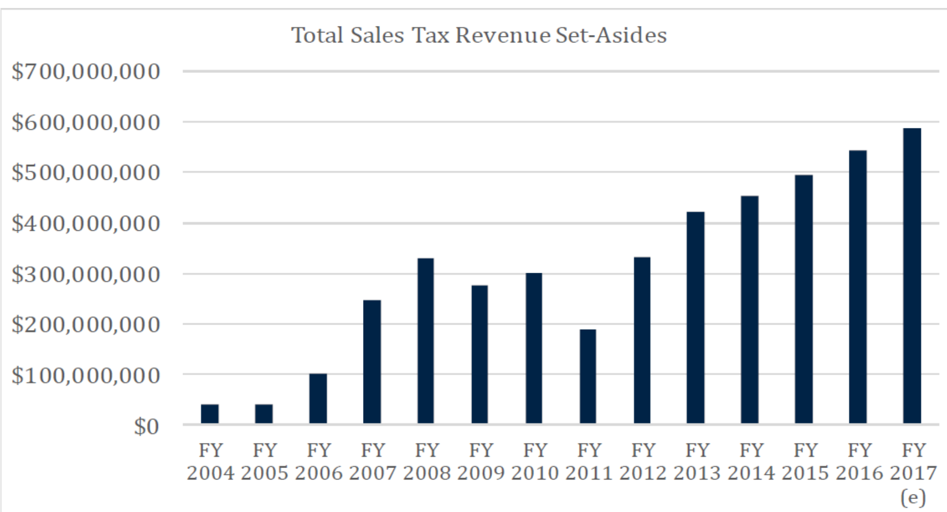
Fiscal Highlights

An Update on Sales Tax Revenue Set-Asides and the Gas Tax - Thomas E. Young

On October 18th, the Executive Appropriations Committee heard an update on sales tax revenue set-asides (earmarks) and the gas tax. The report is available here.

Overall, in FY 2016, sales tax revenue set-asides for transportation, water, and other purposes combined came in about $3 million above the adopted target during the legislative session of $540 million. Revenue growth to the Transportation Fund from the gas tax increase contained in H.B. 362 of the 2015 General Session came in about $1.5 million above the original $24.6 million fiscal note estimate.

On sales tax revenue set-asides, the total amount of sales tax revenue set-asides in FY 2017 are estimated to amount to about 21.4% of all potential sales tax revenue. Between 2012 and 2017 growth in set-asides accelerated under S.B. 229 of the 2011 Session. That legislation set an upper limit on two Centennial Highway/Transportation Investment Fund set-asides (the 8.3% and 30% new growth) equal to 17% of total state sales tax collections. The cap is expected to be hit in FY 2018. Sales tax growth to the General Fund should pick up after that. A history of sales tax revenue set-asides is given below.

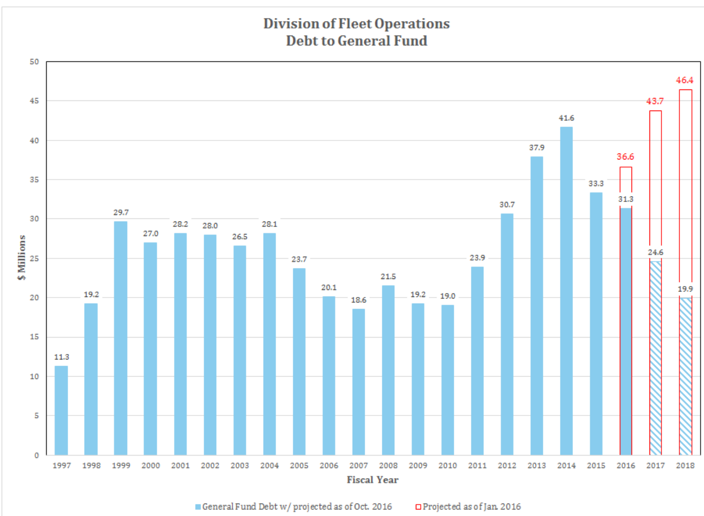


On revenue from the gas tax, the most recent policy change was the gas tax increase contained in H.B. 362 of the 2015 General Session. That bill indexed future gas tax rates to the rack price of gasoline by multiplying the average rack price for an entire year by 12% and converting this amount to a tax per gallon. The minimum tax rate is the floor rack price of $2.45 multiplied by 12% (or 29.4 cents per gallon). Current estimates do not anticipate further gas tax increases due to indexing in FY 2017 or FY 2018.

Division of Fleet Operations General Fund Borrowing Follow-up - Brian Wikle

Since its inception in FY 1997, the Division of Fleet Operations has been in debt to the General Fund. Its debt level has fluctuated over the years with periods of relative stability, periods of decline, and periods of increase. As explained in the November 2015 issue of Fiscal Highlights, the debt is due largely to three issues: (1) Fleet has historically under recovered on fuel charges, (2) Fleet has historically under recovered on maintenance costs, and (3) Fleet's lease rates have not been sufficient to cover the purchase cost of replacement vehicles. The division has adjusted its billing and operational practices regarding the first two issues, and they are no longer leading to the division incurring additional debt. Fleet has also modified its lease rate model thereby reducing its need to borrow from the General Fund.

Last January Fleet reported to the Infrastructure and General Government (IGG) Appropriations Subcommittee that it expected to end FY 2016 with about $37 million in debt and that it projected the debt level to rise to $46 million by FY 2018 (largely due to the need to purchase an above average number of vehicles in each of FY 2016, 2017, and 2018). However, the division reported to IGG in its recent October interim meeting that it ended FY 2016 with $31 million in debt and that it now projects the debt level to decline to $20 million by FY 2018 (near the 20-year low). The new projections are due largely to the fact that Fleet will purchase fewer vehicles than planned. Instead the division is expanding use of services from private vendors who provide rental vehicles on-demand to customer agencies at a number of locations throughout the state. The figure below depicts Fleets debt from FY 1997 through FY 2015. It also shows FY 2016 actual debt along with Fleet's projections through FY 2018 as of last January and its new projections as reported to IGG earlier this month.



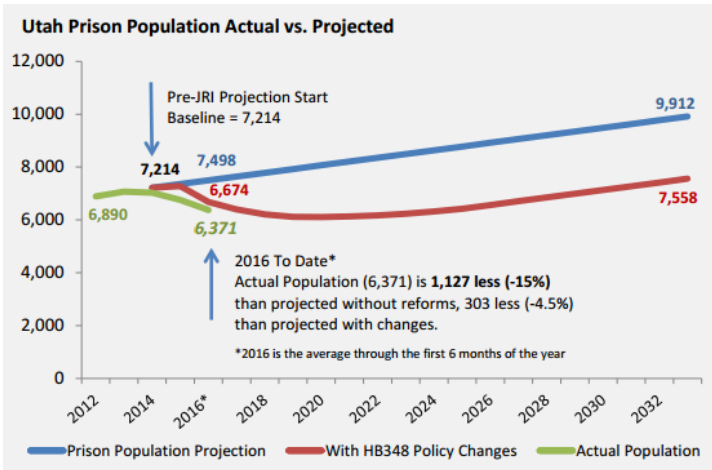
EOCJ Meeting Summary: October 20, 2016 **-** Gary R. Syphus

The Executive Offices and Criminal Justice (EOCJ) Appropriations Subcommittee met on October 20th at the Salt Lake County Sheriff's Office in Salt Lake City. Here are some key highlights:

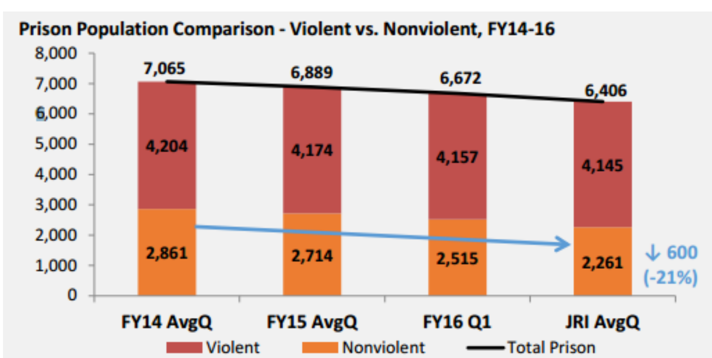
1. **Welcome/Unfinished Business from July 14th Meeting Internal Controls -** As a continuation of a prior meeting, staff explained that largely borne out of events at the beginning of the year at the Utah Communications Authority (UCA), there were some remaining reports on internal controls from agencies that were submitted by the Division of Juvenile Justice and the Department of Corrections. Also, UCA has yet to submit a report because they are in the process of restructuring their staff and once they do that they will be able to adopt new internal controls and submit their report.
2. **Salt Lake County Jail/JRI Changes Overview and Tour -** The Subcommittee toured a portion of the Salt Lake County Jail and looked specifically at the changes as a result of the Justice Reinvestment Initiative (JRI) in the booking and screening area of the jail. The Subcommittee

was informed about the overall implementation and specific metrics related to the implementation such as what populations are booked and screened.

3. **Justice Reinvestment Initiative -** The Commission on Criminal and Juvenile Justice reported on the status of the JRI. The full report can be found here. Some of the reported key takeaways were (a) the overall prison population has decreased and the number of nonviolent, low-level offenders being sent to prison has decreased, (b) probation-focused policies are progressing with fewer probation revocations, an increase in the number and rate of successful discharges, and slowed growth of the probation population overall, (c) and "substance use treatment numbers pre-and post-reform remain fairly constant, with treatment for both substance use and mental health being an ongoing area in need of expansion". Here is an excerpt from the report that shows the actual vs. projected JRI prison population vs. pre-JRI projections (baseline).



The following image shows the decrease of offenders (both nonviolent and violent) within the prison system which is almost all accounted for by a decrease in nonviolent offenders. In this case nonviolent offenders decreased by 600 since FY 2014 which accounts for about 90% of all offenders.



4. **Recruitment and Retention of Certain EOCJ Agency Positions** - The Governor's Office of Management and Budget and the Department of Human Resource Management reported on recruitment and retention data for certain EOCJ agency positions. This data includes the history of targeted increases for specific positions and market position of these positions. The full presentation can be found here.

5. **Judicial Weighted Caseload** - The Courts reported on the budget implications of certain statutes that disallows judges from serving long-term in other judicial districts other than where they are originally assigned regardless of what the judicial workload is in a judicial district long-term. They also discussed the statute that requires the Courts to hire judges immediately regardless of the caseload within a judicial district.

FY 2018 Education Budget Process Begins - Ben Leishman

October is an important month when it comes to developing next year's public education budget. This is the month where we develop consensus student enrollment projections and school district taxable value estimates. Both these data sources are used to determine the state cost for the Minimum School Program, specifically, Weighted Pupil Units (WPUs) and local property tax guarantee programs (Voted & Board Local Levy Programs).

Statute, 53A-17a-106, states that WPUs are based on the Average Daily Membership (ADM) of pupils enrolled in the public schools. ADM is really just a full-time equivalent (FTE) student measure. Statute directs the State Board of Education to use a concept called "Prior-Year Plus Growth" in determining allocations of funding in programs using ADM. Under Prior-Year Plus Growth, ADM is determined "based on the actual kindergarten through grade 12 average daily membership for the previous year plus an estimated percentage growth factor."

The enrollment projections created during October of each year fulfill this statutorily required "growth factor." Statute continues by stating the "growth factor is the percentage increase in total average daily membership of the first school day of October in the current year as compared to the total average daily membership on the first school day of October of the previous year."

On the first school day in October, all public schools in Utah conduct an enrollment census. Each school district and charter school reports their 'current year' enrollment to the Utah State Board of Education. Once State Board staff have verified the local data submissions, the current year enrollment numbers are used to project enrollments for the coming school year.

Projections, both enrollment and taxable value, are conducted by an informal group called the Common Data Committee (CDC). This committee consists of individuals from the Office of the Legislative Fiscal Analyst (LFA), Governor's Office of Management and Budget, Utah State Board of Education (Board). The Utah State Tax Commission participates in the process of developing a taxable value estimate and the State has recently contracted with the Gardner Policy Center at the University of Utah to participate in the state demographic/ enrollment process.

Once all base data is collected, each participating entity produces an independent projection for the coming year taxable value in each school district and total student enrollment in the state. The CDC comes together several times during October to agree on consensus estimates based on the input of each entity. The enrollment projection is then used by staff from the Board and LFA to develop anticipated growth WPUs in the Minimum School Program. WPUs are the final consensus estimate done by the CDC. These consensus figures are then used to develop the enrollment growth cost estimate for the coming fiscal year.

Next month, I will provide a summary of these consensus estimates for the coming fiscal year and highlight some of the basic information used in developing the estimates.

Higher Education Appropriations Subcommittee Meets - Spencer C. Pratt

The Higher Education Appropriations Subcommittee met on October 20, 2016 at the Capitol.

Several bills that had been introduced during the 2016 General Session that would impact higher education were discussed. Sen. Ipson presented S.B. 188, Higher Education Capital Development Funding Proposal (Urquhart) for committee discussion. This bill would change the way capital facilities for higher education campuses would be approved and funded. Rep. Coleman discussed three bills, H.B. 262; H.B. 337; and H.B. 365, all of which have to do with various rights for students on higher education campuses.

Sen. Millner reminded the subcommittee of the process established in S.B. 103, Strategic Workforce Investments, where partnerships between USHE, UCAT and public education would propose programs with stackable credentials and specific student entry and exit points to address workforce needs in their regions. A group of legislators and business people narrowed the original 11 proposals down to five that best me the intent of the legislation. Those five proposals were presented to the subcommittee by the Governor's Office of Economic Development. The subcommittee approved the five proposals and voted to forward the recommendation to the Executive Appropriations Committee for funding. (Ongoing funding of $1.5 million was approved with the passage of S.B. 103, but was not allocated, pending the submission of proposals.) The recommendation should be presented to the Executive Appropriations Committee in its December 2016 meeting.

Commissioner Buhler gave the subcommittee an update on the $5 million (one-time) Performance Based Funding that was approved during the 2016 General Session. He provided the subcommittee with information showing how the funding was allocated and the purposes for which each of the eight institutions would be using the funding. Because the funding is one-time, most of the projects at the institutions are for one-time development costs of programs and IT projects that will facilitate more student retention and completion.

The analysts introduced the higher education portion of the Fiscal Note and Budget Item Follow-up Report that was presented tot he Executive Appropriations Committee in its July 2016 meeting. The items reported on included newly-funded items approved during either the 2014 or 2015 general sessions for both the Utah System of Higher Education and the Utah College of Applied Technology. The report included 11 budget items affecting both the USHE and UCAT and two fiscal note bills affecting the USHE. One purpose of the report is to let institutions and campuses know that there are legislative expectations for accountability when funding is approved.

The analysts also presented information regarding the FY 2016 budget to the subcommittee. Last year, about this same time, the FY 2016 budget was an expectation of the fiscal year. Now that the fiscal year is over, and the institutions and campuses have submitted their actual expenditures, the two views can be compared. Revenue and expenditures were presented for each line item included within the purview of the Higher Education Appropriations Subcommittee.

Following up on information requests from the subcommittee's earlier interim meeting, the analyst presented a breakdown of FY 2017 budgeted tuition revenue between resident and nonresident students for each line item with a tuition component. The analyst also presented information showing how much the higher education budget is of the total state budget, both looking at total funds and at state tax funds (General Fund and Education Fund).

Justice Efforts for the 2017 General Session - Alexander R. Wilson

With the 2017 General Session just around the corner, the Utah Commission on Criminal and Juvenile Justice (CCJJ), Executive Offices and Criminal Justice appropriations subcommittee (EOCJ), and the Juvenile Justice Working Group are working full force to decide the future of Utah's Justice system.

The CCJJ has been at the forefront of this discussion, and has published a report discussing the results of the Justice Reinvestment Initiative passed into law during the 2015 General Session. The report claims that the effects of the law are hard to measure due to the short time frame since implementation. However, the report is still able to show some short-term effects and predict some long-term effects. It does so by measuring implementation performance measures, direct impact performance measures, and indirect performance measures.

The results of this report were fully hashed out in the EOCJ subcommittee meeting, chaired by Representative Eric Hutchings. A key finding in the report showed that the goal of reducing the prison population by reserving beds for violent and high risk offenders has been successful. In line with this finding, the report showed that New Court Commitments have significantly decreased over the past two years and since the implementation of JRI, but minority New Court Commitments have remained relatively constant. The committee made it clear that race issues in the Utah Criminal Justice System are not intentional and "any idea about how to solve race problems will be entertained" by the committee. Much of the discussion in the subcommittee meeting centered around the report's finding that though prison admission rates have decreased, mental health and substance abuse treatment levels have remained relatively even and have even had a slight reduction in admissions and clients served. This is a large concern to the initiative as it focuses on rehabilitation of low level offenders.

In addition to the discussion around the recent report, the Juvenile Justice Working Group has now taken strong consideration of the juvenile justice system. On October 21st, the working group convened to discuss the results of the breakout groups which examined individual pieces of the system, such as pre-adjudication procedures. Though the final recommendations are still being adjusted, the working group presented many areas of systemic improvement. Most recommendations focused on giving youth alternative options to detention. Some of these included options from pre-court referral services, house arrest, and other sanctions and treatment not amounting to detention time.

It is clear from the current conversations that some action will be recommended during the 2017 General Session and legislators would do well to educate themselves on the subjects in order to make informed decisions while voting on the floor. The work of the CCJJ, EOCJ, and the Working Group will surely be important to Utah's future

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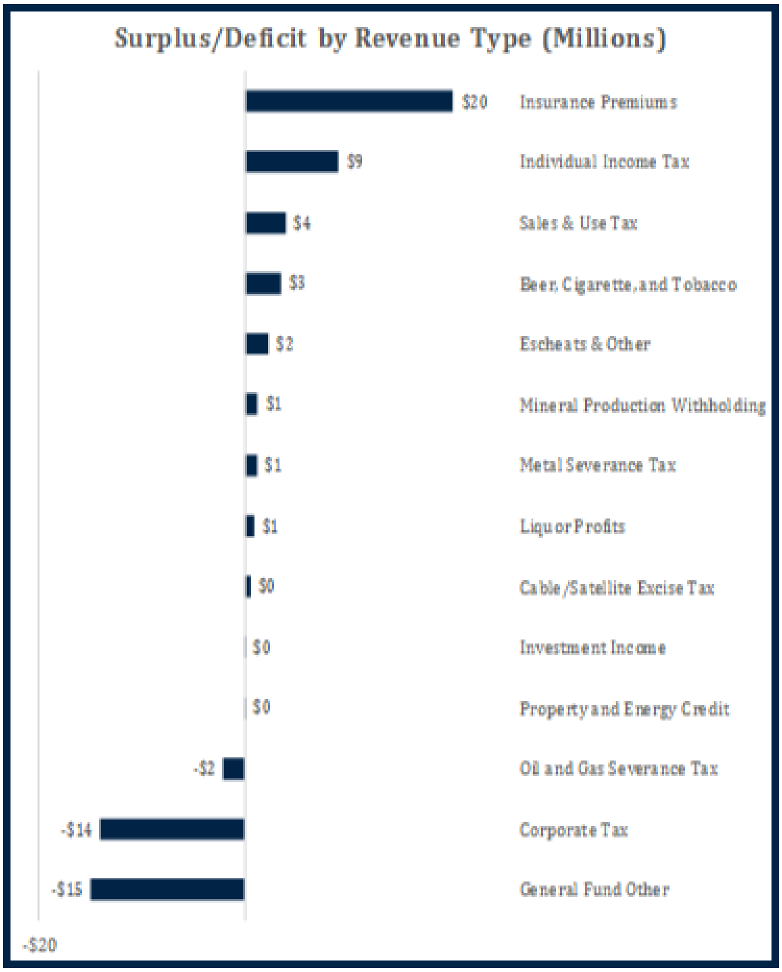
Revenue Update - October 2016 - Andrea Wilko

Utah closed FY 2016 with a $7.4 million General and Education Fund revenue surplus. The Education Fund ended FY 2016 $6.2 million below the May target, while General Fund revenue closed the year in a revenue surplus of $13.6 million. The revenue surplus was due to better-than-expected insurance premiums deposits into the General Fund, individual income tax, sales tax, tobacco taxes, escheats, mineral production withholding, metal severance tax, and liquor profits. Dragging down what otherwise would have been a stronger revenue surplus were weaker than expected performances from miscellaneous revenue to the General Fund, corporate income tax, and oil and gas severance tax. A complete reporting of the revenue surplus/deficit picture by contributing revenue category is shown below.

After accounting for expenditure side adjustments, a transfer to the General Fund Budget Reserve Account, and other statutorily required transfers, the budget surplus is $5.0 million in combined General Fund/ Education Fund revenue.



Looking toward FY 2017, we anticipate revenue to the General Fund/Education Fund will be in a range of $125.0 million below to $115.0 million above the adopted FY 2017 estimate. The upside potential stems from income tax, in particular a quite strong withholding picture. Insurance premiums will also provide some upside potential for the General Fund. The downside risk includes moderating sales tax performance, very weak severance taxes, potentially peaking corporate income tax, and a potential decline in gross final payments stemming from a possible decline in capital gains and other non-wage sources of income.

We often follow the revenue picture in other states in an effort to gauge how Utah compares. The most recent figures, released by the Census Bureau on September 20th for the first two quarters of 2016, suggest revenue growth in Utah remains strong, and in the upper portion of the 50 state revenue collections.

For the period from the third quarter of 2015 through the second quarter of 2016 (i.e. FY 2016), Utah's revenue growth ranked 15th among all states at 4.0 percent, coming in just behind Nevada and just above Alabama.

In FY 2015, the state of Utah revenue picture was marginally lower at 22nd with year-over-year revenue growth of 6.0 percent.

Part of the relatively steady ranking of the state's revenue performance is due to a resilient, diversified economy, where businesses operating in such diverse industries as biotechnology, information technology, and mining compete on a global basis.

Other factors contributing to the State's performance include a nationally-known stable business and policy environment, a very cost effective workforce, and continued strong demographic growth less dependent on external in-migration. Tax changes, such as the recent gas tax increase here in Utah, also play a role.

Utah College of Applied Technology Custom Fit, FY 2011 - FY 2015 - Jill L.Curry

The Custom Fit program funds training for Utah employees that is tailored to meet specific employer needs. The mission of the program is to support economic and workforce development through training partnerships between Utah companies and the Utah College of Applied Technology. Custom Fit serves the state through the eight applied technology colleges along with Utah State University - Eastern and Snow College. Custom Fit provides training for large and small companies across all industries, including, but not limited to, manufacturing, mining, construction, service, processing, technology, and healthcare. As illustrated in the table below, the base appropriation for the Custom Fit program was about $2.7 million for several years. During the 2014 General Session, Custom Fit received an additional $500,000 ongoing making the new base appropriation about $3.2 million. During the 2016 General Session, the Legislature appropriated an additional $800,000 ongoing for Custom Fit for a current total program appropriation of about $4.0 million. This most recent appropriation is for fiscal year 2017 so the impact of the additional funding will not be known until next year.

Each participating company contributes a minimum of 50 percent of the direct training costs. Exceptions can be made on a case-by-case basis, but, currently, on average, employers provide 60 percent of the direct training costs. The company contribution statewide is detailed in the table below. Over time the employer contribution for Custom Fit training as a percent of the state appropriation has increased from around 60 percent in FY 2011 to over 70 percent in FY 2015. The increase in employer contributions along with additional appropriations from the state has enabled Custom Fit to serve an increasing number of companies and trainees as shown in the table.

Utah College of Applied Technology Custom Fit, FY 2011-2015

Fiscal Year	Program Appropriation	Company Contribution	Company Contribution as % of Appropriation	Companies Served	Trainees Served
2015	$3,159,200	$2,283,373	72.3%	1,356	15,454
2014	$2,659,200	$1,738,946	65.4%	1,214	14,029
2013	$2,659,200	$1,769,328	66.5%	1,299	12,845
2012	$2,659,200	$1,775,205	66.8%	1,204	14,995
2011	$2,659,200	$1,608,668	60.5%	1,044	14,308

What Happened in the October 20, 2016 Social Services Appropriations Meeting? - Russell T. Frandsen

1. **Call to Order /Approval of Minutes** - Approved the minutes from the September 22nd meeting.
2. **Highlight Some Performance Measure Trends (Health - Gonorrhea)** - "Rates of reported Gonorrhea (GC) continued to increase in 2015, although at a reduced rate of change. Providers reported 1,562 cases of GC in 2015 (for a rate of 52.1 cases per 100,000 people) compared with 1,439 cases in 2014 (for a rate of 48.9 cases per 100,000); this represents a 6.7% increase from 2014. The 2014 rate of 48.9 cases per 100,000 represented a 48.9% increase from 2013 (32.8 cases per 100,000). Thus, it appears that the rates of GC may be leveling rather than continuing to increase steeply."
3. **Limitation on Expenditures From the Office of Rehabilitation Transition Restricted Account** - House Bill 325 (2016 General Session) moved the Utah State Office of Rehabilitation from the State Board of Education to the Department of Workforce Services. To ensure the successful transition of these services from USOE to DWS, including federal grant authority, the Legislature created the Office of Rehabilitation Transition Restricted account and made a one

time appropriation of $26.7 million in state funding into the account. The authority in this bill ends on January 1, 2018 and DWS is working on extending the authority to use this fund until June of 2018 in order to keep covering overhead costs allocated to USOR.

4. **Needs Assessment From H.B. 328, Housing and Homeless Amendments** - The Housing and Community Development Director, Jonathan Hardy, presented on how data gathering efforts have been shaping services offered by Housing and Community Development. Performance measures have been analyzed and factors have been identified in efforts to reduce emergency shelter demand.
5. **Use of Temporary Assistance For Needy Families (TANF) for Access to High Quality School Readiness Programs** - "Contract with Utah State Board of Education to contract with Local Education Agencies." Tracy Gruber of DWS and Jennifer Throndsen of USBE presented on the classification of schools as "High Quality" and the families/children served as well as the future of the program.
6. **Use of TANF for Crisis/Respite Nurseries and Report** - "Funded organizations are as follows: Box Elder Family Support Center, Family Support Center of Carbon County, Child and Family Support Center of Cache County, Family Connection Center of Davis County, Family Support Center of Ogden, Family Support Center of Southwestern Utah, Family Support Center of the Uintah Basin, Grand County Family Support Center, Family Support Center Salt Lake County, Utah Valley Family Support Center, Family Support Center of Washington County. All organizations are funded at $408,000 each for a total of $4,488,000."
7. **Use of TANF for Homeless Children Supplemental Education, Succeed at the Club, UPSTART, and Sexual Violence/Assault and Report** - "$1,980,000 for 1) Homeless Children Supplemental Education Funding ($450,000), 2) Succeed at the Club ($430,000), 3) UPSTART ($500,000), 4) Sexual Violence/Assault Funding ($600,000) Contract with Utah Department of Health."
8. **Public Input on Topics on Today's Agenda** - None
9. **Should the Budget of Workforce Services Stay in the Social Services Appropriations Subcommittee** - "The Social Services Appropriations Subcommittee recommends that the Department of Workforce Services budget remain in the Social Services Appropriations Subcommittee."
10. **Tour of Refugee Education and Training Center** - "The Center's purpose is 'fostering opportunities to help refugees access higher education and training programs needed for better paying jobs that will support their families.'"
11. **Report on TANF Reserve and Projected Uses** - "The ongoing TANF block grant received each year is $75.6 million. Since the 2014 General Session, DWS has indicated it had $158.2 million in excess TANF spending authority. This is referred to as TANF reserve. The Legislature directed uses of TANF reserve during the 2014, 2015, and 2016 General Sessions and authorized a total of $76.1 million for programs that qualified for TANF uses and reported as well. The TANF reserves estimate remaining at the end of federal fiscal year 2019 is $30.3 million."
12. **Options for Using The Federal TANF Block Grant** - "Presentation and discussion regarding options for using the federal TANF block grant including TANF options found in other states not currently being utilized in Utah. The presentation included an introduction by NCSL staff about how other states are using TANF, along with a summary of items already covered in Utah by TANF. Discussion centered around what items could potentially qualify for future TANF funding."
13. **Report of Options for Agencies Paying More than Minimum Maintenance of Effort for Federal Grants** - "Action approved by the Social Services Appropriations Subcommittee meeting on June 16, 2016: Direct those agencies that are currently paying more than the minimum MOE to explore strategies to reduce their MOE to the minimum amount required and report back to the Social Services Appropriations Subcommittee by October 1, 2016."
14. **Managing the $173 Million Division of Child and Family Services Budget** - "In accomplishing its statutory mission, the Division of Child and Family Services (DCFS) spends $173 million annually: $92 million (53%) for staff and staff-related costs, including administration; $76 million

(44%) for contracts to community providers; and the remaining $5 million (3%) for a computer system and other related technology needs. Staff presented attached issue brief on the Division of Child and Family Services funding and expenditures in the context of potential appropriation choices."

15. **Regulations and Requirements Regarding Foster Parenting** - "The Department of Human Services described and explained the rules surrounding families becoming licensed foster parents, including what the rules are, who establishes the rules, how they are determined and whether or not there is any federal involvement in this regulation process."
16. **Other Business -**

- Top 5 Percent Costs - Care Management Strategies - Healthy U - "University of Utah Health Plans (UUHP) identifies high-risk, high-cost members through multiple means including a risk stratification model. UUHP has a trigger alert system that can capture claims activity, referrals from providers accessing EPIC's electronic medical record, and Utah Health Information Network Clinical Health Information Exchange (UHIN cHIE) to help identify members that can benefit from care management. UUHP analytics program provides concurrent and prospective risk scores, including allowed costs, to help us identify potential high cost, high risk members. UUHP care managers' partner with providers, clinic care managers, hospital personnel, vendors, waiver care managers and community partners to best meet the overall needs of our members."
- Top 5 Percent Costs - Care Management Strategies - Molina - "Molina Healthcare of Utah has adopted a number of programs designed to increase the quality of care and lower cost for our membership under the ACO model. These efforts have focused on two main approaches; direct care management programs and provider engagement through alternative payment models. While we are too early to have adequate data to demonstrate efficacy of these programs, our efforts are based on the latest evidence available. For example, our Transition of Care program is a modification of the Coleman model. Our work with provider groups is designed to progress through the necessary stages to ultimately contract through alternative payment models as envisioned in MACRA."
- Top 5 Percent Costs - Care Management Strategies - Health Choice - "Health Choice of Utah (HCU) has written a program description, as well as written policies to support the procedures and processes (P&Ps) used to identify the needs of all members enrolled in the health plan, including those with complex conditions. The purpose of our written P&Ps is to describe our integrated case management approach which assists our enrollees to access needed resources via the support of HCU's Care Coordination and Case Management Staff."
- Mentally Ill and Emergency Room Services - With regard to study priorities for the 2016 interim, the Senate President and the Speaker of the House requested the Social Services Appropriations Subcommittee study the topic: "Coordination of mental health services with emergency room services: where do indigent individuals with mental health issues go after receiving emergency medical services." This memorandum, submitted by the Health Department Director, provides an explanation answering the requested question.

Where did the FY 2016 General Fund Revenue Surplus Go? - Steven M. Allred

Fiscal Year 2016 ended with a General Fund revenue surplus of $13.6 million. What happened to that $13.6 million? First, it's important to understand what a revenue surplus is. The Budgetary Procedures Act defines a "General Fund revenue surplus" as a situation where actual year-end revenue collected exceeds the estimated revenue adopted by the Executive Appropriations Committee. So it's not the same thing as the overall General Fund surplus, which includes expenditure side adjustments and transfers. As reported by the Division of Finance to the Executive Appropriations Committee on October 18 (see page 2 of their Financial Highlights), of the $13.6 million, $8.8 million went to the Medicaid Growth Reduction and Budget Stabilization

Account, and the remaining $4.8 million was evenly split ($2.4 million each) between the General Fund Budget Reserve Account and the Wildland Fire Suppression Fund.

This was the first time an automatic deposit from the General Fund revenue surplus was made to the Wildland Fire Suppression Fund. Senate Bill 212, 2016 General Session, added a requirement that up to $4 million from a General Fund revenue surplus be transferred to the Wildland Fire Suppression Fund, assuming the revenue surplus is sufficient. The bill also requires transfers of annual mineral lease bonus payments to the fund, up to certain caps.

Here is a simplified list of funds, accounts, and set-asides that are statutorily directed to receive transfers from a General Fund revenue surplus, in priority order. Please see UCA 63J-1-312, 314, and 315 for more detail.

1. Any additional amount needed to pay debt service for any bonded debt authorized by the Legislature.
2. Medicaid Growth Reduction and Budget Stabilization Account: receives the difference between a target of 8% growth in Medicaid program expenditures and actual Medicaid program expenditures, if actual expenditures are less.
3. General Fund Budget Reserve Account: receives 25% of the remainder, up to an account balance of 9% of General Fund appropriations for the fiscal year in which the revenue surplus occurred.
4. General Fund Budget Reserve Account: receives up to another 25% of the remainder if the Legislature has appropriated from the account in the last ten years and hasn't replaced it yet, up to an account balance of 9% of General Fund appropriations.
5. Wildland Fire Suppression Fund: receives up to $4 million, not to exceed a cap of $12 million in the fund.
6. Disaster Recovery Restricted Account: receives the lesser of 25% of the remainder, or 6% of General Fund appropriations for the fiscal year in which the revenue surplus occurred.
7. Disaster Recovery Restricted Account: receives the lesser of another 25% of the remainder, or the amount needed to repay any amount the Legislature has appropriated from the account in the last ten years and hasn't replaced yet.
8. Industrial Assistance Account: receives an amount equal to any credit that has accrued under 63N-3-106, not to exceed $50 million.
9. Other year-end contingency appropriations, set-asides, and required transfers.

Why Do Restricted Fund Types Matter? - Clare Tobin Lence

Most state agencies receive revenue from multiple funding sources. These sources include "state funds" -- the General, Education, and Uniform School Funds -- which are discussed the most during the General Session appropriations process because they can be spent in a variety of ways, but sources also include "non-state funds." Non-state funds include federal funds, dedicated credits, and restricted funds. Restricted funds in particular often receive less legislative attention because their revenue streams and permissible expenditures are more limited. However, they make up an important part of the overall state budget and even comprise the entire budget for a few agencies.

Restricted fund accounts can be organized in different ways, depending on how they were created in statute. These account specifics can significantly impact the Legislature's authority over the account during the annual appropriations process. Restricted account types include:

1. Restricted accounts that require an annual legislative appropriation.
2. Restricted accounts that can be expended by agencies without an appropriation. These funds are known as "expendable special revenue funds." Agencies can access funds as needed, but expenditures must be consistent with statute.

3. Fiduciary funds that are overseen and managed by an agency but may also be appropriated to the agency for specific purposes.

Restricted accounts that require an appropriation (type 1 above) have three sub-types, which identify how unexpended funds are treated at the end of the fiscal year:

1. Funds lapse to the General Fund.
2. Funds lapse to the restricted account.
3. Funds carry forward in the agency's budget. Some funds that can be carried forward have "nonlapsing" authority in statute. Others are granted nonlapsing authority during the General Session for the current budget year, on a one-time basis.

Lastly, some accounts earn interest and some do not. Sometimes interest is deposited in the account; other times it is remitted to the General Fund.

Fund characteristics are set in statute when the account is created and then adhered to by the Division of Finance and the respective agency. The designated fund type should be consistent with the nature of account revenues and expenditures and associated agency responsibilities. However, the type can constrain the Legislature's opportunity for budgetary oversight.

In recent years, historically "off-budget" expendable special revenue funds have been brought "on-budget" by being shown in appropriations acts each year. Agencies still have full spending authority but provide estimates of fund revenues and expenditures to include in the acts. Including expendable special revenue funds in appropriations acts has not changed how those funds are administered, but it has increased transparency and legislative awareness of the funds.

In addition to awareness of accounts that do not require an appropriation, another challenge for legislators is awareness of the impact of proposed legislation that creates new or modifies existing accounts. Statute determines how accounts will operate and the extent of future legislative authority, and thus the specific fund type, from among the types identified above, is worth considering along with other aspects of a proposed policy.

For examples of the different fund types, drawn from agencies under the purview of the Business, Economic Development and Labor Appropriations Subcommittee, see here.