

OFFICE OF THE
LEGISLATIVE
FISCAL
ANALYST

JONATHAN C. BALL
DIRECTOR

MEMORANDUM FOR EXECUTIVE APPROPRIATIONS COMMITTEE

FROM: Kimberly Madsen, Analyst
DATE: November 12, 2019
SUBJECT: Funding Mixes for State Employee Compensation
Adjustments and Internal Service Fund Rate Impacts

During the 2017 General Session, the Legislature passed [S.J.R. 1](#), creating new [Joint Rule 4-2-406](#), which outlines how LFA should determine funding mixes when preparing budgets for state employee compensation adjustments and internal service fund (ISF) rate impacts. A funding mix is the proportional contribution of various funding sources that comprise the total appropriated amount.

The rule directs that funding mixes should be proportionate to an agency's base budget for the budget year, determined at the appropriation unit level. It allows for certain exceptions, including those that are based on state statute, federal regulation, or the terms of a federal grant. A list of these "statutory" exceptions is included in this packet on pages 3-4.

Other "non-statutory" exceptions to funding mixes, as proposed by agencies or legislators, may be submitted to and approved by the Executive Appropriations Committee. The rule directs the committee to reconsider non-statutory exceptions each year. A list of non-statutory exceptions that the committee approved for the 2019 General Session is provided in this packet on page 5. The committee may consider approving these exceptions for the 2020 General Session.

UTAH STATE CAPITOL COMPLEX
HOUSE BUILDING, SUITE W310
P.O. BOX 145310
SALT LAKE CITY, UTAH

PHONE: (801) 538-1034
FAX: (801) 538-1692

WEBSITE:
WWW.LE.UTAH.GOV/LFA



This page intentionally left blank.

Statutory and Federal Regulatory Exceptions for Draft Compensation and Internal Service Fund Appropriations Bills

Joint Rule 4-2-406 outlines criteria for determining funding mixes for state employee compensation adjustments and internal service fund rate impacts. The exceptions below are provided for in the rule and will be included in draft bills. Agencies or legislators may propose other exceptions to the Executive Appropriations Committee.

Comp Exception	ISF Exception	Fund Name/Description	Code Citation	Agencies Impacted	Explanation of Exception
Restricted Funds					
x	x	GFR - Cigarette Tax	59-14-204	Health, Higher Ed	Amount appropriated is capped in statute
x	x	All Special License Plate Funds	41-1a-422(1)(a)(i)	Health, Human Services, Heritage and Arts, Public Safety	Donations are collected and then disbursed/passed-through to other entities, without provision for agency admin costs
x	x	GFR - Children's Account	62A-4a-309	Human Services	Account is only for pass-through grants to other entities
x	x	GFR - Intoxicated Driver Rehab	62A-15-503	Human Services	Account is only for pass-through grants to counties
x	x	<u>GFR - Survivors of Suicide Loss</u>	62A-15-1502	<u>Human Services</u>	<u>Account is only for pass-through grants to other entities</u>
x	x	<u>GFR - Psychiatric Consultation Program</u>	62A-15-1602	<u>Human Services</u>	<u>Account is only for pass-through grants to other entities</u>
x	x	GFR - Firearm Safety	53-10-202.1	Public Safety	<i>Limited for programs other than the Firearm Safety Program: Other programs cannot use the fund for comp/admin</i>
x	x	Uninsured Motorist ID	41-12a-806	Public Safety (JDA)	<i>Limited for POST only (no limitations for other programs): appropriations capped at \$500,000 (already at limit)</i>
x	x	GFR - Canine Body Armor Restricted Account	53-16-301	Public Safety (JHB)	Funds are granted out to local law enforcement agencies only
x	x	GFR - Public Safety Restricted Account	53-1-117	Public Safety (JJA)	<i>Limited for Highway Safety only (no limitations for other programs): Funds are obligated for local law enforcement agencies</i>
x	x	GFR - Electronic Payment Fees	41-1a-121	Tax Commission	Funds are only to cover the costs of electronic payments.
x	x	Transportation Fund	72-2-103	Tax Commission, Public Safety, Admin Services (Finance), Economic Development (Tourism)	The amount appropriated or transferred from the Transportation Fund each year may not exceed a combined total of \$11,600,000 to agencies other than Department of Transportation. Other agencies are at this cap.
x	x	Transportation Investment Fund of 2005 (TIF)	72-2-124	Transportation	TIF funds can only be used for construction projects and bond-related expenses, as outlined in statute.
x	x	<u>Native American Repatriation</u>	9-9-406	<u>Heritage and Arts (WEA)</u>	<u>Funds are to be used for the repatriation of native american human remains. Funds are not used for personnel or ISF's</u>
x	x	GFR - Tobacco Settlement	51-9-201	Tax Commission, Attorney General, Health, Higher Ed, Human Services, <u>Courts</u>	No "remaining funds" to be allocated for other purposes
Federal Funds					
x	x	Government Prosecutor Grants		Attorney General (DGA)	Grant passed through to graduating law school students who agree to become government prosecutors.

Underlines and strikeouts designate changes since EAC review in November 2018.

x	x	Local Children's Justice Centers		Attorney General (DQA)	Federal funds pay for state-level staff and operations only; most state funds are passed through to locals, but not all as of FY17
x	x	Grants to Locals		CCJJ (CEA, CEB)	Most federal funds are passed-through to locals; a small portion is allowed for CCJJ administration
x	x	Federal Match Rates for Medicaid and Health Financing		Health	Admin costs can be billed to federal government at 3 match rates, depending on the cost specifics: 90, 75, or 50%
x	x	CHIP		Health (LPA)	CHIP will be fully <u>partially</u> federally funded this year, like last year (on a one-time basis, not ongoing)
x	x	Project-Based Federal Funds		Transportation	Federal funds for specific projects
	x	Armory Risk Management		Utah National Guard	Federal funds won't cover utilities and insurance (i.e. Risk Management) on armories
x	x	<u>National Endowment for the Arts (NEA)</u>		<u>Heritage and Arts (WQB, WQC)</u>	<u>Federal dollars are granted out and do not pay for personnel or ISF's</u>
x	x	<u>Library Services and Technology Act (LSTA)</u>		<u>Heritage and Arts (WRC)</u>	<u>Federal dollars pay for 1 individual and the rest are granted out. In the whole picture, the percentage of dollars that pay for personnel and ISF's is very small</u>
Dedicated Credits					
x	x	Medicaid and Health Financing		Health	Some dedicated credits in the Division of Medicaid and Health Financing are state match from non-state agencies; expenditures are accounted for in those agencies (tracked by separate revenue source code in FINET)
x	x	Drug Rebates		Health (LEH)	Drug rebates can be spent on Ryan White personnel but not other LEH personnel
x	x	Women, Infants, and Children (WIC) Rebates	CFR 246.14, 246.16	Health (LFD)	Health: "Most dedicated credits are WIC formula rebates which are required to offset the WIC Food federal draws. There is a small amount of ~\$155,000 that is revenue agreements and Mother to Baby donations."
x	x	Special License Plates	41-1a-422(2)	Higher Ed	Special plate fees to institutions are only to be used for scholastic scholarships
x	x	Species Protection	59-12-103(4)(b)	Natural Resources (RGA)	Amount of dedicated credits appropriated is capped in statute at \$2.45M (14% of \$17.5 million)
x	x	Watershed Projects	59-12-103(5)(b)	Natural Resources (RGC)	Amount of dedicated credits appropriated is capped in statute at \$500K
x	x	Cloud-Seeding Projects	59-12-103(5)(c)	Natural Resources (RPE)	Amount of dedicated credits appropriated is capped in statute at \$150K
x	x	Search and Rescue Funds to Locals	53-2a-1102	Public Safety (JBA)	Funds can only be used to reimburse local entities
x	x	E-Rate Reimbursements to School Districts		Utah Education and Telehealth Network (UETN)	Dedicated credits are reimbursements that UETN collects from the federal government and passes through to local entities
x	x	Special License Plates	41-1a-422	Veterans' and Military Affairs	Exception is consistent with treatment of other special license plate funds

Underlines and strikeouts designate changes since EAC review in November 2018.

Non-Statutory Exceptions Approved for the 2019 General Session

Comp Exception	ISF Exception	Fund Name/Description	First Session Approved	Agencies Impacted	Explanation of Exception
x		Higher Education Tuition	2017	Utah System of Higher Education	Use a funding mix of 75% General Fund/Education Fund and 25% dedicated credits from tuition.
x		Higher Education Tuition	2017	Salt Lake Community College School of Applied Technology; Utah College of Applied Technology	Use a funding mix of 100% General Fund/Education Fund.
x		Funds transferred from Temporary Assistance for Needy Families (TANF) to Social Services Block Grant (SSBG)	2017	Human Services	Funds transferred from TANF to SSBG would be treated as General Fund for calculating the funding mix. This would reduce the compensation burden on federal sources. Human Services has received this exception since about 2006.
x		Dedicated Credit Revenue, Federal Fund (SCAAP grant), and GFR - Interstate Compact for Adult Supervision Account	2017	Corrections	Dedicated credit revenues are unpredictable. Also, the Department further explained "We have no reasonable way of increasing any of these funds to accommodate an increase to compensation. None of these funding sources goes directly towards the funding of personnel. Therefore, any proposed increases to compensation using one of these funding sources is in essence a budget cut to the Department of Corrections."
x		Dedicated Credits	2017	Corrections	Dedicated credit revenue declined or remained static in recent years. The Department explained "We have no reasonable way of increasing any of these funds to accommodate an increase to compensation. None of these funding sources goes directly towards the funding of personnel. Therefore, any proposed increases to compensation using one of these funding sources is in essence a budget cut to the Department of Corrections."
x		Various Restricted Accounts, Transfers and Dedicated Credits	2017	Courts	Restricted Accounts, Transfers and Dedicated Credits revenue are trending downward and would be insufficient or unreliable to fund increases out of for relevant programs.
x		Dedicated Credits in Governor's Office of Management and Budget	2017	Governor's Office	Dedicated credits in the GOMB line item are for possible conference fees. The office states "GOMB has some dedicated credits authority in our budget in case we need to collect fees for our annual conference. Even though we have the place holder, we don't actually collect any of the fees. [...] If GOMB ever changed how we ran the conference, we could collect fees. Those fees would go directly to the conference costs. We wouldn't ever use them to pay for staff staff or ISF bills."
x		Dedicated Credits for the Judicial Nominating Commission	2017	Governor's Office	Dedicated credits in Commission on Criminal and Juvenile Justice are for the sole purpose of background checks for the Judicial Nominating Commission, and do not cover any salary and benefits for CCJJ.
x		Various Restricted Accounts, Transfers and Dedicated Credits	2018	Utah State Board of Education	<u>The State Board of Education requests an exception to certain revenue sources being used in the compensation funding mix for select programs.</u>
x	x	Pass-Through to UTA	2018	Transportation	In the 2017 General Session the Legislature appropriated \$2.5 million ongoing General Fund to the Department of Transportation – Support Services – Administrative Services (XBA) program. The funding is pass through to the Utah Transit Authority (UTA) for a “facility that will service natural gas and electric buses, [and] repurpose [an] old garage/maintenance facility into a mixed-use public/private partnership.” The exception would remove this GF from the XBA mix.

Underlines and strikeouts designate changes since EAC review in November 2018.