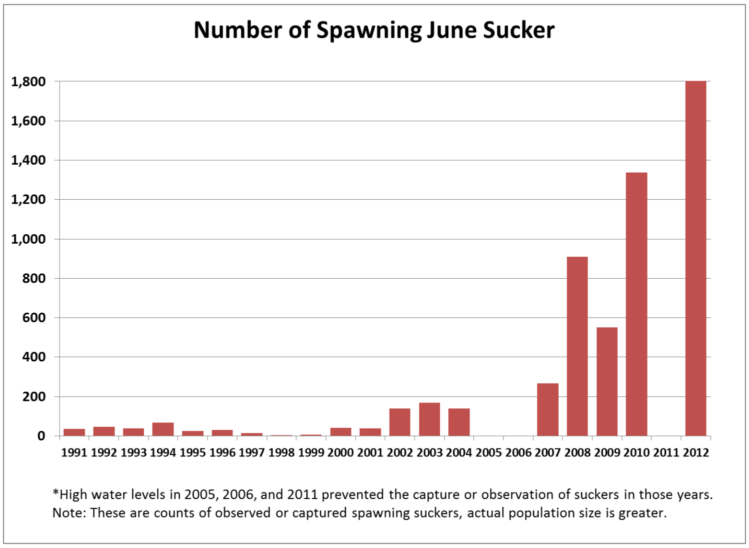


As of end of May, 2013, the carp removal program has spent $2.6 million. More than one half of the total funding, $1.6 million, has come through federal agencies ($1 million from the US Fish and Wildlife Services and $600,000 from the US Bureau of Reclamation). The remaining $1 million was provided by the State of Utah ($737,500 from the Department of Natural Resources and $251,600 from the Department of Environmental Quality). The total funding committed for carp removal for FY 2014 is $1 million.

The amount of carp removed per year has been significantly less than the initially anticipated. The main limitation has been the capacity of the commercial fisherman. Managers reported that they have been working with the contractor to increase the catch and reach in FY 2014 their target of 2,500 tons per year.

The total amount of carp removed between FY 2009 and FY 2013 is 6,300 tons. This is 30% of the total carp population in the lake estimated in 2008 (21,440 tons of carp). However, there is a possibility that the carp may have been responding to the removal process by increasing its reproduction rate, and the total amount of carp in 2013 may be very close to what it was in 2008. The program has not been monitoring the carp population on a regular basis. A study conducted by the Utah State University is scheduled to provide by the end of this summer an estimate on the carp population in Utah Lake.

The reduction of carp in the lake is identified as one of the main components in the recovery plan for the June Sucker. The program has reported that the number of the endangered fish has been increasing. The figure below shows the number of observed or captured spawning June Sucker in the Provo River and Hobble Creek as reported by the Division of Wildlife Resources.



The June Sucker numbers have drastically increased since 2007, which in part may be due to the reduction of carp in the lake. The Endangered Species Program has been trying to identify viable options for funding the carp removal and the recovery of the June Sucker. However, due to potential decline in federal funding, as well as other financial factors, the funding for the carp removal in the future is uncertain.

AGRC Delivers Cadastral Grant Contracts/Funding to Locals - Gary K. Ricks

The Automated Geographic Reference Center (AGRC) is a division within the Department of Technology Services (DTS). AGRCs responsibilities include managing the State Geographic Information Database (SGID) that serves as a central repository for all information contained in any geographic information system or other digital mapping database by any state agency. The SGID includes statewide aerial photography of multiple vintages, terrain models, and accurate representations of roads addressing land ownership, natural resources, and all political district and subdivision boundaries of the state.

During the 2012 Legislative Session, lawmakers appropriated $300,000 one-time to AGRC to distribute among non-urban counties for parcel and survey (cadastral) work during FY 2013. As in past years, AGRC distributed the grant contracts and attendant funding of $10,000 to each of the 25 non-urban counties. (The four largest counties: Salt Lake, Davis, Utah and Weber do not participate.) AGRC employs the remaining $50,000 to distribute and manage the contracts, the data deliverables, and to make the cadastral and parcel data accessible via the SGID website and interactive map apps. The contract period will conclude at the end of September 2013.

Division of Juvenile Justice Services Proposes $11million Multi-use Facility - Zackery N. King

The Board of Juvenile Justice Services most recently met on Thursday, May 30, 2013. Among other agenda items, Director of the Division of Juvenile Justice Services (DJJS), Susan Burke, presented the floor plan and some brief detail about a proposed $11 million multi-use DJJS facility in Weber

County to replace the current assortment of buildings currently in use there. Building specifications of the proposed multi-use facility are provided below. Key questions and insights from the Board of Juvenile Justice Services are outlined in the ensuing information as well; budget implications for the Legislature to be aware of are included throughout these sections and summarized in the conclusion.

Consolidation of buildings and Services

The proposed building would consolidate multiple buildings and services into one. Current buildings and operations that would be consolidated into the multi-use facility include (Each of these items is currently housed in its own building):

- Weber Valley Detention Center (WVDC)
- Davis Area Youth Center
- Receiving Center
- Observation and Assessment
- Case Management
- Transition Services

Building Specifications

The proposed facility would be located on six acres of land adjacent to the Weber County Jail (proposed sale of the land to the state of $1) and would be approximately 42,000 square feet. The proposed cost of constructing the building is $11 million and is based off of the current multi-use building in Cedar City.

The proposed facility would include:

- Receiving center and intake services
- 48 detention beds
- 16 observation and assessment beds
- Diversion services
- Community outreach
- On-site educational programs
- Case management and transition services.

Questions and Concerns During the Board Meeting

1. Observation and assessment beds/services should not be housed in the same facility as detention and secure beds/services. The current DJJS model is to employ multiple buildings across the state to keep youth closer to home, and to avoid mixing youth with more severe chronic cases and those of less severity and/or frequency. The proposed building does not accomplish this but carries out the opposite.

2. The location of a juvenile detention center adjacent to the county jail creates a negative community perception; a negative stigma of the detention center is associated with the facilities and with the youth placed there.

3. What is the cost comparison of current operations to proposed operations? For example, the proposed facility would increase detention bed capacity from 34 beds to 48. The current WVDC is operating at 16 beds due to previous years declining demand for those beds. The state would

be building a facility where 33% of the detention capacity would be used. What is the reason for a proposed increase in bed capacity?

Additionally, DJJS has requested ongoing funding for the WVDC for the last five years, receiving reduced one-time funding appropriations each year. The WVDC's FY 2014 appropriations total $1.7 million and break down as follows:

- Ongoing General Fund - $435,000
- One-time reallocation from the Department of Corrections - $1.2 million
- Other one-time funds - $25,000

These funding issues are significant, because the cost of running the current WVDC would be consolidated into the cost of the multi-use facility. What is the cost of providing these services in the multi-use facility? Is there a clear way to determine the share of the costs of a larger detention facility? Does it exceed the current costs at WVDC?

4. What is the county's long-term monetary contributions to operations and maintenance of the facility going to be?

Conclusion

The proposed multi-use facility in Weber County has several significant budgetary implications for the Legislature to consider during the 2014 General Session, such as:

1. Funding issues associated with the current detention center in Weber County.

2. It increases detention bed space in Weber County from 34 to 48 beds; the current detention center operates 16 beds due to the aforementioned funding issues.

3. Discussions for long-term operations and maintenance of the building have not taken place; funding issues with the current operations in Weber County raise concerns about the long-term (possibly increased) cost to the state for the proposed building.

4. During the 2013 General Session, the Legislature expressed its intent through S.B. 218 for DJJS to obtain local, federal, and private funding for certain services and operations within the division; the proposed building has a direct impact on these respective services and operations in Weber County. In effect, consolidating them into the total cost of the proposed building and not addressing the intent of the Legislature for them.

Employment and Wage Growth - Andrea Wilko

Overall Utah's economy is improving. Businesses in Utah continue to create jobs at more than twice the national average and compared to long run trends, employment is growing faster than historical rates. Looking at specific industry classifications, all 11 broad areas are expected to see job growth. Overall, businesses have created a total of 115,900 jobs since the trough of the recession, with total employment now surpassing the pre-recession peak. Over the same time frame, employment growth in the nation is still 2.7 million below the pre-recession peak and other mountain west states are 361,000 below their pre-recession peak.

In 2012, nonfarm employment growth outpaced the labor force growth rate by about three times, with the estimated labor force growing by about 13,500, whereas total nonagricultural employment grew by about 40,300. An additional 42,400 jobs are anticipated for 2013, representing an annual growth rate of 3.4%. There is still a deficit of approximately 100,000 jobs below what would have been had the labor force not declined.

Wages have also seen improvement recently. The average annual wage in the State was $40,651 in 2012, an increase of 2.4% over the prior year. Average annual wage is expected to increase by $1,028 in 2013 (a 2.5% increase) and by $1,245 in 2014 (a 3.0% increase).

The labor market is under transformation, with a greater percentage of employees shifting towards part-time employment or self-employment. The slow gradual shift appears to be permanent.

Turning to national employment, April employment grew by 165,000, and the national unemployment rate held steady at 7.5%. Employment grew in professional and business services, food services and drinking establishments, retail trade, and health care. The industrial side of the economy continues to grow slower. Overall, national employment is still below its December 2008 high and will remain that way through 2013.

National wages have been practically flat for over a decade on an inflation-adjusted basis. In spite of recent wage improvements, the rate of wage growth is likely to experience a lower long-term trend growth rate.

Federal FY 2013 Budget Deficit Estimate Has Dropped to $642 Billion - Steven M. Allred

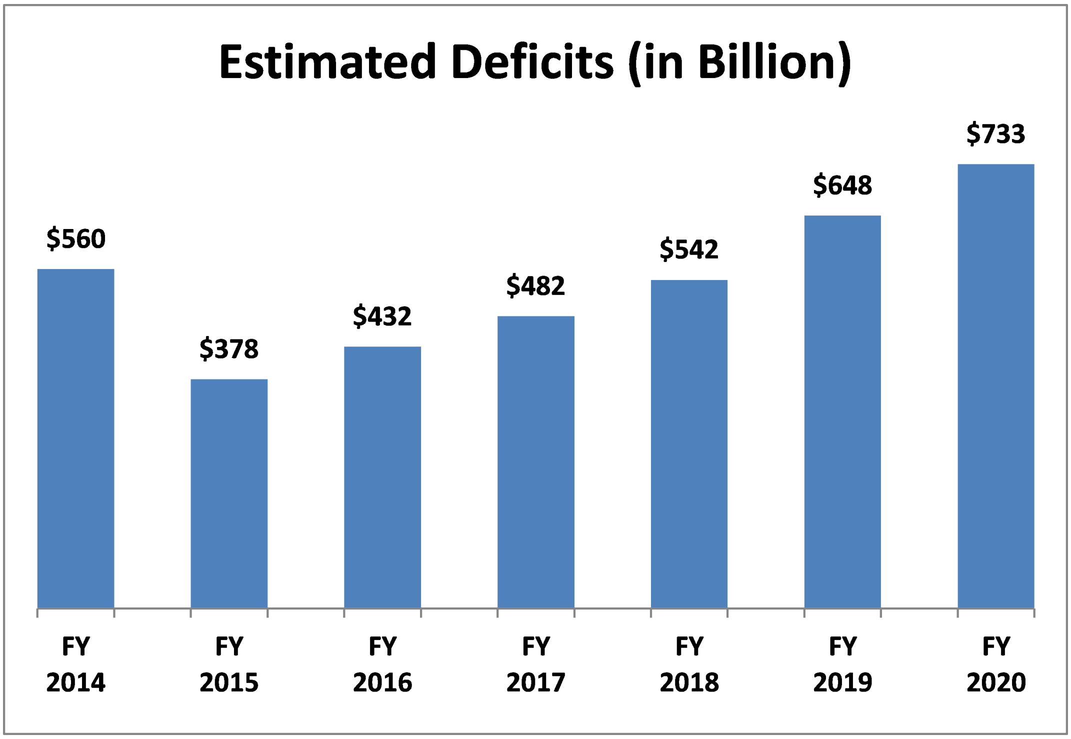
The non-partisan Congressional Budget Office (CBO) has revised its FY 2013 federal deficit estimate to $642 billion, or 4% of the nations Gross Domestic Product, based on revenues of $2,813 billion and outlays of $3,455 billion. The revised deficit estimate is down $203 billion compared to the $845 billion projected in February. Prior year deficits were $1,087 billion in FY 2012 and approximately $1,300 billion in each of FY 2011 and FY 2010.

The CBO says the $203 billion reduction doesnt come from the $85 billion in mandatory sequestration cuts, or from the package of tax increases that Congress passed this winter to avoid the fiscal cliff. The office had already incorporated those factors into its February forecasts. Rather, it comes from higher than expected tax payments from individuals and businesses as well as higher payments from Fannie May and Freddie Mac, the mortgage companies the federal government took over.

The federal government actually had a revenue surplus of $113 billion in April. Utah likewise saw larger than expected income tax payments in April. However, as stated in our June Revenue Update, larger than expected April income tax payments were "due largely to federal tax changes which caused taxpayers to shift gains into tax year 2012. Revenue resulting from this shift should be treated as one-time in the budgeting process."

If the FY 2013 estimate holds true, it will postpone the need for a vote to increase the nations debt ceiling from this summer to sometime around October or November.

For the future, CBO estimates deficits as low as $378 billion in FY 2015, then increasing each year thereafter because of health care costs for an aging population and increasing interest payments on debt.



CBOs report is available here: http://cbo.gov/publication/44172.

Higher Education Enrollment Dips - Spencer C. Pratt

Enrollment in the Utah System of Higher Education dropped for the spring semester. The Spring 2013 Third-Week FTE Enrollment data show that the number of budget-related students decreased by 3.08 percent to 102,229 from 105,551 during the same time period of 2012. The institutions with the largest decreases include Utah Valley University (1,306 FTE students or 6.98%), Salt Lake Community College (750 FTE students or 4.74%), and Utah State University (776 FTE students or 4.26%). The University of Utah was the only institution to show an increase with 95 additional FTE students (0.37%).

The following report details the FTE Student change, by institution:

Budget-Related FTE Students				
Institution	Spring 2012	Spring 2013	Change	Change %

University of Utah	25,364	25,458	95	0.37%
Utah State University	18,216	17,440	-776	-4.26%
Weber State University	12,932	12,768	-164	-1.27%
Southern Utah University	5,698	5,630	-68	-1.20%
Utah Valley University	18,714	17,408	-1,306	-6.98%
Dixie State University	5,849	5,659	-190	-3.25%
Snow College	2,963	2,871	-92	-3.08%
Salt Lake Community College	15,815	15,065	-750	-4.74%
Total USHE	**105,551**	**102,299**	**-3,251**	**-3.08%**

The Board of Regents attributes the decline to two factors. First, the effects of the recently-announced change by the L.D.S. Church to lower the age of eligibility for missionary service; and second, students leave college for employment opportunities, reflecting the improving economy in the State.

Impact of Recent Federal Tax Changes on Utah Residents and Government - Thomas E. Young

By how much will the recent federal tax increases reduce disposable income to residents of the state?

When adding up the tax-rate changes to single and married individuals making over $400,000/ $450,000 in certain instances, and $200,000/$250,000 in other instances, as well as the reinstatement of the payroll tax holiday, residents will likely see a decrease in personal income of about $2.5 billion in 2013.

The major tax changes that came in 2013 include:

- Increased tax rates on ordinary income, capital gains, and dividends for those making more than $400,000 for single filers and $450,000 for married filers;
- A 3.8% tax rate on unearned income for single filers making over $200,000 and $250,000 for married filers;
- An additional 0.9% Medicare payroll tax on earned income for single filers above $200,000 and for married filers above $250,000;
- Expiration of the payroll tax holiday, which represents a 2% tax increase for income under $113,700; and
- Phasing out of personal exemptions and itemized deductions for certain income levels.

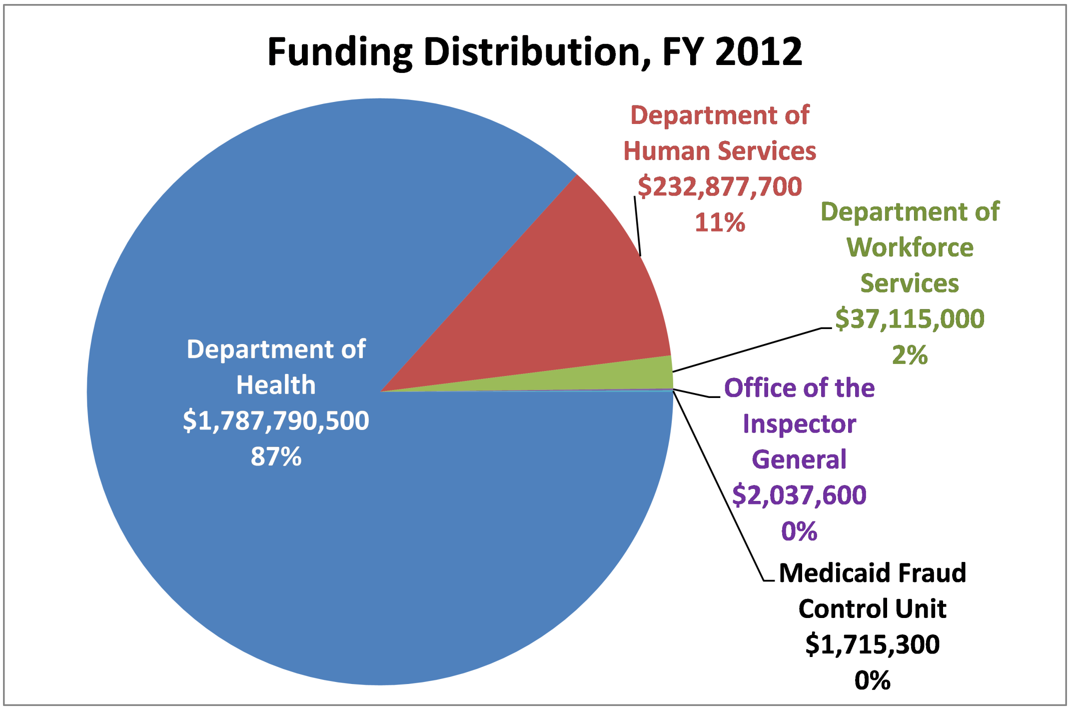
Major Federal Tax Changes—2013		
Area	***2012***	***2013***
Ordinary income & short-term capital gains, making over $400K (single)/ $450K (married)	35%	39.6%
Long-term capital gains, making over $400K/$450K	15%	20%
Dividends Ordinary dividends Qualified dividends	Ordinary Rates	Ordinary Rates
Unearned income (Medicare contribution)	None	3.8% over $200,000/ $250,000
Medicare payroll tax	2.9%; individual 1.45%/ employer 1.45%	Additional 0.9% on earned income >$200,000/ $250,000
Payroll tax holiday	4.2% up to $113,700	6.2% up to $113,700
Personal exemption phaseout (PO)	None	2% PO
Itemized deduction phaseout (PO)	None	3% PO

The largest portion of the tax increase stems from the expiration of the payroll tax holiday at about $1.2 billion. In terms of state revenue, a $2.5 billion reduction in personal income equates to about a $125 million reduction in General/Education Fund revenue, with most of that being individual income tax and sales tax.

Medicaid Used 23% of all the State's General Fund in FY 2012 - Russell T. Frandsen

In FY 2012, the Medicaid program in Utah spent $484,499,800 General Fund and $5,322,300 Education Fund ($2,061,536,100 total funds). The $484,499,800 represents 23% of all the

$2,122,199,500 General Fund spending statewide in FY 2012. Funding flowed through five state agencies in the following amounts:



Of the $2,061,536,100 total funds spent on Medicaid in FY 2012, 5% or $97,766,200 went for State administration. The other 95% or $1,963,769,900 paid for medical services. The federal government provided 69% or $1,424,559,100 of the total funding with the remaining $636,977,000 or 31% from matching funds. Of the $636,977,000 in matching funds, the State General Fund provided $484,499,800 or 77%, the Education Fund another $5,322,300 or 1%, and other entities provided the remaining $147,154,900. Generally these entities are seeding money because those entities are receiving the federal match.

There are four general categories of offsets to Medicaid expenditures, which totaled $356,813,500 in FY 2012. Most offsets result in the Medicaid program avoiding a payment, but in some cases the Medicaid program uses the money collected to offset the total expenditures. The list below includes a discussion on each offset:

- Third party liability - Medicaid charged/collected $244,936,700 from third parties (Medicare, private insurance, or parties causing medical injury to Medicaid clients). In FY 2012 about 1/4 of Medicaid clients had another medical insurance.
- Pharmacy rebates - the State collected $90,003,000 in rebates from volume discounts which the program used to offset expenditures.
- Client contributions - Medicaid clients contributed $13,743,800 to participate in the Medicaid program. The list below includes a discussion of three categories in which client contributions take place:
    - Spenddown Income - clients spent down or paid $6,922,200 of their income to participate in the Medicaid program. This spenddown allows the client to qualify for Medicaid by lowering their income via qualified medical expenses.

    - Co-payments - these are reduced from the reimbursement paid to providers and represented $6,519,500 or 0.3% of all expenditures in FY 2012. Sixty-nine percent of the co-payments came from pharmacy co-payments.
    - Primary Care Network Premiums - clients paid annual premiums totaling $302,100 to participate in this program.
- Office of Inspector General and Attorney General Collections - these two agencies recovered $8,130,000 in overpayments to providers.

For more information please visit the following:

- http://le.utah.gov/interim/2013/pdf/00000649.pdf
- http://health.utah.gov/medicaid/pdfs/annual_report2012.pdf

New Fiscal Note System - Stan Eckersley

The Legislature has a new fiscal note system that it will use in the next general session. There were some agencies that used a version of it in the last session. Because of them, we know that the program works, and from their suggestions, the program has some significant improvements.

In the old system, agencies told us how a bill would affect them (and others) by filling out a form and e-mailing it to the Legislative Fiscal Analyst. In the new system, agencies log on to a web site (maintained by UtahInteractive) and answer similar questions. The questions are in a smart form, so that the next screen depends on the answer provided in the last question. We hope that the smart form will speed up the process. All answers will be stored on a server.

In the new system, each agency has a fiscal notes manager that determines who in that agency will have access to the system. Further, the manager decides which of four levels of access will be assigned to each employee. (Only two levels may submit a fiscal note and the lowest level is "read only.")

New System - Agency Benefits

1. More than one person from the same agency can work on the same response at the same time, streamlining the response process.

2. Users can collaborate better using the "working notes" section to document their input, sign off when completed, or ask questions of each other.

3. Agencies get a dashboard that:

- Organizes the fiscal note requests.
- Has a search function.
- A timer.
- Has sorts for: bills in progress, agency completed responses, and bills by sponsor.
- Agencies may comment on a bill that is not assigned to them.
- It has an annotating process that documents every change in your response noting who, when, and what was changed.

New Fiscal Note Manual

The Legislative Fiscal Analyst just published the Fiscal Note Manual. The goal is to concisely cover every aspect of Utah's fiscal note process.

Per Pupil Expenditures: National Comparisons Show Utah Spends Between $6,064 and $8,122 per Pupil - Ben Leishman

A state's per pupil expenditure (PPE) has become one of the most common data points used to compare educational systems across the country. To some degree, this measure is used to evaluate a state's relative commitment to K-12 education. However, as an input measure, PPE fails to consider the outcomes achieved by a state's educational system and the relative cost differentials across the country. This brief puts aside the limitations of using PPE as a performance measure, in order to focus on the various sources for PPE data and highlight their differences.

Comparability across states becomes important when looking at PPE data. The range of expenditures in the title of this brief highlights this importance. Depending on the data used and the entity that developed the national comparison, the resulting PPE figures can vary dramatically, and each result is not comparable to the other.

The National Center for Education Statistics (NCES) is the primary source for the data used to develop PPE calculations. NCES is part of the U.S. Department of Education and is the federal entity charged with collecting and analyzing data reported by the states. State education agencies (SEAs) compile state and local financial information and submit the information to NCES using NCES reporting standards. NCES then develops a series of reports using this data, including per pupil expenditures. The following terms will assist in understanding NCES data:

- the sum of all expenditures within the agency. This includes expenditures on salaries, employee benefits, purchased professional and technical services, purchased property services, other purchased services, supplies, property, and other.
- the expenditures for operating local public schools, *excluding capital outlay and interest on school debt*. These expenditures include such items as salaries for school personnel, benefits, student transportation, school books and materials, and energy costs. Expenditures for state administration are excluded.
- the aggregate attendance of a school during a reporting period (normally a school year) divided by the number of days school is in session during this period. Only days on which the pupils are under the guidance and direction of teachers should be considered days in session.[2]
- the total number of students registered in a given school unit at a given time, general the fall of a year.[3]

The U.S. Census Bureau and the National Education Association (NEA) also produce per pupil expenditure comparisons. The Census Bureau uses NCES data in their calculation. Instead of Current Expenditures, the Census Bureau uses the term Current Spending. Current Spending was developed by the Census Bureau for public school system finance reports and allows for the inclusion of all public elementary-secondary outlays, regardless of the specific unit of government that actually makes the expenditure.[4] The NEA also uses NCES data adjusted by a state to meet specific NEA data requirements.

Regardless of the terminology, each organization is trying to develop consistent data to ensure comparability across states. Often, per pupil expenditure comparisons exclude expenditures on capital outlay, debt service, pre-k programs (unless the funding goes to a local education agency and is for instructional purposes), adult education programs, and state level administration. Excluded expenditures are often noted in the footnotes of each comparison.

Depending on the three major national comparisons of per pupil expenditures, Utah spent an amount ranging from $6,064 to $8,122 in FY 2010 as detailed below:

- $6,452 - Current expenditure per pupil in fall enrollment
- $6,877 - Current expenditure per pupil in average daily attendance
- $7,916 - Total current expenditures, capital expenditures, and interest on school debt per pupil

- $6,064 - Current spending per pupil

- $6,400 - Current expenditures per student in fall enrollment
- $8,122 - Current expenditures per student in average daily attendance

In conclusion, each of these comparisons represents an accurate calculation of what Utah spends per pupil based on the definitions used to develop each comparison. Each organization consistently uses their set of definitions and data collection methodologies to allow for comparisons across time. However, given the range of possible amounts, it is difficult to fully weigh how much Utah spends per pupil using these comparisons alone.

Notes:

Digest of Education Statistics: 2010. Appendix B: Definitions. National Center for Education Statistics, April 2011.

Ibid.

Ibid.

Public Education Finances: 2011. Government Division Reports. United States Census Bureau, May 2013.

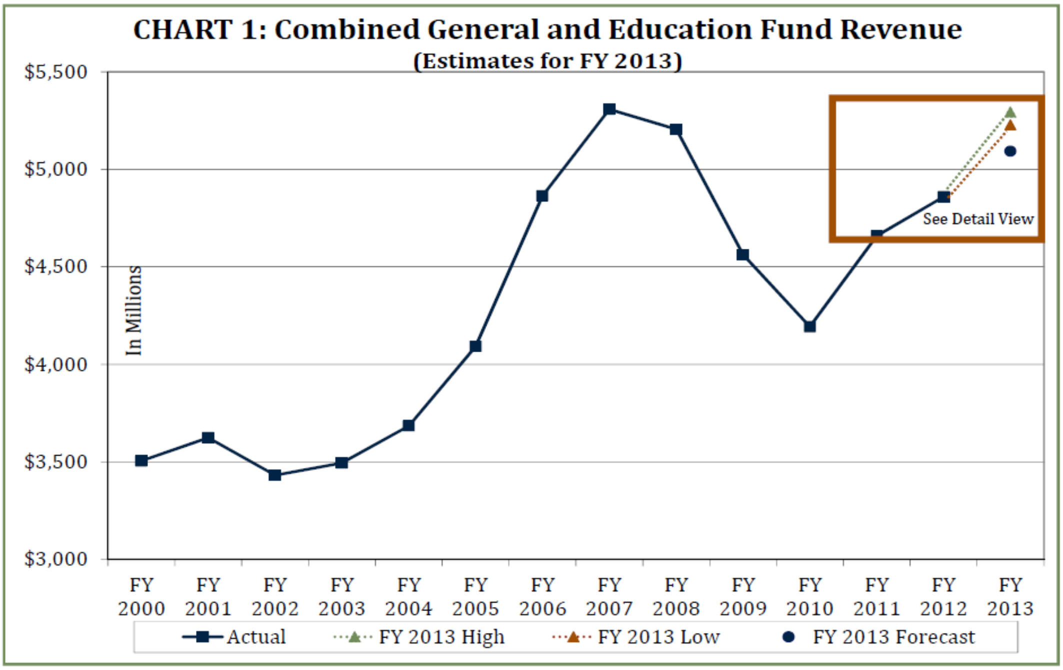
Digest of Education Statistics. National Center for Education Statistics. Tables prepared January 2013.

2010 Annual Survey of Local Government Finances School Systems. U.S. Census Bureau.

Rankings of the States 2012. National Education Association.

Revenue Forecast - June 2013 - Andrea Wilko

A consensus range forecast for June 2013 indicates that revenues will be between $135 million to $195 million above our May projection for FY 2013. Transportation Fund revenue is expected to be plus or minus $5 million of the May target.



Income tax collections have been particularly strong in FY 2013 due largely to federal tax changes which caused taxpayers to shift gains into tax year 2012. Revenue resulting from this shift should be treated as one-time in the budgeting process.

Overall we have seen improvements in the housing market, consumer confidence and spending, business spending and equity markets. As a result we expect revenues to remain strong throughout the remainder of the fiscal year and into FY 2014.

See the full text of our report here.

Special Administrative Expense Account $5.0 Million Less Than Stated - Stephen C. Jardine

In the 2013 General Session, the Legislature appropriated $6.7 million from the Special Administrative Expense Account (SAEA). This account showed a June 30, 2012 ending balance of $12.9 million. However, actual collectible cash may be as much as $5 million less. Based upon the stated ending balance, the Legislature appropriated $5.9 million SAEA funds to the Department of Workforce Services to support demand-driven employment activities in the nine Economic Service Areas. The Legislature also appropriated an additional $793,600 SAEA funds for Workforce Development activities replacing General Fund one-time for FY 2014.

The 2013 Compendium of Budget Information (COBI) includes the following chart for account history of the Special Administrative Expense Account through FY 2012:

Special Administrative Expense Account
Account History

Fund #	Year	Beg Balance	Revenues	Expenses	Transfers	End Balance
1281	1997	0	0	0	0	0
1281	1998	3,100,008	(129,884)	(624,494)	988,729	4,583,347
1281	1999	4,583,347	(103,070)	(353,891)	(1,530,442)	3,303,726
1281	2000	3,303,726	3,621,089	(117,652)	-	7,042,467
1281	2001	7,042,467	1,218,869	(46,435)	-	8,307,771
1281	2002	8,307,771	(287,053)	(18,122)	(1,186,700)	6,852,140
1281	2003	6,852,140	1,998,829	(74,098)	171,998	9,097,065
1281	2004	9,097,065	2,091,182	(68,200)	-	11,256,447
1281	2005	11,256,446	3,611,275	(50,600)	(5,801,000)	9,117,321
1281	2006	9,117,321	6,489,392	(30,000)	-	15,636,713
1281	2007	15,636,713	2,205,160	-	-	17,841,873
1281	2008	17,841,873	4,390,390	-	-	22,232,263
1281	2009	22,232,263	5,513,328	-	(15,800,000)	11,945,591
1281	2010	11,945,591	(5,241,480)	-	(431,846)	6,272,265
1281	2011	6,272,265	6,333,865	-	(2,000,000)	10,606,130
1281	2012	10,606,130	7,556,745	-	(5,266,000)	12,896,875

Note: This report presents unofficial, unaudited information that is subject to change. For audited financial statements, see the State of Utah Comprehensive Annual Financial Report at http://finance.utah.gove/cafr.html

The Department of Workforce Services states that the balance as shown in the COBI is the accounting balance, which includes . . . receivables that we may or may not ever collect such as funds owed by organizations that have gone out of business. This difference likely represents millions of dollars. For example, the Department of Workforce Services balance of available funds in the Special Administrative Account at the end of FY 2012 was $5.7 million - a difference of $7.2 million.

SAEA money includes interest and penalties collected in association with unemployment as found in the *Employment Security Act*. When the Special Administrative Expense Account is used for anything not directly related to unemployment insurance activities, UCA 35A-4-506(6) requires a payment back to the account equal to the cost of collection of penalties and interest. The statute currently sets that cost at 22% of the appropriation level. This repayment amount was $1.1 million of the $5.9 million for demand-driven employment activities and $143,100 of the $650,500 related to Workforce Development expenditures.

Tooele ATC New Building - Angela J. Oh

On June 5th, 2013, Tooele Applied Technology College (TATC) had a ribbon cutting ceremony and open house for the 74,000 square foot building. During the 2011 General Session, the Legislature authorized and appropriated funding for a new building for TATC. The building is adjacent to the Utah State University's Tooele campus. During the 2012 General Session, the Utah College of Applied Technology, as a whole, was appropriated $5 million to increase campus capacity at their eight regional campuses; TATC received $801,700 of that appropriation.

Key areas where TATC plans to increase student headcount and memberships hours are: industrial/ facilities maintenance, manufacturing, diesel technology, practical nursing, commercial driving, construction technology, culinary arts, information technology, and certified nurse assistant programs.