

Follow-up to “The Role of One-time and Ongoing Expenditure Classification in Balancing Utah’s Structural Deficit”

In response to a report entitled *The Role of One-time and Ongoing Expenditure Classification in Balancing Utah’s Structural Deficit* (LFA, July, 2003), members of the Executive Appropriations Committee requested an analysis of the extent to which ongoing funds were used for one-time projects in the past. This phenomenon, under which projected ongoing revenue finances discrete, time limited projects like capital acquisition, can be called a “Flexible Structural Surplus”. As shown in the table below, Utah’s Flexible Structural Surplus ranged from \$74 million to \$196 million between FY 2000 and FY 2004.

State of Utah					
Impact of Capital Investment Funding on Structural Balance					
General Fund and School Funds in Thousands					
	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
	Appropriated	Appropriated	Appropriated	Appropriated	Appropriated
Ongoing Revenue	\$3,347,500	\$3,493,275	\$3,832,200	\$3,520,355	\$3,545,762
Ongoing Appropriations	(\$3,347,813)	(\$3,509,308)	(\$3,794,175)	(\$3,592,265)	(\$3,587,962)
Reported Structural Surplus/(Deficit)	<u>(\$313)</u>	<u>(\$16,033)</u>	<u>\$38,025</u>	<u>(\$71,910)</u>	<u>(\$42,200)</u>
Capital Budget	\$59,126	\$47,321	\$89,397	\$73,511	\$44,585
Centennial Highway Fund	\$75,884	\$76,380	\$66,868	\$20,000	\$0
School Building Program	\$28,358	\$28,358	\$38,358	\$28,358	\$27,789
UCAT Equipment			\$1,000	\$844	\$837
Expensed Across-the-board	\$621	\$622	\$622	\$622	\$622
"Flexible Structural Surplus"	<u>\$163,990</u>	<u>\$152,681</u>	<u>\$196,245</u>	<u>\$123,335</u>	<u>\$73,833</u>
Structural Surplus/Deficit	\$163,677	\$136,648	\$234,270	\$51,425	\$31,633

In each of the last five years, Utah carried a Flexible Structural Surplus. Beginning in the 2002 Fourth Special Session (May, 2002) legislators rescinded much of the ongoing revenue that constituted the Flexible Structural Surplus, and, in some cases, replaced it with one-time revenue like bond proceeds. As noted by Senator Leonard Blackham in the September, 2003 meeting of the Executive Appropriations Committee, because the State made a practice of funding certain capital acquisitions with ongoing cash, appropriators were able to redirect that cash to higher priority purposes when faced with a revenue shortfall.

Yet, in four of the past five years, Utah has reported a structural deficit when comparing ongoing appropriations to ongoing revenue estimates at the close of the annual General Session. (A structural deficit occurs when the state uses one-time resources to fund ongoing needs.) As demonstrated in the table above, this deficit is more than offset by the Flexible Structural Surplus in each year.

As recommended in the aforementioned Fiscal Analyst study, should appropriators have chosen, they could have eliminated the state’s reported structural deficit by using one-time revenue for one-time projects, like the Capital Budget, Centennial Highway Fund, and School Building Program, and UCAT Equipment. In turn, legislators could have used the ongoing revenue appropriated to these projects for ongoing expenses like personnel costs and constituent services.