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Report: Fiscal Notes and Building Blocks
The accuracy of the fiscal note and building block processes has increased as a result of the analysts’ regular follow up. The Executive Appropriations Committee reviewed the latest consolidated follow-up report, which is also available on the LFA website.

Staff Contact: Stan Eckersley

Report: Performance Review Notes
Senator Niederhauser presented a proposal to incorporate more performance measurement in the budget process. His objective is to emphasize results and accountability. As a starting point, he suggested requiring a “Performance Review Note” on bills that create a new program or appropriation. While the details are still being drafted, it likely will require a statement of the new program or appropriation’s goals, services, and the performance indicators that will be used to gauge whether the goals are being achieved. Results would be posted on the state’s transparency website. If a new program or appropriation fails to meet the goals advertised at start-up, it should be considered for sunset.

The Committee heard a report on how performance measurement is currently being used in Utah, how it can enhance budget deliberations, how asking key questions can enhance accountability, and how the State of New Mexico has integrated performance measures in their appropriations.

Staff Contact: Steven Allred

Report: Revenue Update
Tenille Young of the Governor’s Office of Planning and Budget presented the list of Federal and Non-Federal Grants applications that require legislative action. The committee approved seven new federal grants, four reapplications, one new non-federal grant, and one reapplication of a non-federal grant.

Staff Contact: Patrick Lee
**Evidence-Based Practices and Programs**

The Commission on Criminal and Juvenile Justice (CCJJ) has embarked upon a scientific research-based examination of criminal justice practices and programs. The goal is to make policy decisions based on the best available evidence about what does and does not work. To provide the necessary data, CCJJ has contracted with researchers at the University of Utah and outside the state.

Early this month the CCJJ heard a presentation regarding evidence from studies across the nation. Highlights from the presentation include:

- A 10% increase in the incarceration rate has produced a 2%-4% reduction in the crime rate.
- The drop in the crime rate in recent years is primarily due to factors other than incarceration, such as social, policing, and other factors.
- There is no evidence that incarceration is a deterrent on drug use or drug dealing (due to something called the “Replacement Effect”).
- Supervision alone does not reduce recidivism.
- The time period immediately following release is the riskiest in terms of re-offending.
- The most important factors in desistance from crime are employment and marriage.
- Research refutes the notion that “nothing works” to reduce recidivism, but it requires rigorous intervention.
- Things that are shown to work include education, employment, substance abuse treatment, drug courts, cognitive-behavioral interventions, and family-based programs for juveniles.
- Judges should have discretion to sentence based on offender risks and needs.

These are significant policy issues with impacts on the State budget. Further information will be provided as CCJJ continues to review evidence and makes recommendations to the Legislature.

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**Appropriations Report – Pocket Edition**

Sometimes the new Appropriations Report is too much of a good thing. So the Analyst issued a pocket edition. It has all the significant budget changes but not the tables or program descriptions. It's 4” x 8.5” and 64 pages long. This is a semi-experimental project so please give us your thumbs up or down.
Will Utah Receive a Six Month Extension of Enhanced FMAP?

What is FMAP?
The Federal Medical Assistance Percentage (FMAP) represents the federal share of the service costs for Medicaid and a few other federal programs. The federal government utilizes a formula to determine the annual percent of medical assistance based on a rolling three year average of per capita income levels compared to the national average. By law the FMAP rate cannot be lower than 50 percent or higher than 83 percent. For the last 10 years Utah’s annual FMAP has ranged between 70.3 and 72.0 percent. Most administrative costs for these federal programs are paid 50 percent by the federal government.

What is Enhanced FMAP?
In February 2009, Congress passed the American Recovery and Reinvestment Act that increased states’ Medicaid federal medical assistance percentages, or FMAPs, for 27 months. All states received a 6.2 percentage-point increase beginning October 1, 2008, through December 31, 2010 with additional potential increases based on state unemployment rates. One condition of accepting the funds is that Medicaid eligibility standards through December 31, 2010 must not become more restrictive than those in place July 1, 2008. Federal Funds Information for States (FFIS) estimated that all eligible groups in Utah would receive $339 million over the 27 month period. However, actual receipts may differ from the original FFIS estimate based upon a number of variable factors.

Who in Utah is affected by Enhanced FMAP?
The two State agencies primarily affected are the departments of Health (Medicaid and Children’s Health Insurance Program) and Human Services (Services for People with Disabilities, Child and Family Services, the State Hospital, Aging and Adult Services, and Juvenile Justice Services) with the largest portion associated with the Medicaid program in the Department of Health. Some county programs providing mental health, substance abuse, and aging services are also eligible to receive enhanced FMAP.

Is the Federal Government Going to Extend the Enhanced FMAP for an additional six months?
As of June 24, 2010 a federal extension of enhanced FMAP to states has not yet happened and it is looking less likely that it will. The National Conference of State Legislatures reported on June 24, 2010 that “the cloture vote (vote to end debate) in the Senate on H.R. 4213, the American Workers, State, and Business Relief Act of 2010, failed by recorded vote 57 yeas – 41 nays.” The New York Times reported the White House Press Secretary, Robert Gibbs, commenting, “The president will continue to press Congress to pass this bill and bring this relief that’s critical to our economic recovery.” The same article states: “…the majority leader, Harry Reid, Democrat of Nevada, said he would move on to other business next week because he saw little chance of winning over any Republican votes . . . . In the latest version, the Democrats pared a provision to extend higher Medicaid reimbursement for the states, to $16 billion from $24 billion . . . .” (New York Times, Congress Fails to Pass an Extension of Jobless Aid, David M. Herszenhorn, June 24, 2010).

Medicaid Case Load Update
April 2010

- 213,600 April 2010 Medicaid caseloads
- 400 member increase over March 2010
- 11.7% increase over April 2009

Note: As of June 21, 2010 no numbers for May available

Technology Training with Microsoft Vouchers
Elevate America is an innovative public-private partnership between the State of Utah and Microsoft to provide vouchers for free online technology training and certification. More than 5,000 vouchers were provided to Utahns desiring to improve their job skills. The vouchers were distributed by the Utah College of Applied Technology (UCAT). The vouchers were made available beginning May 26, for a period of up to 90 days, or until they were all distributed.

No other state with similar online training programs has used all of their allocated vouchers within the 90-day time frame. UCAT had distributed all of the vouchers allocated to Utah within five days of the announcement. Recipients of the vouchers may use them for Microsoft’s Professional E-Learning courses, certification exams, or Information Technology Professional E-Learning courses, to improve their employment skills. The Department of Workforce Services and UCAT will follow up with quarterly employment results of the voucher recipients.
Beginning January 1, 2010, the Driver License Division implemented a previously announced plan that changed their service schedule in order to meet the requirements of S.B. 81 of the 2008 General Session and S.B. 40 of the 2009 General Session. Without this change, the Division would have needed additional resources to ensure the security of sensitive information and equipment. The change included the elimination of service in certain rural areas, which previously were served approximately two days per month.

During the 2010 General Session, the Legislature provided additional funds to the Division in part to properly re-service certain rural areas specified in legislative intent language (Kanab, Panguitch, Beaver, Loa, and Fillmore). The Division has been working to re-open the offices in these locations, and to do it in facilities that ensure the security of sensitive information and equipment.

Working closely with DFCM, the Driver License Division has already located offices in Kanab, Panguitch, Beaver, and Fillmore. In Kanab the Division has entered into an agreement to lease space in a building that will be completed in 18 months. In the meantime, the Division is looking for a suitable temporary location. In Panguitch, the Division has identified a location and is determining the remodeling needs and costs. The office in Beaver opened May 1, 2010. In Fillmore, service was scheduled to begin June 16, 2010. In Loa, the Division is in the process of determining accommodations and feasibility.

In addition to re-servicing these locations, the Division is continuing service in Delta and re-servicing Nephi. In Nephi, the Division will be leasing a facility that can act as a full-time office when needed. The Division aims to re-open service there by July.

Many of the rental rates were reduced to $0, or in a few cases, very nominal amounts. The intent of this legislation was to eliminate financial barriers to individuals and organizations with limited resources, thereby encouraging broader citizen participation in the Legislative process and state government. The Capitol Preservation Board (CPB) reported the following fiscal impact details resulting from passage of the bill:

<table>
<thead>
<tr>
<th>Room or Venue</th>
<th>Rental Fees Waived</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Senate Building:</strong></td>
<td></td>
</tr>
<tr>
<td>Beehive Room</td>
<td>$1,600</td>
</tr>
<tr>
<td>Copper Room</td>
<td>$3,100</td>
</tr>
<tr>
<td>Olmstead Room</td>
<td>$2,000</td>
</tr>
<tr>
<td>Seagull Room</td>
<td>$3,700</td>
</tr>
<tr>
<td>Spruce Room</td>
<td>$4,050</td>
</tr>
<tr>
<td><strong>State Office Building:</strong></td>
<td></td>
</tr>
<tr>
<td>Auditorium</td>
<td>$4,100</td>
</tr>
<tr>
<td>Room B110</td>
<td>$100</td>
</tr>
<tr>
<td>Room 1112</td>
<td>$100</td>
</tr>
<tr>
<td>Multipurpose Room/Public Lounge</td>
<td>$2,450</td>
</tr>
<tr>
<td><strong>Capitol Building:</strong></td>
<td></td>
</tr>
<tr>
<td>Room 210</td>
<td>$450</td>
</tr>
<tr>
<td>Room 170</td>
<td>$300</td>
</tr>
<tr>
<td>Rotunda</td>
<td>$57,260</td>
</tr>
<tr>
<td><strong>Total Rental Revenues Forgone</strong></td>
<td><strong>$79,210</strong></td>
</tr>
</tbody>
</table>

Note: Inclusive dates on or between January 25, 2010 and March 11, 2010

Total rental revenues forgone amounted to $79,210. The Capitol Rotunda accounted for 72 percent or $57,260 of the total. It is important to state that price elasticity or market responsivity likely impacted the results, i.e., with significantly reduced rental rates, CPB booked a larger number of rooms/venues than would have been booked with no change in the rental rates.

The legislation was effective only for the inclusive dates on or between January 25, 2010 and March 11, 2010 (which coincided with the 2010 Legislative General Session). It is a policy decision for the Legislature whether to pursue this course of action in the future.
DEQ’s Clean Diesel Program

Diesel engines carry millions of children to school each day, power the movement of goods, help produce the food that we eat, help construct the buildings in which we live and work, and help build the roads on which we travel. Diesel engines provide mobility and are critical to the nation’s economy but they also emit pollutants that negatively impact human health and the environment.

Diesel engines are a major source of pollution. Specifically, they emit particulate matter (PM); nitrogen oxides (NOx)—which contribute to the production of PM2.5 and ground-level ozone, or smog; hydrocarbons (HC); and, air toxics. These pollutants contribute to poor air quality in Utah and can cause serious health problems.

Cost-effective solutions are available today that can dramatically reduce pollutants from diesel exhaust. The Department of Environmental Quality (DEQ) established the Utah Clean Diesel Program to promote diesel emission reduction strategies.

The "Crossroads of the West" for freight traffic, Utah provides major transportation arteries for distribution coast to coast and between Canada and Mexico. The Salt Lake International Airport, Union Pacific Railroad, and thousands of distribution centers and terminals create a high presence of freight distribution and are reasons Utah is home to the country’s largest trucking companies, carriers, and suppliers.

The Utah Division of Air Quality (UDAQ) has acquired funds totaling $588,235 for use in local trucking projects intended to increase fuel efficiency and improve air quality. These funds will be used to install Auxiliary Power Units on long-haul tractor/trailers that spend significant amounts of time traveling and idling along the heavily-populated areas of the Wasatch Front. These units reduce fuel consumption and diesel emissions by providing climate control and electrical power for the truck’s sleeper cab and engine block heater during downtime on the road without running the truck’s engine. Grant funds were received from the Environmental Protection Agency’s Diesel Emission Reduction Act (DERA) and were secured with a grant match from UDAQ.

School bus emissions contain chemicals that can be reduced or removed easily by developed cost effective technologies. In 2007, the Utah Division of Air Quality started the Utah Clean School Bus Project in conjunction with local school districts, county and municipal governments, as well as community and non-profit organizations.

This coalition is working together to secure funding sources for school districts to purchase emission reducing technologies for buses statewide.

This past year, UDAQ applied for and received $750,000 from the American Recovery and Reinvestment Act (ARRA) to replace 11 agricultural vehicles and equipment, repower 21 engines in agricultural vehicles and equipment, and install 30 Auxiliary Power Units on agricultural vehicles.

The Utah Clean Diesel Program’s scope of replacing, repowering, and installing more fuel efficient technology on trucks, school buses, and agricultural vehicles and equipment will ensure that stricter emissions standards requirements are met, and yield fuel conservation and cleaner Utah air.

Tax Commission Online Renewals and the Motor Vehicle Renewal Packet

More individuals are renewing their vehicles online, with the number of online renewals through the Tax Commission’s Renewal Express (REX) having grown from 67,534 in FY 2001 to about 614,000 in FY 2010. The number of online transactions through the On-the-Spot (OTS) and other renewal systems has grown from 9,062 in 2001 to about 453,000 in FY 2010, and represents 17 percent of all FY 2010 motor vehicle transactions. The use of the REX and OTS online systems has limited requests for funding a third Salt Lake County office.

During the 2009 General Session, the Legislature authorized a reduction in the size of the motor vehicle renewal packet (MVRP), resulting in a savings of $250,000. Individuals used to be able to send a renewal payment with the envelope provided with the MVRP. The MVRP no longer includes an envelope.

We continue to watch as to whether this reduction has affected motor vehicle revenue, in that individuals may be shifting to the internet rather than opting for noncompliance. As of year to date through May 2010, mail renewals are down 37 percent on a year over year basis.
If you ask two different budget geeks "What's Utah's total state budget?", you're likely to get two different answers. One might say $11.6 billion, the other $11.9 billion. The difference is philosophical.

If there is nothing more scintillating than a discussion of the budget, it has got to be a discussion of budget philosophy! (If you feel the urge to stop reading now and go do something more interesting like organize your sock drawer, I understand.)

The lower number, $11.6 billion, attempts to show total state expenditures. The higher amount, $11.9 billion, reflects total budget authorization. Neither measure is perfect. Both budget geeks understand the shortcomings and the differences.

At the risk of double-counting, we in the Legislative Fiscal Analyst’s Office use the higher number. It is higher so that you can see all the transactions you have authorized, including certain federal programs. For example, past total budget numbers did not include benefits paid out under the Supplemental Nutrition Assistance Program (SNAP a.k.a Food Stamps) and Unemployment Insurance.

You directed us to bring greater transparency to more of the State's finances. In the last three years, we have brought these formerly "off-budget" programs back "on-budget".

But these two programs don’t explain the difference between $11.6 and $11.9 billion in FY 2011. The difference now, as shown in the table, is a mix of items from community development grants, to water loans, to restricted fund deposits.

So, what is our state budget - $11.9 billion or $11.6 billion? It's both. It just depends upon who you ask!

## How Much is Our Total State Budget?

**Staff Contact:** Jonathan Ball

<table>
<thead>
<tr>
<th>Crosswalk of Total Budget Amounts, FY 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adjusted Total Budget</strong></td>
</tr>
<tr>
<td>Permanent Community Impact Board</td>
</tr>
<tr>
<td>Water Loan Funds</td>
</tr>
<tr>
<td>Utah Correctional Industries</td>
</tr>
<tr>
<td>Rangeland Improvement/Agri Loans</td>
</tr>
<tr>
<td>Restricted Fund Deposits</td>
</tr>
<tr>
<td><strong>Unadjusted Total Budget</strong></td>
</tr>
</tbody>
</table>