

FISCAL HIGHLIGHTS

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Professional Staff Costs: Which Districts Hire the Most Expensive Teachers?

PUBLIC EDUCATION

Staff Contact: Thomas Young

Because of the State Office of Education's (USOE) calculation errors related to minimum school program formulae, the Fiscal Analyst's Office now does its own calculations of potential costs and/or savings of each formula and the distributions therefrom. In this role, we use, among other factors, teacher and student level data to derive accurate costs.

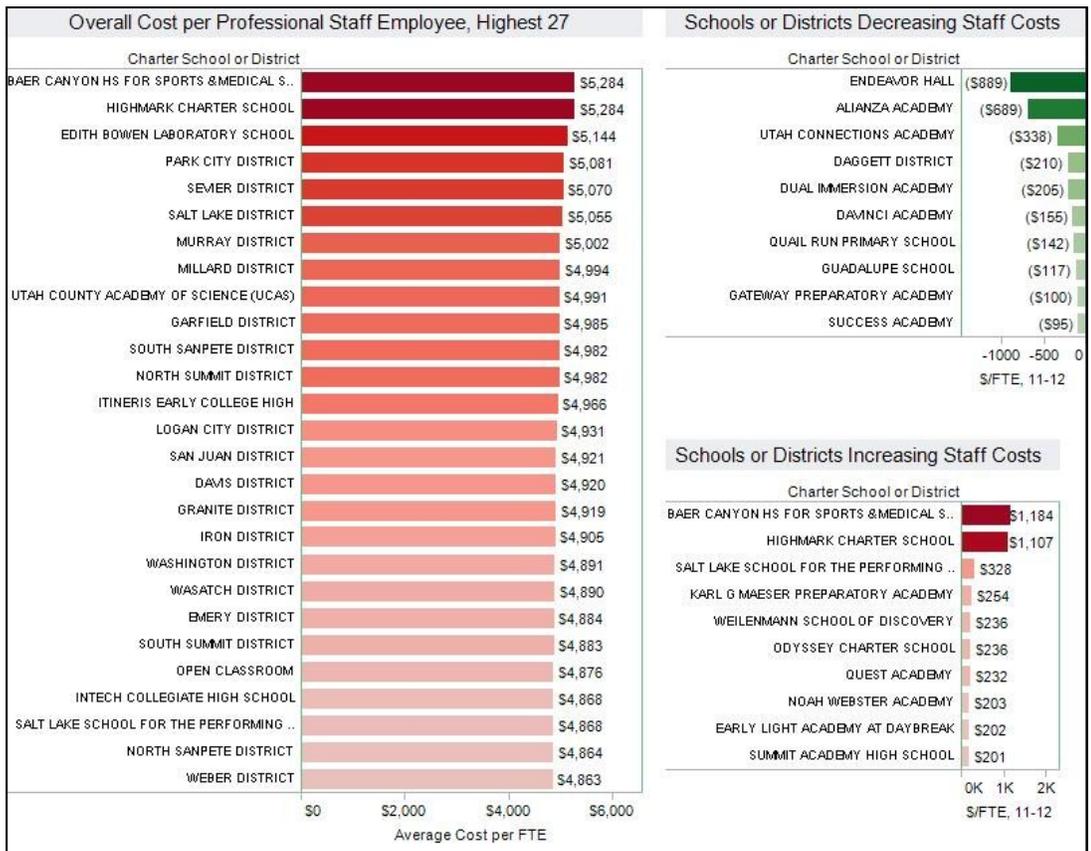
With the detailed student and teacher data, we can do thorough analysis on various aspects of the public education system. For instance, when it comes to the professional staff cost formula within the Minimum School Program, one might ask which districts hired more expensive teachers and which districts shifted to less expensive teachers in the past year?

Using teacher-level data, in FY 2012, En-

deavor Hall, Alianza Academy, and Utah Connections Academy saw the largest cost decrease per FTE, while Baer Canyon High School for Sports & Medical Sciences, Highmark Charter School, and Salt Lake School for the Performing Arts saw the largest increases in costs per FTE (see figures below).

On the whole, of the 27 highest costs school districts or charter schools, eight are charter schools and 19 are school districts. Park City School District exhibited the highest professional staff cost per FTE of the school districts.

The professional staff cost formula is only one of many formulas we're modeling. Next General Session we will be able to model almost any proposed public education system or program changes.



EXECUTIVE APPROPRIATIONS COMMITTEE

SENATOR LYLE HILLYARD & REPRESENTATIVE MEL BROWN, CO-CHAIRS

MEETING SUMMARY - SEPTEMBER 18, 2012

Report: Federal/Non-Federal Funds

Staff Contact: Gary Syphus

The EAC recommended approval of the following federal grants: 1) Bureau of Child Development Affordable Care Act Maternal, Infant and Early Child, and 2) FY 2012 Cooperating Technical Partners (CTP): Weber Co, UT, Lower Weber Watershed Project. The approval for two other grants was postponed, due to lack of sufficient information: 1) Adult Medicaid Quality Grant, and 2) Land and Water Conservation Fund - SCORP.

Report: Medicaid Inspector General Report

Staff Contact: Zackery King

Lee Wyckoff, Inspector General of Medicaid Services, presented the inaugural annual report and highlighted accomplishments and results from first year operations.

Some of the accomplishments reported include:

- Implemented a hearing process for administrative appeals.
- Identified nearly \$29 million that have been or are in the recovery process.
- Performed hospital utilization reviews (HURs) and reduced HURs by approximately 1,000 cases.
- Conducted 30+ training sessions with providers statewide on common fraud, waste, and abuse.

Report: Utah State Office of Education Report on Implementing Online Testing

Staff Contact: Ben Leishman

The Utah State Office of Education (USOE) reported on the implementation status of two online testing programs. During the 2012 General Session, the Legislature appropriated \$6.7 million ongoing to support the statewide online adaptive testing program created in House Bill 15, and \$7.6 million one-time to support grants to school districts and charter schools to purchase online testing infrastructure as provided in Senate Bill 97. The funding for both programs was appropriated in FY 2013.

A Request for Proposals (RFP) has been posted by the USOE to begin the selection process for a vendor to provide computer adaptive assessments. Proposals are due on October 1st and the final contract should be awarded by January 2013. The vendor proposals will include a detailed timeline for transitioning from Utah's current assessment to the new computer adaptive testing (CAT) model. The timeline will meet timelines established in statute.

The USOE has developed a schedule to distribute funding appropriated for online testing infrastructure to school

districts and charter schools. Each school district will receive base funding of \$25,535 and an additional \$10.93 per student. Charter Schools will receive base funding of \$1,121 and an additional \$10.93 per student. Based on applications from school districts and charter schools, funding will be used for new hardware, network infrastructure, upgrades to current systems, and support.

Report: Progress Report on Improving Public Education Estimates

Staff Contact: Ben Leishman and Thomas Young

In April, an error was discovered in the number of Weighted Pupil Units (WPU) estimated for the Minimum School Program (MSP) in FY 2013. WPUs determine the cost of the MSP and are used to distribute state funding to school districts and charter schools. The Utah State Office of Education (USOE) was the only entity estimating WPUs, thereby creating a single point of failure.

As a solution, the Legislative Fiscal Analyst (LFA) determined that estimating WPUs should be a collaborative process. The LFA, USOE and the Governor's Office of Planning and Budget (GOPB) determined that each office should develop independent models to estimate WPUs and form a consensus estimate.

The LFA began developing an independent model earlier this spring. Our model will be fully tested later this fall when we begin estimating FY 2014 WPUs and will result in several benefits. These benefits include greater access to the raw student enrollment data; accuracy in new growth WPUs and related costs; and, dynamic distribution schedules by program of how funding is allocated to school districts and charter schools.

Report: FY 2012 Preliminary Surplus, Nonlapsing, and Account Balances

Staff Contact: Stephen Jardine

The preliminary Fiscal Year 2012 budget surplus is \$98 million (\$70 million from the Education Fund). After statutory transfers are made to the General Fund Budget Reserve Account (\$10 million) and Education Fund Budget Reserve Account (\$35 million), the Disaster Recovery Restricted Account (\$5 million), and the Industrial Assistance Account (\$2 million), there is \$46 million available for additional use.

Reconciliation between the \$85 million surplus the Governor announced and the \$98 million surplus discussed in committee was provided by the Analyst.

*Please see **EAC Meeting** on p. 3.*

EAC Meeting, continued from page 2.

Staff also presented a report showing preliminary Fiscal Year 2012 fund balances ([FY 2012 Preliminary Fund Balances](#)). The Division of Finance calculates state agencies will lapse \$2 million back to the General and Education funds and \$166 million back to other funds for Fiscal Year 2012. Staff provided a summary sheet explaining fund accounting in Utah ([Accounting in Utah State Government](#)).

Report: State Debt Update

Staff Contact: Angela Oh

Utah is currently at 82% of the constitutional debt limit. Our estimates indicate that the state will be at 77% of the limit in FY 2014 and 68% in FY 2015. The state's debt as a percent of property values is gradually decreasing because the amount of debt being issued is less than the amount of debt being paid off.

Utah will pay off \$315 million of bond principal and \$129 million of interest on general obligation bond debt in FY 2014. Transportation revenues will be sufficient to pay debt on existing and anticipated bonds. However, significant capacity to bond or cash-fund new transportation projects, beyond revenue from S.B. 229, 2011 G.S., *Transportation Funding Revisions*, will not likely exist until FY 2015.

Report: Drug Offender Reform Act (DORA) Program Update

Staff Contact: Stephen Jardine

The DORA Oversight Committee of the Utah Substance Abuse Advisory Council provided a [report](#) in response to 2012 General Session intent language regarding how it has implemented the five strategies intended to strengthen the DORA program recommended by the Utah Criminal Justice Center in its November 2011 [Drug Offender Reform Act: DORA Statewide Report](#).

USHE Launches Utah Women and Education Initiative Website

HIGHER EDUCATION

Staff Contact: Spencer Pratt

A new website has been launched by the Utah System of Higher Education (USHE) with a goal of increasing the number of women enrolling and completing higher education and achieving a degree or certificate. The Utah Women and Education Initiative (UWEI) developed the website at www.utahwomenandeducation.org following recommendations from the Utah Women's College Task Force and a \$100,000 one-time appropriation from the Legislature.

The Task Force's recommendations include promoting post-secondary education for women, developing a "college-going" culture for women, creating women-focused mentoring programs, retaining current female students, and

creating flexible attendance and credit options for students so they are able to balance education, family, and work.

The Utah Women and Education initiative will work with other entities toward the goal of having 66% of adult Utahns earning a post-secondary degree or certificate.

The website includes research briefs, videos, podcasts, and other resources for educators, families, and community organizations.



New Funding Intended to Help the Mule Deer Population in Utah

NATURAL RESOURCES, AGRICULTURE & ENVIRONMENTAL QUALITY

Staff Contact: Ivan Djambov

During the 2012 General Session, the Utah Legislature passed S.B. 245, the Mule Deer Protection Act, and S.B. 87, Predator Control Funding, which are intended to improve the mule deer population in Utah through additional predator control. The new legislation provide \$1.35 million (\$750,000 from the S.B. 245 and \$600,000 from S.B. 87) and direct the Utah Division of Wildlife Resources (DWR) and the Department of Agriculture and Food to reduce coyote populations for the benefit of mule deer.

DWR is using \$500,000 of the additional funding to implement a new predator control program that provides incentives for members of the public to remove coyotes. Participants in this program can receive \$50 for each properly documented coyote killed in Utah.

DWR encourages hunters to focus on deer-fawning grounds and adjacent areas, as coyotes primarily kill the fawn deer. DWR has prepared a statewide map (http://wildlife.utah.gov/pdf/predator_program_map.pdf) identifying the areas of coyote control in order to provide the most benefit to mule deer.

To participate in the program and receive compensation, hunters must follow the program rules and guidelines (which are available at: <http://wildlife.utah.gov/dwr/hunting/hunting-information/762>):

- complete and online training course,
- submit the coyote's lower jaw and pelt, and
- submit a compensation form, including the GPS location where the coyote was taken, the identity of the person who took it, and the date of removal.

Compensation to those with harvested coyotes began in September 2012, and is expected to peak for the hunting season in the first couple months of 2013. The hunting public has been very supportive of this program thus far.

The Agriculture's Wildlife Services Program has received \$850,000 (\$250,000 from S.B. 245 and \$600,000 through a contract with DWR) to control coyotes using traditional methods. This partnership with DWR has been effective in reducing the number of predators in the past.



Executive Offices and Criminal Justice Appropriations Subcommittee Meeting Summary

EXECUTIVE OFFICES & CRIMINAL JUSTICE

Staff Contact: Gary Syphus

On August 28, 2012, the Executive Offices and Criminal Justice Appropriations Subcommittee met at the Matheson Courthouse. The subcommittee observed, reviewed and discussed various significant issues for the 2013 General Session including:

- **Updates/unanswered questions** from the 2012 General Session, including status of state settlements/litigation, Highway Patrol safety, and prison population trend.
- **Courtroom observation** of drug court proceedings – a state-funded program designed to help resolve substance abuse problems among criminal offenders rather than simply adjudicate over guilt or innocence and determine penalties.
- **Youth Provider Association** (the group that makes up the providers with whom the Division of Juvenile Justice Services contracts to provide youth offender services) discussed their role in the state criminal justice system and the spectrum of services the group covers.
- **Commission on Criminal & Juvenile Justice (CCJJ)** presented with the Utah Criminal Justice Center a tool for determining effectiveness of certain criminal justice programs (used by CCJJ to decide on what grants to fund), and a cost-benefit study on community programs.
- **Update on Division of Juvenile Justice Services** budget history presented by staff from the Juvenile Justice Services and LFA. The presentation highlighted information on loss of federal funds, reduction in state funding, and pending facility closures.
- **Tour of DJJS Facility, Genesis Program** after the end of the meeting. A group of legislators, LFA staff, agency leaders, and GOPB staff traveled to Draper to tour a youth offender work program.



Moody's In a Bad Mood over U.S. Debt

GOVERNMENT OPERATIONS

Staff Contact: Steven Allred

Another credit rating agency is threatening to lower the long term sovereign credit rating of the United States. You may recall that last August, the rating agency Standard and Poor's (S&P) lowered the long-term U.S. rating from "AAA" to "AA+." Soon after, Moody's decided to keep their rating at "Aaa" but with a "negative outlook." Now Moody's has issued a warning that if federal budget negotiations do not

stabilize and reduce the federal debt as a percentage of GDP, they will likely lower their rating to "Aa1."

These downgrades and warnings indicate that rating agencies are growing more doubtful about the U.S. government's ability to meet its debt obligations. Rating agencies don't have perfect records, but this shows growing concern about U.S. debt. So far, the S&P downgrade hasn't resulted in increased borrowing costs because U.S. treasuries, for better or worse, are more attractive options than other investments. In the long term, however, a downgrade from another agency and another debt ceiling crisis like we experienced a year ago could put upward pressure on borrowing costs, leading to higher interest payments and fewer government services—like grants to states.

The U.S. will probably reach the current debt limit at the end of 2012, and its ability to meet expenses out of current resources will probably expire a few months after that. According to Moody's: "Under these circumstances, the government's rating would likely be placed under review after the debt ceiling is reached but several weeks before the exhaustion of the Treasury's resources."

It remains to be seen what will happen next. It appears likely Congress will soon approve a continuing resolution for six more months. Beyond that, they will probably wait until after the election to decide whether to continue with sequestration or do something else.



Two Mandatory Medicaid Eligibility Changes

SOCIAL SERVICES

Staff Contact: Russell Frandsen

Federal health care reform makes two changes to Medicaid eligibility in Utah beginning January 2014:

1. End of the asset test for many clients – there will be no asset test for about 80% of Medicaid clients. Clients who are aged or have disabilities will continue to have an asset test. In 2010 the asset test excluded about 5% of applicants from receiving Medicaid services.
2. Use of modified adjusted gross income – nationwide all Medicaid programs will implement new criteria to determine which types of income count for determining Medicaid eligibility. At present it is not clear how much this may increase or decrease the number of clients qualifying for Medicaid.

The Social Services Appropriations Subcommittee will discuss these and other impacts from federal health care reform in more detail at an all-day meeting on Thursday, October 4, 2012. Medicaid served an average of 250,400 clients monthly in FY 2012. Utah spent over \$380 million General Fund in FY 2011 providing Medicaid services.



The Role of the Department of Human Services with Medicaid

SOCIAL SERVICES

Staff Contact: Stephen Jardine

Medicaid funds make up approximately 38% of the Department of Human Services budget

In FY 2011 \$246 million was spent on Medicaid programs in the Department of Human Services (DHS). This is 38% of the total DHS budget of \$654 million (including Juvenile Justice Services) ([2011 UARMC, p. 34](#)).

The Department of Human Services is one of the delivery arms for Medicaid services

In general, DHS provides direct and contracted social services to children, families, and adults in Utah's communities, including persons with disabilities, children and families in crisis, individuals with mental health or substance abuse issues, vulnerable adults, the aged, and juveniles in the criminal justice system. Many of these services are provided to individuals who meet Medicaid eligibility standards and thereby qualify for Medicaid funding. All Medicaid money is administered by the Utah Department of Health (DOH), but programs and services for Medicaid are delivered by DOH, DHS (\$246 million or 12% of the Medicaid budget), Workforce Services, and numerous contracted providers ([Medicaid Spending Statewide, 2012 General Session Issue Brief](#)).

82% of DHS Medicaid funding is for disability services

82% of the DHS Medicaid-related expenditures (\$188 million) was for individuals with disabilities. Another 7% (\$17 million) was for Division of Child and Family Services (DCFS) expenditures and an additional 7% (\$16 million) was for Substance Abuse and Mental Health expenditures with most of that being at the Utah State Hospital ([2011 UARMC, p.34](#)).

50% of all Medicaid expenditures are for the disabled and aged

Although the disabled and aged make up only 16% of all Medicaid eligibles, they accounted for 50% of all Medicaid expenditures when also including medical costs provided through DOH ([2011 UARMC, pp. 13, 16](#)). The disabled and aged are populations for which the DHS has statutory responsibility.

Medicaid funding is significant for local mental health, aging, and substance abuse programs

The \$123 million spent on Medicaid mental health services is provided by local mental health centers on a capitated contract (a flat fee for each patient). Counties oversee these programs acting as the local mental health authorities ([2011 UARMC, p.31](#)). To a lesser degree, Medicaid funding contributes to financing local substance abuse and aging programs.

The Office of Recovery Services collected \$213 million from 3rd parties on behalf of Medicaid

Some services a Medicaid client receives can be billed to a responsible third party provider such as Medicare or private insurance. The Office of Recovery Services (ORS) collects monies from these third parties on behalf of the state Medicaid program. ORS collected \$213 million from third parties on behalf of the state's Medicaid program (2011 UARMC, p.11).

Most Medicaid services in DHS are provided by contracted entities

Most Medicaid services delivered through DHS are provided by contract with private providers. Two examples include services provided to approximately 5,000 individuals with disabilities in community settings and outpatient mental health services provided on behalf of children and youth in custody with the divisions of Child and Family Services and Juvenile Justice Services.



DOT Encourages Walking or Biking to School

INFRASTRUCTURE & GENERAL GOVERNMENT

Staff Contact: Mark Bleazard

The Department of Transportation launched a statewide challenge to all Utah K-8 students to walk or bike to school at least three days each week during the four weeks in September. The "Walk More in Four" program promotes walking and biking safely to school. Students unable to walk to school due to distance can still participate by practicing safe habits while walking or biking in their neighborhoods.

Robert Hull, UDOT, stated "walking or biking to school at the start of the school year is a great way for students to develop and continue safe and healthy habits, students who walk or bike to school not only stay active and increase brain power during the day, but also reduce traffic congestion around schools, making these areas safer."

UDOT encourages parents to help their children with safe walking and biking by discussing the following safety tips:

- Follow the safest route using the school's SNAP Map (contact the school for a copy).
- Walk with a buddy or group.
- Walk on sidewalks where possible.
- Look left, right, then left again when crossing a street.
- Cross the street only at crosswalks.
- Always wear a helmet when riding a bike.
- Wear bright clothing, especially when riding a bicycle, to make it easier for traffic to see you — or tie a bright handkerchief around your backpack.
- Never walk or ride while wearing headphones.



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2012 Surplus: What's the Difference Between 85 and 98?

Staff Contact: Jonathan Ball

You may have read in last week's papers that "Utah ended the the 2012 budget year with an \$85 million surplus" (*sic*, Deseret News, 9/18/2012) and, correspondingly, that the state "finished the budget year, which ended June 30, with a \$98 million surplus" (Salt Lake Tribune, 9/18/2012). So was the surplus \$85 million or \$98 million? The answer is "yes."

Our economists – those concerned with guessing what revenue will be in the future – define "revenue surplus" as "the amount by which annual collections exceed forecasted revenue." That's free revenue collections (sales tax, income tax, severance tax, etc.) in excess of their estimates for those collections. It's the Des News' \$85 million number.

Most of us think of "surplus" as the amount of money left over at the end of a fiscal year – a "budget surplus." It's the uncommitted balance in the state's accounting system as of June 30. That's the Tribune's \$98 million number.

The difference between a revenue surplus and a budget surplus is expenditures and transfers. Believe it or not, government does not always spend everything that it was authorized to spend. The unspent amount goes into the budget surplus. Similarly, fine and fee collections some-

times exceed associated costs, and in some cases the excess collections are credited toward a budget surplus.

So what's the difference between 85 and 98? 13 of course: \$2 million in unspent budgets, \$5 million in unused earmarks, and \$6 million in transfers from restricted accounts.

There's yet another definition of surplus in UCA 63J-1-315 that applies only to calculation of rainy day fund deposits. And, of course, there's rounding. Rather than confuse matters further, I'll just give you the numbers:

| | |
|--|----------------|
| Un-forecast Free Revenue Collections = | +\$85 m |
| Unused Revenue Earmarks = | +\$5 m |
| Excess Account Balances = | +\$6 m |
| Lapsed Spending Authority = | +\$2 m |
| Subtotal, Budget Surplus = | <u>+\$98 m</u> |
| Rainy Day Fund Deposits = | -\$45 m |
| Disaster Recovery Fund Deposits = | -\$5 m |
| Subtotal, Reserve Fund Deposits = | <u>-\$51 m</u> |
| Industrial Assistance Fund Set-aside = | -\$2 m |
| Balance Available for Appropriation = | +\$46 m |