

## Fiscal Highlights

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### **A New Era Begins At USTAR - Zackery N. King**

On May 21, 2014, during Extraordinary Session #6, the Senate confirmed Governor Herbert's appointment of Ivy Estabrooke as the new executive director of the Utah Science, Technology, and Research Initiative (USTAR). As a new executive director begins operations and recently passed legislation takes effect at USTAR, a new era of governance and transparency of USTAR operations begins as well. For an introduction to Ms. Estabrooke, please reference the Senate Economic Development and Workforce Services Confirmation Committee hearing on Wednesday, May 21, 2014 at the following link: [USTAR Executive Director](#).

The practice of Senate confirmation for executive director of USTAR is a new provision in statute, authorized in [S.B. 62](#), Utah Science Technology and Research Governing Authority Amendments, 2014 General Session. Key provisions of S.B. 62 are included below:

- Lease agreements are required prior to approval of research team occupancy of USTAR buildings;
- Performance standards and expectations and the reporting of those metrics are required for individual research teams and technology Outreach Centers;
- Submission of an annual report to the Legislature;
- Requirement of an annual audit of USTAR financial information and performance standards;
- Statutory nonlapsing authority repealed;
- Designation of an executive branch agency for purposes of procurement.

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### **Autism Pilot in the Department of Health: Past and Future - Russell T. Frandsen**

After two years of two pilot programs providing autism services, the Department of Health received \$1.8 million ongoing from the General Fund for FY 2015 to serve about 260 children in Medicaid. The legal authorization came from H.B. 88, Autism Program Amendments, from the 2014 General Session.

#### **Report on the Two Pilot Programs**

##### **1) Medicaid Waiver**

- Received \$4.5 million one-time General Fund in each of FY 2013 and FY 2014 to serve up to 500 children for an estimated cost of \$35,000 per child;
- Spent \$0.4 million in FY 2013;
- Will spend about \$2.5 million in FY 2014 \$2.5 million: the Legislature removed \$2.0 million one-time during the 2014 General Session since caseloads were lower than originally anticipated;
- Served 317 children at an average cost of \$23,300 per child.

##### **2) Autism Treatment Restricted Account**

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- Received \$1.8 million one-time in FY 2013 (\$1.0 million from the General Fund and \$0.8 million in private donations);
  - Allowed to spend up to 9% on administration;
  - Through June 11 have spent \$1.6 million with \$122,000 or 7.8% for administration;
  - Served about 35 children annually at an average cost of \$29,500;
  - One-time funding runs out soon and services will not continue.

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### **Capital Improvement Funding - Mark Bleazard**

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

This past year the State Building Board and the Division of Facilities Construction and Management implemented Legislative intent language that required them to "propose a prioritized scoring process" to determine allocation of capital improvements appropriations. The new capital improvement process now includes a prioritized scoring process consisting of five steps as follows:

- (1) A Project Needs Request;
- (2) Preliminary Project Prioritization and Preliminary Scoring by the Building Board Director;
- (3) Preliminary Building Board Director Scored Project Review and Revisions Process involving agencies and institutions, the Division of Facilities Construction and Management, and the Building Board Director;
- (4) Submitting the revised Scored List to Board and a Utah State Legislature subcommittee involved with state facility design and construction; and
- (5) Review and Final Approval by the Utah State Building Board of the list for submittal to the Utah Legislature.

This process replaces a policy that prioritized distribution of appropriated funds based on the ratio of square footage of building space owned by the agency or institution. The new process will examine actual needs, and appropriations are distributed accordingly.

During the 2014 General Session, the Legislature approved requested capital improvement projects amounting to over \$195 million and appropriated \$100.2 million to the capital improvements line item. The State building Board met in April 2014 and allocated the \$100.2 million as listed in the table below. Projects receiving funding include infrastructure upgrades, roofing improvements, paving improvements, and general repairs to buildings.

<b>FY 2015 Capital Improvement Allocations</b>	
<b><i>Higher Education</i></b>	
Dixie State University	\$2,009,100
Salt Lake Community College	4,383,600
Snow College	1,907,300
Southern Utah University	2,393,500
University of Utah	27,423,700
Utah State University	8,690,000
Utah Valley State University	3,867,000
Weber State University	4,066,500
Utah College of Applied Tech	4,074,200
<b><i>Subtotal Higher Ed</i></b>	<b>\$58,814,900</b>
<b><i>State Agency</i></b>	
Agriculture	\$954,500
Alcoholic Beverage Control	593,700
Capitol Preservation Board	1,703,500
Community & Culture	158,200
Corrections	3,351,400
Courts	3,103,600
DFCM	4,844,700
Fair Park	3,503,300
Health	931,800
Human Services	3,889,300
National Guard	2,596,500
Natural Resources	3,337,000
Public Ed/Rehab/Deaf & Blind	1,409,000
Public Safety	861,100
Tax Commission	965,700
Transportation	1,695,000
Workforce Services	820,800
Statewide Programs	6,709,600
<b><i>Subtotal State Agencies</i></b>	<b>\$41,428,700</b>
<b>Grand Total</b>	<b>\$100,243,600</b>

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### **Drug Courts** - Stephen C. Jardine

Total FY 2015 state funding for drug courts is \$4,972,900. Drug court funding is distributed by a multi-step formula process. Drug court programs in Utah are established and governed in statute found at [UCA 78A-5-201](#).

The drug court program offers drug-dependent individuals intensive court-supervised drug treatment as an alternative to going to jail or prison. The drug court program is carried out through a team consisting primarily of legal, treatment, and law enforcement professionals. Successful completion of

the drug court program can result in actions such as dropped charges, vacated or reduced sentences, or family reunification.

Please click on this link for a detailed analysis of drug court funding and operations: <http://le.utah.gov/interim/2014/pdf/00003568.pdf>.

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#### **FY 2015 Custom Fit Allocations - Angela J. Oh**

The Custom Fit program administered by the Utah College of Applied Technology (UCAT) supports economic and workforce development through training partnerships with Utah companies. Under UCAT's oversight, the eight regional UCAT campuses, Snow College, and USU-Eastern provide Custom Fit training to local employers tailored to meet their specific educational needs. The program is designed to attract new businesses and aid in the retention and expansion of existing ones.

There are Custom Fit training offices throughout the state. Over the years, Custom Fit has worked with many types and sizes of businesses from mom and pop shops to the largest employers in the state. Custom Fit may include specific technical training, safety certifications, computer skills, leadership/management skills, etc.

During the 2014 General Session, the Legislature appropriated an additional \$500,000 to UCAT for Custom Fit over the \$2.7 million base. The table below shows the FY 2014 and FY 2015 allocations, as approved by the UCAT Board of Trustees, the percent increase, and the amounts specifically targeted for manufacturing.

	<b>FY 2014 Allocation</b>	<b>FY 2015 Allocation</b>	<b>% Increase FY 2014 to FY 2015</b>	<b>Targeted for Manufacturing</b>
Bridgerland ATC	\$365,400	\$400,000	9.5%	\$70,000
Davis ATC	\$316,200	\$400,000	26.5%	\$70,000
Dixie ATC	\$228,400	\$275,000	20.4%	\$35,000
Mountainland ATC	\$362,700	\$400,000	10.3%	\$70,000
Ogden-Weber ATC	\$359,000	\$400,000	11.4%	\$70,000
Southwest ATC	\$219,900	\$275,000	25.1%	\$35,000
Tooele ATC	\$87,500	\$200,000	128.6%	\$40,000
Uintah Basin ATC	\$272,800	\$325,000	19.1%	\$40,000
Snow College	\$235,600	\$250,000	6.1%	\$35,000
USU-Eastern	\$207,900	\$225,000	8.2%	\$35,000
UCAT Admin	\$3,800	\$9,200	142.1%	-
<b>Total</b>	<b>\$2,659,200</b>	<b>\$3,159,200</b>	<b>18.80%</b>	<b>\$500,000</b>

UCAT provides annual data that is presented by the Fiscal Analyst to the Higher Education Appropriations Subcommittee during each General Session. The report includes the total number of

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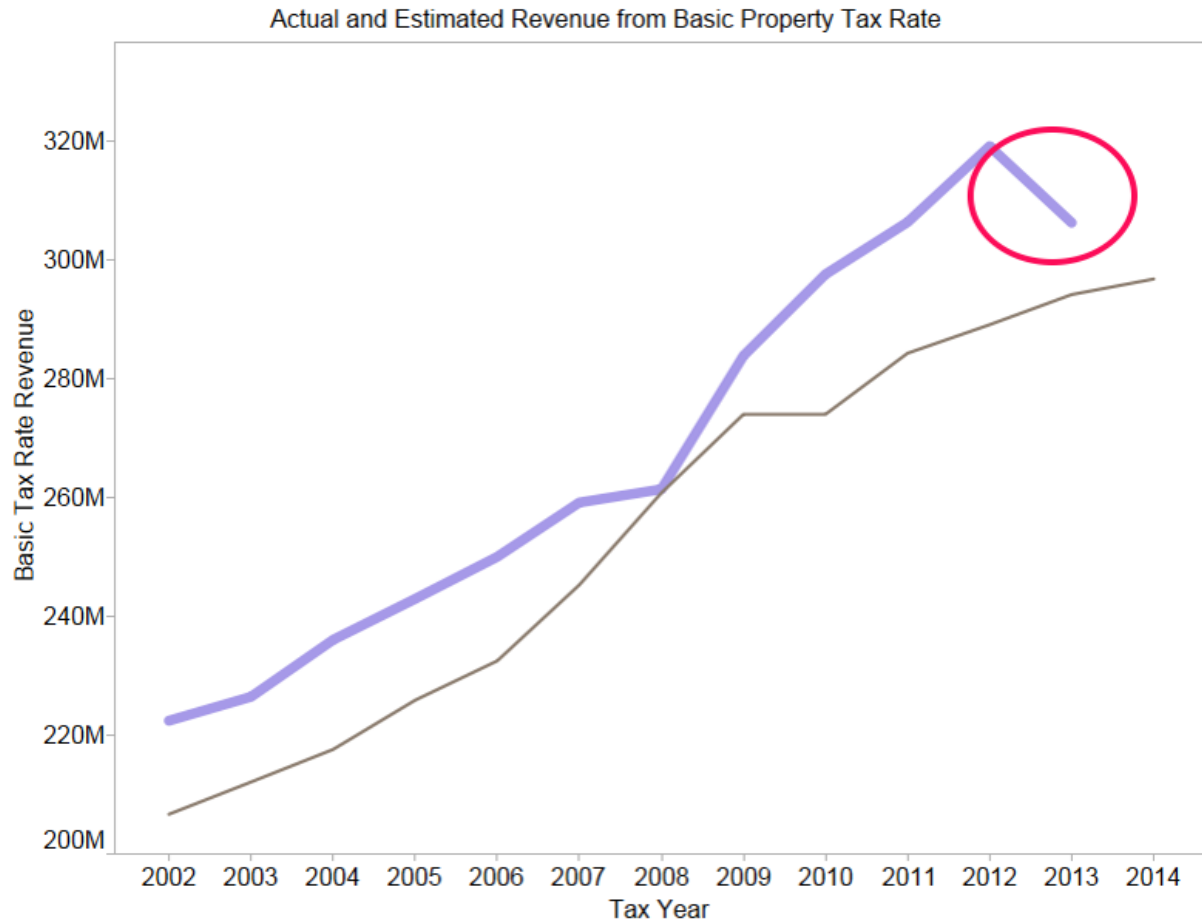
trainees, total number of training hours, contributions by company, etc. A copy of last year's report can be viewed at: <http://le.utah.gov/interim/2014/pdf/00001209.pdf>.

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**Getting Closer on PED Property Tax Estimates** - Thomas E. Young

Every year leading up to the General Session staff presents you with public education estimates that are based upon projected property values and student enrollment. You then include those estimates in appropriations bills. Two of these are the Basic Rate estimate and the Voted & Board leeways estimates.

The Basic Rate and the revenue associated therewith showed up in H.B. 1 this year, with an estimated rate of 0.001477 and a revenue target of \$296.7 million. Each year, after Session ends, the Tax Commission and State Office of Education (USOE) set a certified tax rate that often differs from our estimate. In the past 12 years, the basic rate has always been set too high, collecting more property tax revenue than was budgeted. Last year, we convinced Tax and USOE to change their process for certifying the tax rate so that it was more accurate. As a result, as shown in the figure below, collections are closer to our estimate for FY 2014.

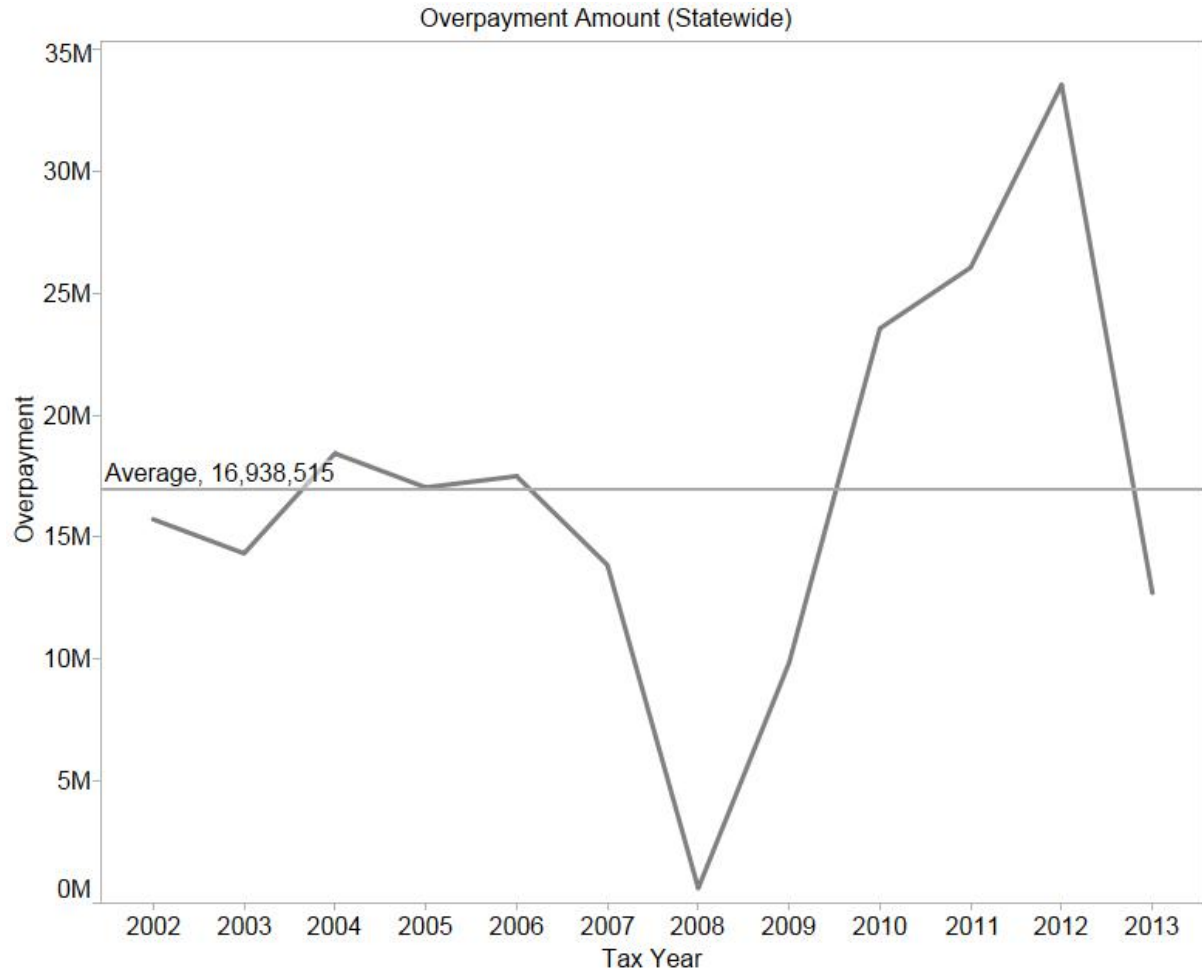


Sources: LFA, Tax Commission, USOE

**Measure Names**

- Statutory Revenue Target
- Actual Collections from Basic Rate

As shown in the figure below, the average over-collection amount since 2002 has been about \$17 million per year. In FY 2013, collections exceeded our estimate by more than \$30 million. For FY 2014, as a result of more accurate methodologies, collections exceeded our estimate by only \$12 million. Thus, the Basic School Program will still have a closing nonlapsing balance this year, but it will not be as big as it has been in the past.

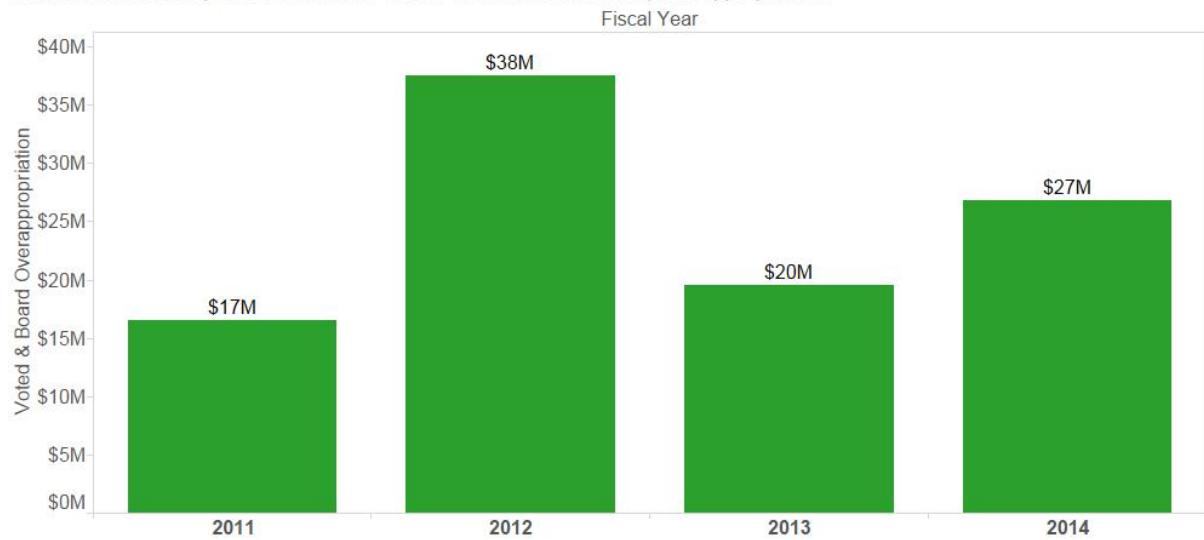


Sources: LFA, Tax Commission, USOE

Switching to Voted & Board leeways, the state guarantees that participating districts will collect a certain amount per WPU from these local property taxes. If a district's property values are insufficient to collect a capped amount per WPU, the state fills-in the difference with income tax appropriations.

As with the Basic Rate, staff provides you with estimates of property values and enrollment for the purpose of estimating property tax collections and, therefore, income tax appropriations. The estimated property values have been low, resulting in over-appropriation of income taxes ranging from \$17 million to \$38 million over the past four years (see below).

Voted & Board Leeway State Guarantee Portion - Estimates and Actual, Overappropriation



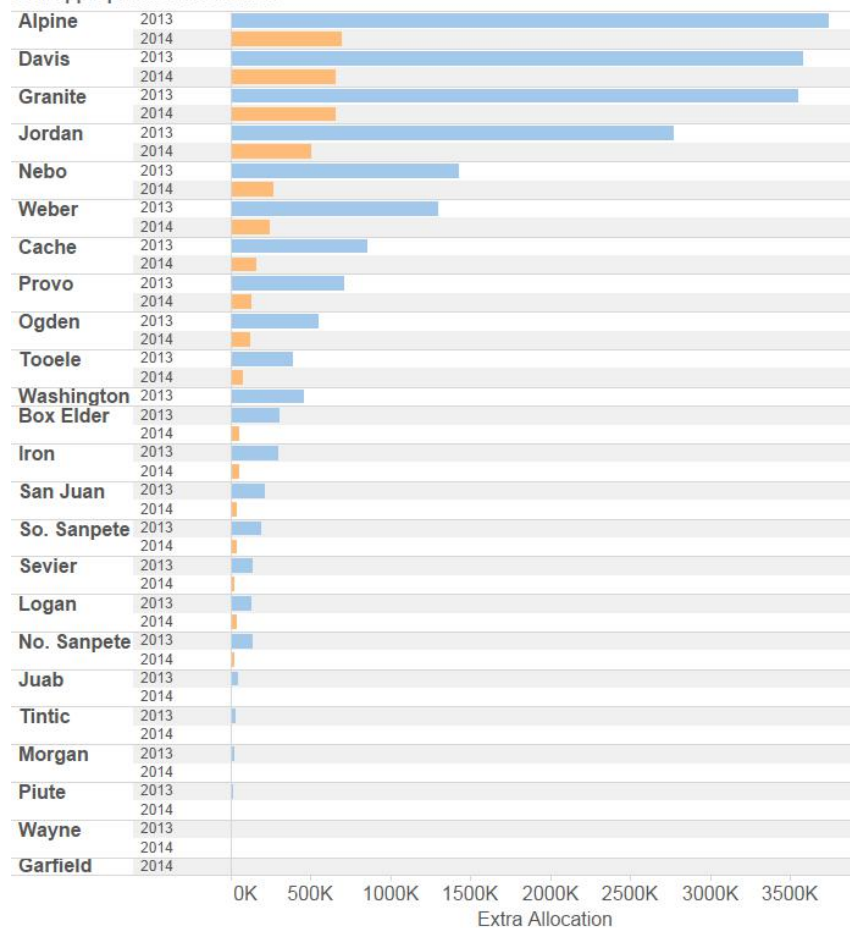
Source: LFA, USOE

During the 2014 General Session, we improved the method by which we estimate property values and thereby reduced FY 2015 income tax appropriations by \$23 million. The Legislature also retroactively corrected that same \$23 million over-appropriation for FY 2014. Thus, while property taxes will yield \$27 million more than we originally estimated for FY 2014, only \$4 million will remain as a non-lapsing balance in the Voted and Board Leeway State Guarantee at the end of FY 2014.

H.B. 49 of the 2013 General Session (Handy) directed that any non-lapsing balance remaining in the guarantee program shall go directly to school districts as a windfall. The following is a look at where the 2013 balance went and where early estimates indicate the 2014 balance will go.



#### Overappropriation Allocation



#### Table of Overappropriation Allocation

	Grand Total
Alpine	\$4.444M
Davis	\$4.244M
Granite	\$4.209M
Jordan	\$3.277M
Nebo	\$1.700M
Weber	\$1.540M
Cache	\$1.015M
Provo	\$0.845M
Ogden	\$0.673M
Tooele	\$0.464M
Washington	\$0.456M
Box Elder	\$0.361M
Iron	\$0.349M
San Juan	\$0.256M
So. Sanpete	\$0.230M
Sevier	\$0.167M
Logan	\$0.166M
No. Sanpete	\$0.162M
Juab	\$0.059M
Tintic	\$0.039M
Morgan	\$0.025M
Piute	\$0.016M
Wayne	\$0.012M
Garfield	\$0.001M

Year  
 2013  
 2014

In summary, our estimates for property values and tax collections are getting more accurate, thus unspent balances in the Basic School Program, and windfall allocations under the Voted and Board Leeway State Guarantee, will both be lower at the end of FY 2014.

#### Leasing of SAGE Online Adaptive Test Questions - Ben Leishman

The State of Florida has requested to use Utah's SAGE (Student Assessment of Growth and Excellence) test questions for the next three years. Florida is in the process of developing an online computer-adaptive assessment system similar to SAGE and will use Utah's questions until their system is fully developed. Utah and Florida are using the same contractor, the American Institutes for Research (AIR), to assist in the development of both systems.

Through the agreement, Utah will provide AIR with the rights to use the Utah owned questions in Florida. Utah will receive \$1.50 per student for each question used in Florida. Based on current estimates, Utah may receive approximately \$5.4 million a year, or \$16.2 million over the three-year contract. In exchange for the right to use Utah's questions, AIR will reduce its contract costs for the SAGE system. This reduction in contract costs will result in higher nonlapsing balances in the Utah State Office of Education line item for the next three years.

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The Utah State Board of Education presented details on this agreement to the Executive Appropriations Committee during its June 17, 2014 meeting. Additional information on this issue can be found in the brief titled "[Leasing of SAGE Online Adaptive Test Questions](#)."

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#### **PEHP Autism Treatment Pilot - Brian D. Fay**

In the 2012 General Session, the Legislature passed H.B. 272, Pilot Program for Autism Spectrum Disorders Services, which created a two-year pilot program for the Public Employees Health Program (PEHP) to provide autism treatment services for state employees and their dependents. It was estimated that PEHP would use approximately \$1.1 million of excess reserves in FY 2013 to implement this pilot program.

As the pilot program comes to an end, the data collected reflects a much different picture than originally anticipated. Instead of 46 children participating in the program at an annual cost of \$23,800, the pilot only drew 23 children at an annual cost of \$13,500. The cost of the pilot was less than 30% of the original estimate.

The original estimate was based on the Center for Disease Control (CDC) estimate of a prevalence of 1 in 110 and a \$30,000 annual cost, based on a 2007 academic article. While the Autism Spectrum Disorders (ASD) prevalence in Utah may be higher than even the CDC average, the pilot program indicates that not all children with ASD will require treatment, and for those who do, the cost of treatment can vary greatly.

During the 2014 General Session, the Legislature passed House Bill 88, Autism Program Amendments, which converted the two-year pilot into an ongoing program. Utilizing the data captured during the pilot program, PEHP now estimates this program will cost an average of \$365,000 per year over the next three years.

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#### **Pew Findings - Utah Prison Cost Drivers - Gary R. Syphus**

In February of 2014, state leaders requested that the Pew Charitable Trusts' Public Safety Performance Project "conduct research and analysis of Utah's sentencing and corrections system, develop inmate population impact statements for use in our state's forthcoming decisions regarding the potential relocation of the Utah State Prison in Draper, and explore policy options that would hold offenders accountable, improve public safety, and contain corrections costs."

The Pew Charitable Trusts' responded by sending a team of people that are analyzing Utah data to help accommodate the request. There is an ongoing series of presentations of their findings that shed light on Utah's prison cost drivers, and thus may help provide information to make decisions to help the state realize the "best bang for your buck" when it comes to an effective sentencing and corrections' policy, budget, administrative and other matters.

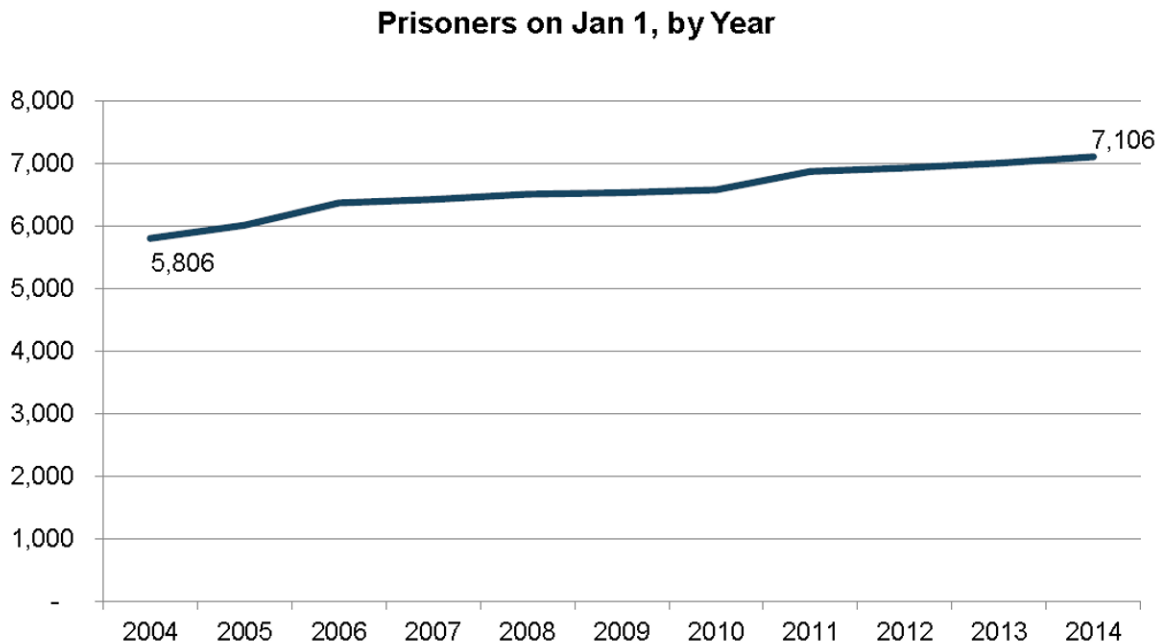
With the annual cost of a prisoner estimated at about \$28,400 and trending upward, decisions regarding sentence length, proper allocation of resources, proper community re-entry programs and others become increasingly important.

In the May meeting of the Commission on Criminal and Juvenile Justice (CCJJ), the Pew reported on prison cost drivers. Some key takeaways are:

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1. Admissions to prison are in decline even though prison population increased.

## Utah Prison Population Grew 22% in Last Decade

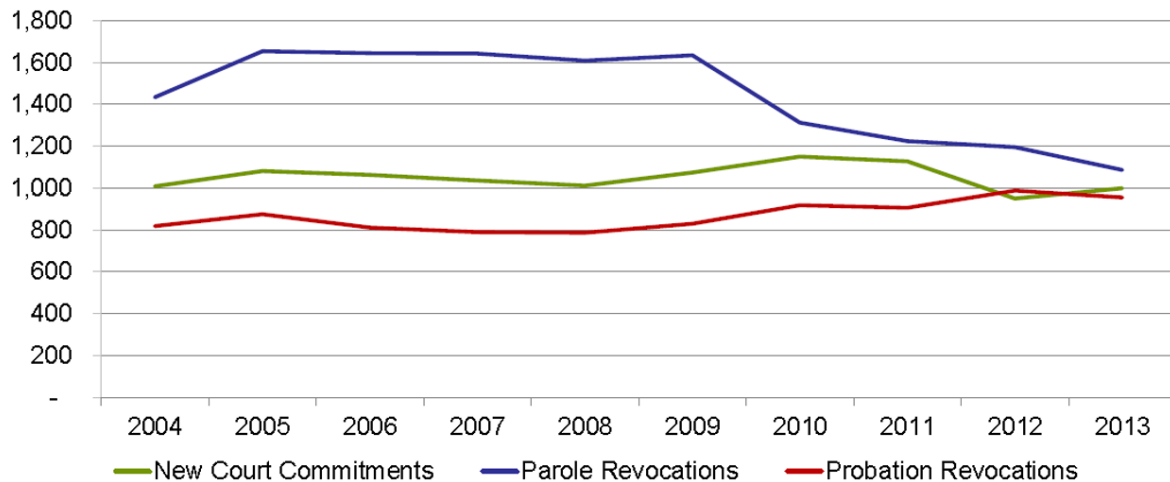


2. Prison growth is **not** driven by state population growth or crime rates.

- a. Almost half (46%) of prison population made up of **offenders revoked from supervision**;
- b. **Probation technical revocations** are taking up 67% more prison bed space over last decade; and
- c. **Technical violations** make up a greater share (67% in 2013 versus 56% in 2004) of Utah's prison admissions.

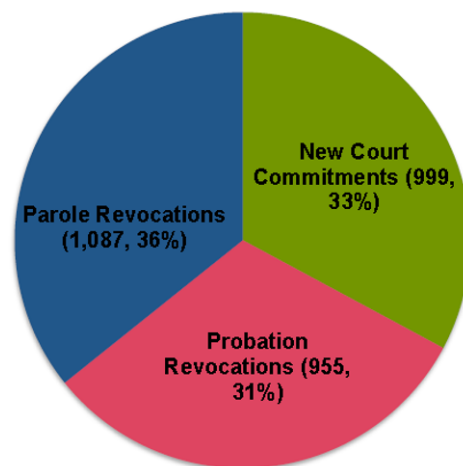
## Admissions Decline Driven by Decrease in Parole Revocations; Probation Revocations Up

**Admissions to Prison, by Admit Type, by Year (2004-2013)**



## Parole and Probation Revocations Make Up Two-Thirds of Admissions

**Prison Admissions by Type (2013)**

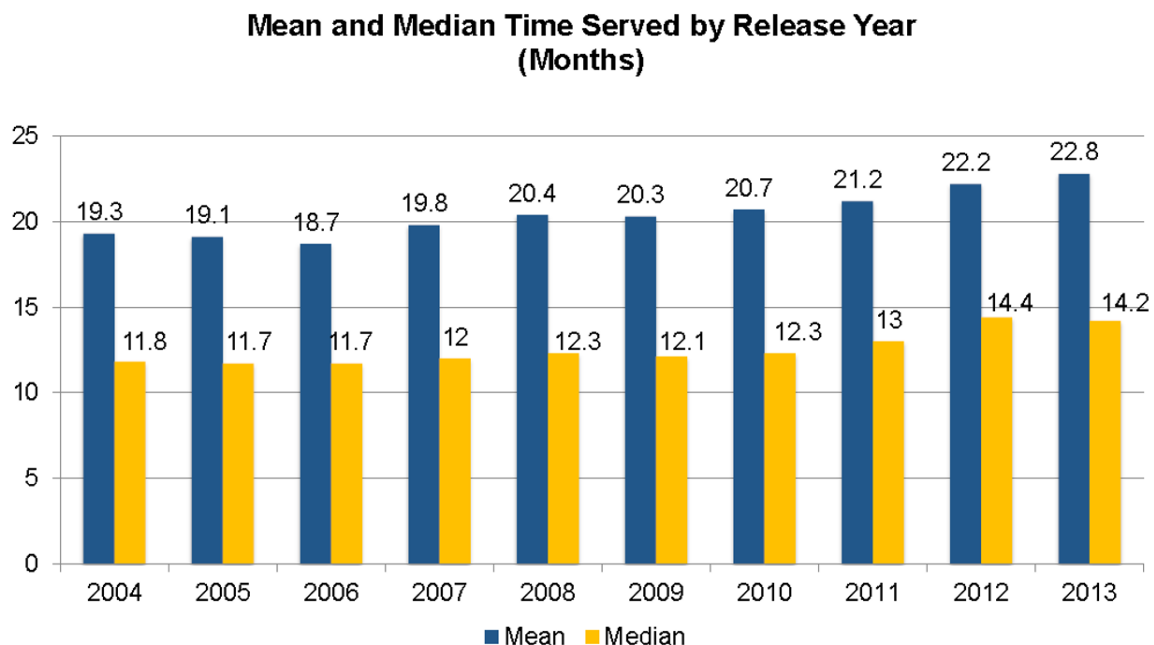


3. **Nonviolent 2nd and 3rd degree offenders** have both more admissions and longer time served, leading to significant growth in prison bed use.

4 The number of sex offenders in prison grew 42%, likely due to change in time served.

5. Finally, the length of stay for offenders has increased over time.

## Time Served in Prison Up 20% Over Last Decade

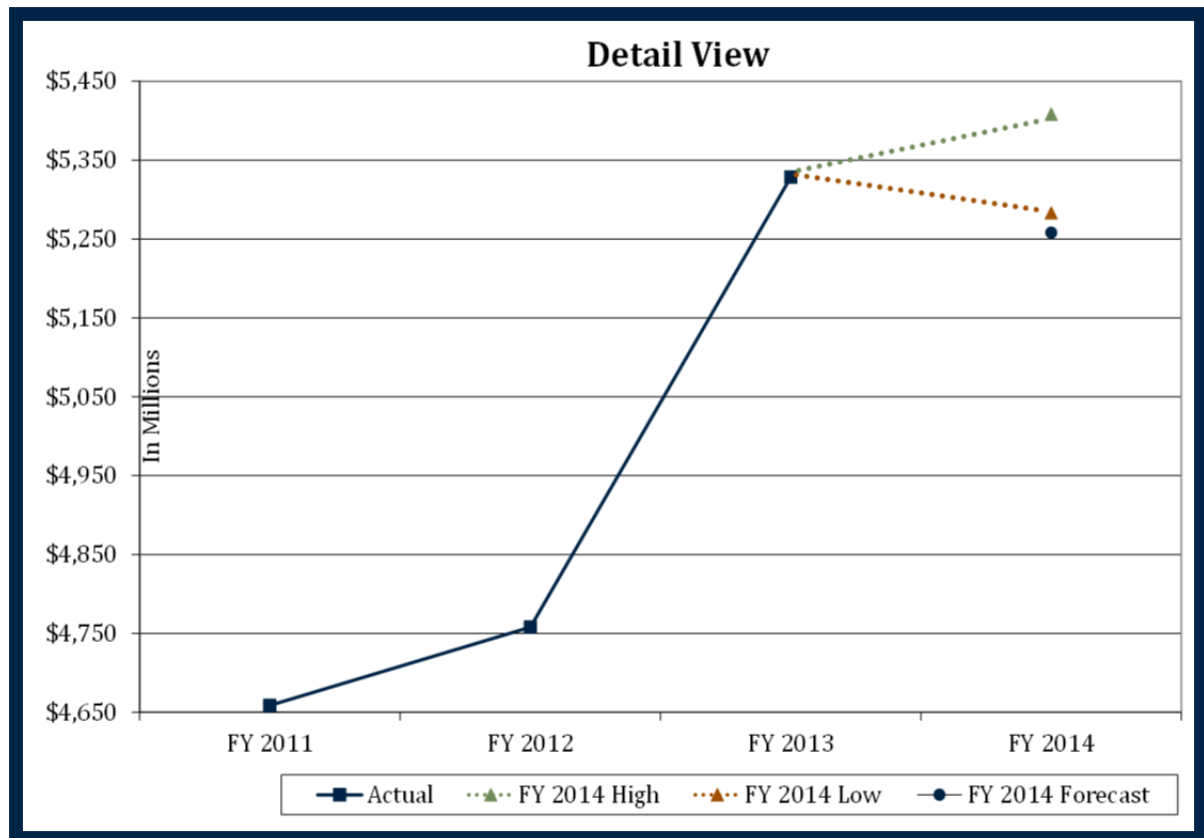


As policy, administrative, and budget decisions are made, this information is valuable to determine balance between public safety, rehabilitation, and resources.

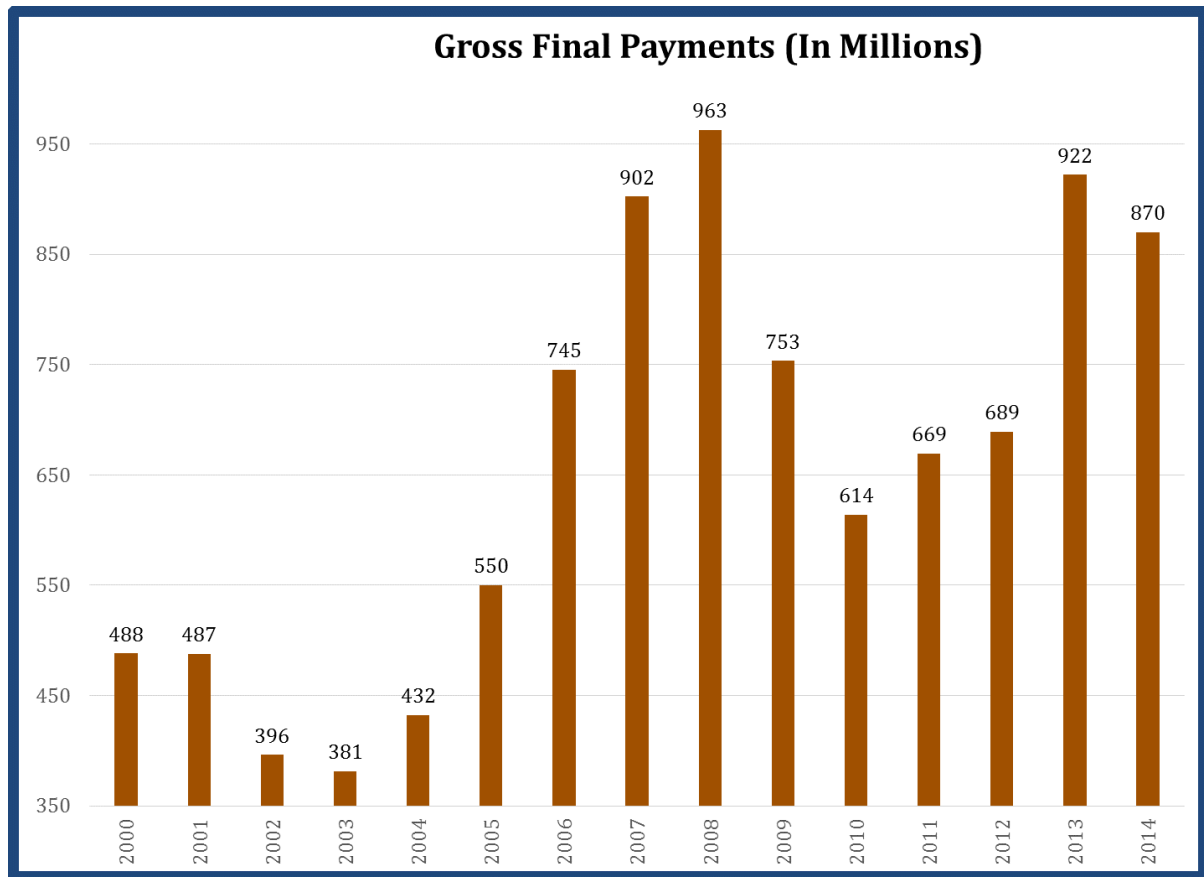
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### Revenue Surplus Anticipated - Andrea Wilko

Consensus estimates indicate that General Fund/Education Fund collections will end FY 2014 between \$25 million and \$150 million above targets. We expect General Fund revenue at the end of FY 2014 to be from \$25 million below to \$25 million above the May FY 2014 target, and the Education Fund to end FY 2014 from \$50 million to \$125 million above the May target.



The largest portion of the potential GF/EF revenue surplus is due to above-target growth in the income tax. Within the income tax, the strength is largely due to higher-than-anticipated gross final payments, coming in at around \$870 million, or a decline of around 6% over FY 2013 final payments. We had anticipated a decline of approximately 17%.



Overall, the economic outlook for Utah remains strong. Employment in the western states is doing particularly well: Arizona, Colorado, Oregon, Idaho and Utah are five of the 10 states forecasters expect to have the highest growth rates through 2014. Utah is also ranked number one for economic outlook in the report [Rich States, Poor States, 2014](#) (American Legislative Exchange Council, 2014). The methodology used indicates that the state is poised for growth and prosperity going forward. Utah has received this ranking for the past seven years.

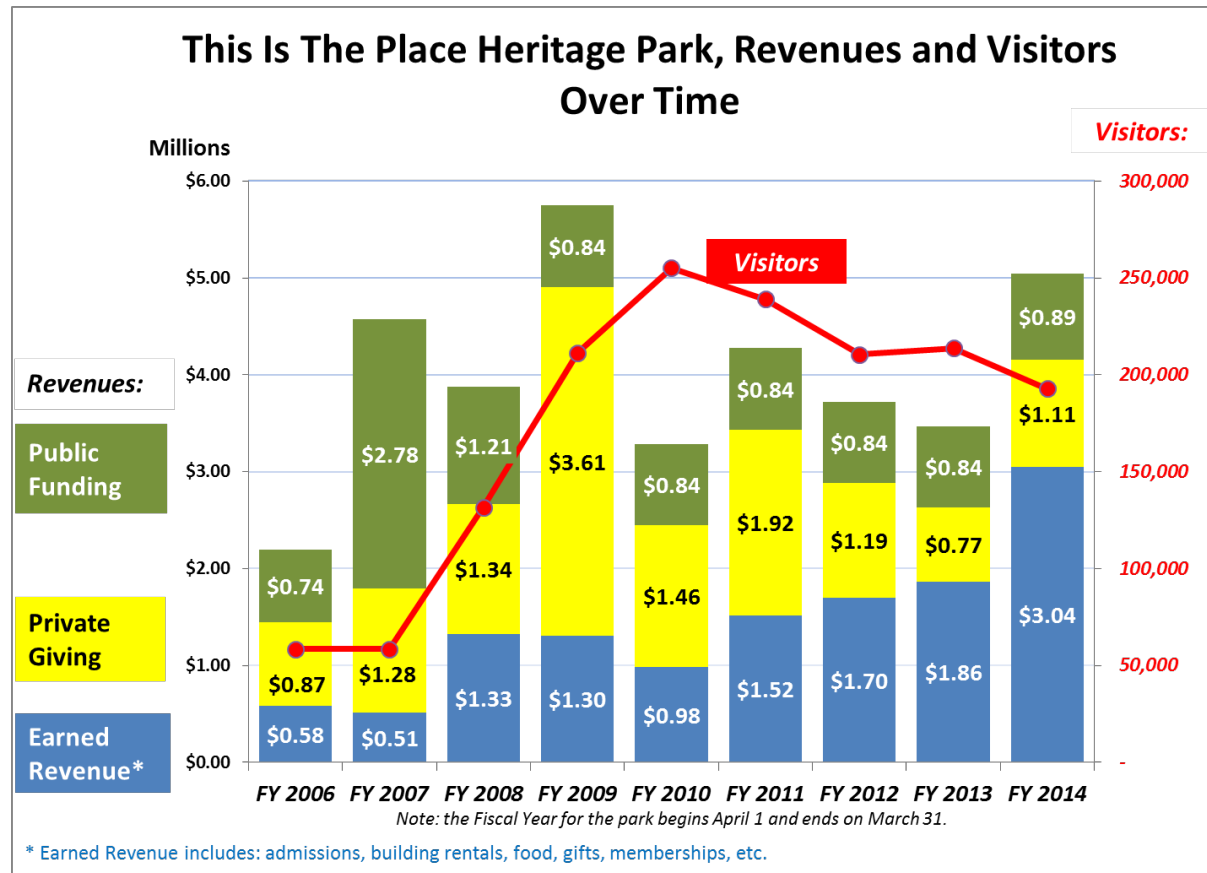
In the same report, Utah is ranked second for economic performance. The diverse economy of the state has allowed it to weather some of the potential uncertainty and continue the trend of economic growth. Steady home construction, robust investment in high tech and the aerospace industry, and trade with Asia are a few of the reasons why businesses in Utah are doing comparatively so well.

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#### **This Is The Place Heritage Park - Ivan D. Djambov**

This Is The Place Heritage Park was established in 1957, and it was managed by the Division of Parks and Recreation until 1998. In an effort to generate more private funding, the park operation was then transferred to This Is The Place Foundation, a non-profit corporation, which continues to manage the park today. The park was to be funded by private donations, park revenues, and an ongoing appropriation of \$800,000 from the General Fund. However, the foundation went through serious financial problems, which led to requesting additional state funds, and resulted in restructuring its leadership in 2006.

Under the new leadership, the park saw some immediate changes, including an increase in revenue, visitors, volunteers, the number of open buildings, and expansion of the season. In the last few years, however, likely impacted by the economic slowdown, the growth in revenues, visitation, and volunteers has tapered off, and even experienced a decline.



## Revenues

The park has organized its revenue sources in three major categories: Public Funding, Private Giving, and Earned Revenue. The total revenues to the park peaked in FY 2009. The main reason for the increase in FY 2014 is \$1 million payment from the Hogle Zoo for building a parking lot on the park's property for zoo visitors, which is reflected in the Earned Revenue category.

The Public Funding category for FY 2014 includes \$800,000 from the General Fund, \$40,000 from the ZAP (Zoos, Arts, and Parks) Tax, and \$50,000 from Salt Lake City.

The Private Giving category includes donations from organizations, such as the Eccles Foundation and the Church of Jesus Christ of Latter-day Saints.

The Earned Revenue category includes revenues from admissions, building rentals, food, gifts, and membership sales, and has been increasing every year since FY 2010. The main reasons for this increase are higher revenues from building rentals and retail sales in recent years.

## Visitors

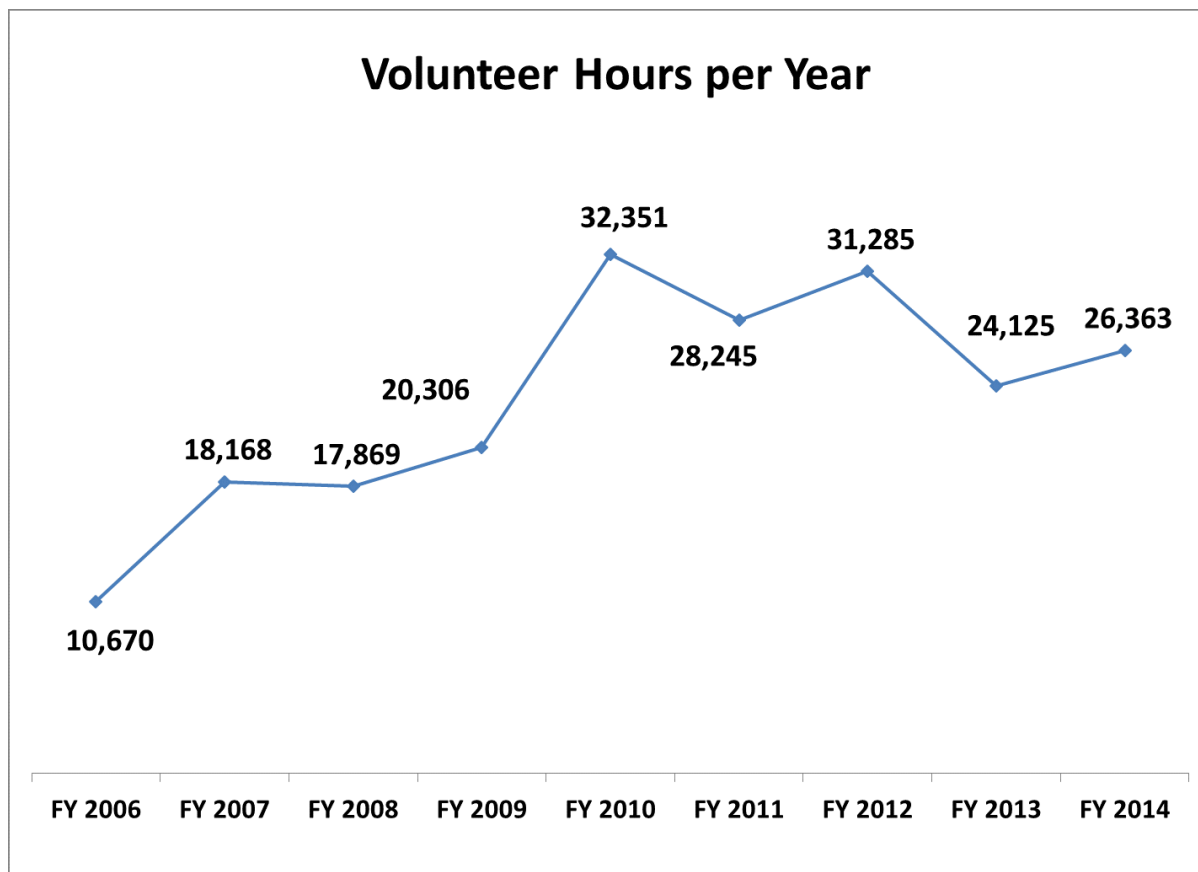


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The number of visitors to the park drastically increased between 2008 and 2010, peaking at 255,100 (see red line in the chart above). Since then, the visitor number has fallen to below 200,000 in FY 2014. Park management attributes this decline in visitors in the last years to fewer free events at the park and to increased competition from new exhibits at the Hogle Zoo, the Museum of Natural History, and the Point of the Mountain.

### **Volunteer Hours**

Due to the high interest from historic and religious groups, the park has enjoyed the unique opportunity to attract many volunteers. The volunteer labor translates into significant savings in personnel costs for the park. The hours of volunteer service increased from 10,670 in FY 2006 to 32,351 per year in FY 2010. But the number of volunteer hours have been declining since FY 2010.



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### **USHE Joins Multi-State Collaboration to Improve Education - Spencer C. Pratt**

The Utah System of Higher Education (USHE) is joining 12 other higher education systems from across the country in an effort to increase access to post-secondary education and improve the outcomes, targeted for at-risk students. The collaboration includes a \$200,000 grant to the state from the Bill and Melinda Gate Foundation.

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USHE will use the grant funding to complement its current efforts of increasing college preparation, participation, and completion. With the multi-state group, the best practices can be identified, improved upon, and incorporated into current efforts.

The proposal for the grant funding emphasized the goal of having 66% of the adult population holding a post-secondary degree or certificate. The grant funding will be used to focus on the estimated 28% of the population who have some hours or credit toward a degree or certificate, but have not completed. It will also be used to work on math requirements and a system of predictive analytics to improve admissions and retention at USHE institutions.

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### **What is the Judicial Conduct Commission and Where Can I Find Its Budget? - Gary K. Ricks**

The Judicial Conduct Commission is established by the State Constitution, Article VIII, Section 13. The commission is composed of 11 members. The constitution directs the Legislature to establish the composition and procedures of the commission. Per statute, the commission is comprised of the following:

- Two members of the House of Representatives to be appointed by the speaker of the House of Representatives for a four-year term, not more than one of whom may be of the same political party as the speaker;
- Two members of the Senate to be appointed by the president of the Senate for a four-year term, not more than one of whom may be of the same political party as the president;
- Two members of, and in good standing with, the Utah State Bar, who shall be appointed by a majority of the Utah Supreme Court for a four-year term, none of whom may reside in the same judicial district;
- Three persons not members of the Utah State Bar, who shall be appointed by the governor, with the consent of the Senate, for four-year terms, not more than two of whom may be of the same political party as the governor; and
- Two judges to be appointed by a majority of the Utah Supreme Court for a four-year term, neither of whom may: (1) be a member of the Utah Supreme Court; (2) serve on the same level of court as the other; and (3) if trial judges, serve primarily in the same judicial district as the other.

Terms of commission members are staggered so that approximately half of the commission expires every two years. Members may not serve longer than eight years. Staff support is provided by an executive director (full-time), an investigative counsel, and an office technician (both part-time). Total staff support amounts to two FTEs.

As directed by the constitution, the commission investigates and conducts confidential hearings regarding complaints against any justice or judge. Following its investigations and hearings, the commission may order the reprimand, censure, suspension, removal, or involuntary retirement of any justice or judge for any action which constitutes willful misconduct in office; final conviction of a crime punishable as a felony under state or federal law; willful and persistent failure to perform judicial duties; disability that seriously interferes with the performance of judicial duties; or conduct prejudicial to the administration of justice which brings a judicial office into disrepute.

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The commission may only begin an investigation when it receives a written complaint. Electronic complaint forms and submission instructions are provided on the commission website (see <http://jcc.utah.gov/index.html>). Generally, the majority of complaints are resolved within 90 days from the date the complaint is received by the commission.

The commission has stated that it cannot impose discipline; it can only recommend that the Utah Supreme Court impose discipline. Once the commission determines that a judge has committed judicial misconduct and should be publicly sanctioned for that misconduct, the commission will then recommend that the judge be reprimanded, censured, suspended, removed from office or involuntarily retired. Only the Utah Supreme Court can actually impose a reprimand, censure, suspension, removal or involuntary retirement. Prior to the implementation of any commission recommendation, the Utah Supreme Court reviews the commission's proceedings as to both law and fact. The Utah Supreme Court may then issue an order implementing, rejecting or modifying the commission's recommendation.

The commission holds approximately ten meetings each year. Portions of its meetings are closed to the public. The commission has stated that except in certain limited circumstances specified by statute, all complaints, papers and testimony received or maintained by the commission and the record of any confidential hearings conducted by the commission are confidential and cannot be disclosed. The commission does prepare an annual report along with other information that it can disclose and posts this information on its website for public review.

The Judicial Conduct Commission is established as a line item within the Department of Administrative Services budget. Its budget is heard in the Infrastructure and General Government Appropriations Subcommittee. In the 2014 General Session, the Legislature provided an ongoing appropriation of \$245,500 from the General Fund for FY 2015. Principal expenditures of the commission are for personnel and meetings costs.