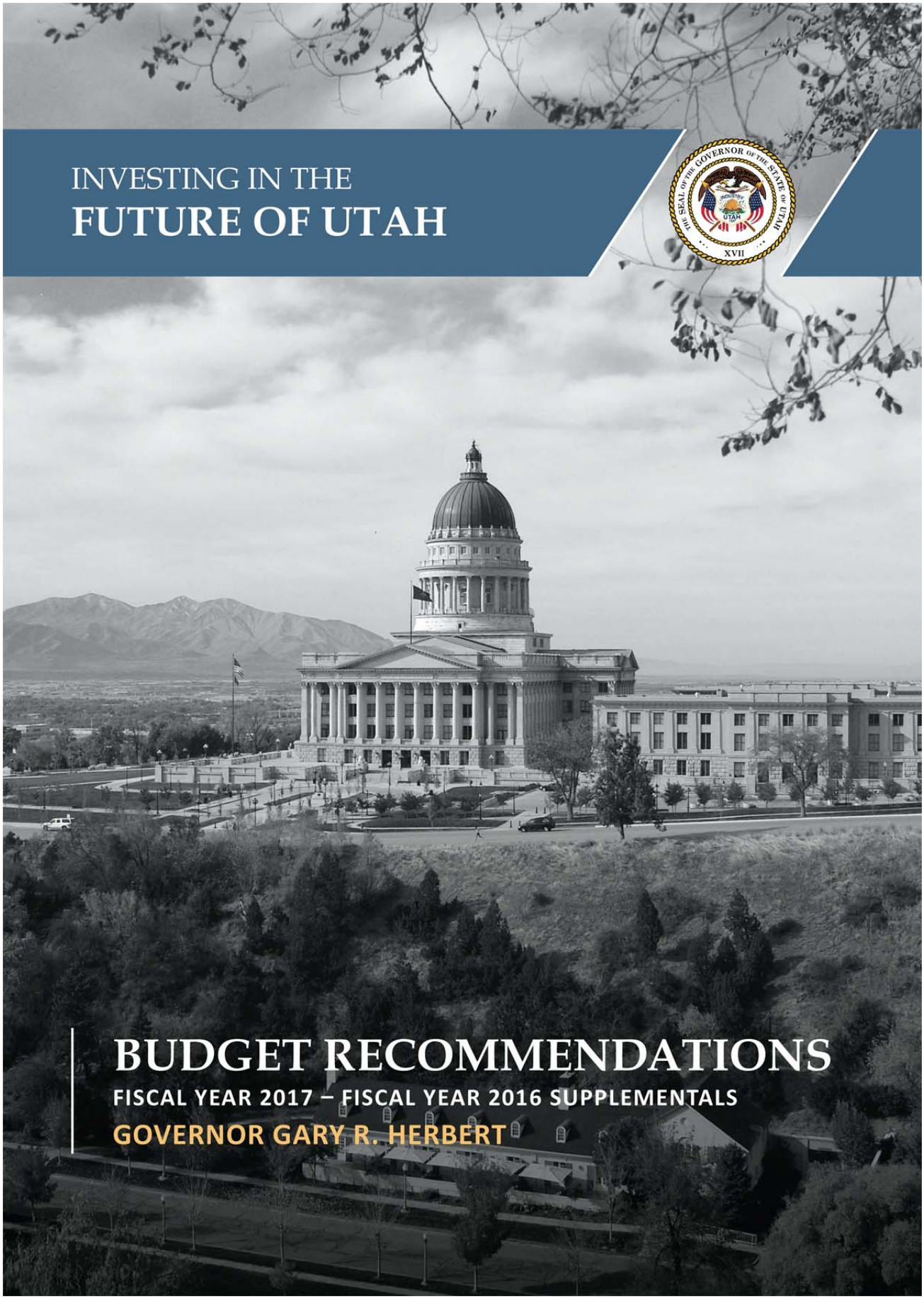
INVESTING IN THE
FUTURE OF UTAH



BUDGET RECOMMENDATIONS

FISCAL YEAR 2017 – FISCAL YEAR 2016 SUPPLEMENTALS

GOVERNOR GARY R. HERBERT

INVESTING IN THE FUTURE OF UTAH

<< FISCAL RESPONSIBILITY >>

24% improvement
the SUCCESS Framework helped state agencies enjoy a nearly 24% improvement for the period ending 9.30.15.

$14.8 billion
balanced budget
economic growth boosts state budget

$380 million
new ongoing money

$181 million
new one-time money

$528 million
rainy day funds above recession levels

$50 million
sales tax earmarks returned to General Fund over 5 years to help at risk children

$1.4 billion
debt paid down since FY 2012

EDUCATION

$422 million
public and higher education

$1.7 billion
new money over past 5 years

K-12

$91 million
FY 2017 enrollment growth
9,700 new students

$21 million
FY 2016 enrollment growth
3,800 additional students

Provide Resources to Become Top 10 State in Education

4.75%
increase ($130 million)
Weighted Pupil Unit (WPU)

What is WPU used for?

local decisions for:

- ✓ professional development
- ✓ teacher salary increase
- ✓ technology development
- ✓ early intervention for at-risk children

HIGHER EDUCATION

$140 million
USHE, UCAT, UETN

2.75 percent
compensation increase

$5.5 million
performance incentives

$5 million
needs-based completion scholarships

$8 million
Regents' Scholarships

$74 million
new buildings, including operation and maintenance

UTAH GOVERNOR
GARY R. HERBERT

Working to Make Government More Efficient

INVESTING IN THE FUTURE OF UTAH

<< WATER >>

$6.5 million
collect water use data with advanced meters and improve data reporting

$300,000
water-saving technology at state facilities

$800,000
safe drinking water

$300,000
water conservation advertising and rebates

above figures are in addition to $36 million already budgeted for water

<< PUBLIC SAFETY & VETERANS >>

$1 million
veterans outreach and tuition benefits

$1 million
State Capitol security

$450,000
hire staff to process evidence, put troopers on street

$2.4 million
increase state trooper pay

$360,000
improve background checks to assess security risks of refugees

<< CLEAN AIR >>

$6.2 million
technical support for air quality monitoring

$500,000
replace high-pollution equipment in homes and small businesses

$250,000
air quality research

UTAH GOVERNOR
GARY R. HERBERT

Working to Make Government More Efficient

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Document updated Decebmer 10, 2015 to reflect technical corrections.

BUDGET & POLICY BRIEF

GOVERNOR'S BUDGET OVERVIEW

MAXIMIZING UTAH'S STRONG ECONOMY

In the midst of the economic turmoil and uncertainty of the Great Recession, Governor Herbert boldly advanced Utah's goal to lead the country as the best performing economy in the nation and to be recognized as a premiere global business destination.

While some questioned whether the goal was attainable, a review of Utah's economy demonstrates the state is well on its way to achieving the target. Today, Utah is widely recognized nationally as a top-performing economy, including leading the nation with the highest private sector growth rate and overall job growth rate for most of 2015. The unemployment rate is low (3.6% as of October) and the job growth rate is high (3.9% private sector job growth and 3.5% overall as of October). In many ways, Utah seems to have passed an economic threshold and is now on the radar of national and global business decision makers.

Moreover, unlike some other states that are highly reliant on a single economic sector such as energy or tourism, Utah has one of the most diverse economies in the United States. With this diverse economy, downturns in any one economic sector do not have an extraordinary impact on the state's overall economy.

BUILDING ON CURRENT SUCCESS AND LOOKING TO THE FUTURE

Although Utah's economy is performing well, we cannot let down our guard. We must commit to using the resources provided by our growing economy to make strategic investments in Utah's future – especially in educating the children who represent our state's future engaged citizens and workforce.

As Utah enters a new era economically, one of the major constraints to future growth will be an educated workforce. High value firms demand high skilled labor and educating our young people does not happen instantaneously. Instead, it will come as a result of a consistent, dedicated focus to increasing resources and using those resources to obtain desired outcomes. Rather than looking to the future with fear, Utah should allocate its resources to educate our young people who will then be able to meaningfully respond to whatever challenges the future may hold.

The Utah State Legislature should be commended for making significant investments during the 2015 General Session to improve Utah's education funding. A sizable investment this year will again be essential to keep Utah on the path to continued economic success by educating our future workforce.

BUDGET PRINCIPLES

Maintaining Utah's competitive edge and quality of life requires that we proactively manage and address the multiple demands being placed on limited taxpayer dollars. Utah's growing and changing population, along with new dynamics in our revenue streams, place an increased demand on everything from education to infrastructure and the state's natural resources to our correctional system.

A reactionary approach to new budget demands and changes within the economy, as opposed to a

proactive approach to budget design and strategy, could potentially leave Utah vulnerable to a diminished future prosperity. A proactive focus on doing a limited number of things well will usually yield better results than trying to do too many things and losing focus on what is most important. The Governor's budget recommendations reflect strategic investments of scarce taxpayer resources to best manage the state's many demands.

Governor Herbert's budget proposal is based on five major principles:

1. Optimize a healthy and growing economy
2. Make strategic investments in Utah's people
3. Demand that government programs operate efficiently while delivering quality outcomes for the people of Utah
4. Live within our means
5. No new debt authorizations

BUDGET SUMMARY

The Governor's total recommended budget for fiscal year 2016-17 (FY 2017) is $14.8 billion, including state, federal, and certain local sources. The recommended budget financed by state-collected funds (i.e., excluding federal funds, local property tax for schools, and higher education tuition) totals about $9.4 billion. The recommended budget for the General Fund and the Education Fund, the state's two largest funds, totals approximately $6.4 billion.

Major categories of General Fund and Education Fund expenditures include public education (about $3.3 billion), higher education (about $1.1 billion), Medicaid and other social services (about $1 billion), and corrections, public safety, and justice (about $600 million). In addition, transportation expenditures from state-collected funds total about $1 billion (including debt service payments for transportation projects). These expenditures are funded through various transportation funds outside of the General Fund.

BUDGET BOOK OUTLINE

There are many ways to view the various components of Utah's budget. This document summarizes the major budget components, including the Governor's proposed budget changes. This year's budget recommendation book is divided into two segments. The first deals with budget and policy issues that are more narrative in nature. The second provides the additional technical details of the Governor's budget recommendations. Both can be found online at gomb.utah.gov.

REVENUE FORECAST

Utah's growing economy is now providing the resources to invest in the state's long-term future. Our vibrant economy and broad-based economic growth is reflected in growing state government revenues. State individual income tax and corporate income tax revenues have increased with more people back to work and businesses earning a profit. As people feel more confident about the economy and purchase more goods, sales tax revenues continue to increase.

In November 2015, the Governor's Office of Management and Budget (GOMB), the Office of the Legislative Fiscal Analyst (LFA), and the Utah State Tax Commission revised the state's FY 2016 revenue forecast and developed a new consensus revenue forecast for FY 2017. The Governor's budget recommendations are based on this forecast, which yields approximately $181 million in new one-time funds (including $44 million from the FY 2015 surplus) and over $380 million in new available ongoing unrestricted General Fund and Education Fund revenue. In addition, a net $39 million ongoing is automatically allocated for sales tax earmarks.

These revenue increases come from strong increases in individual income taxes (nearly $304 million above the February forecast for FY 2015). Although sales and use taxes have been coming in slightly below previous forecasts, sales and use

taxes are still projected to increase in FY 2017 (over $91 million, of which about $52 million is deposited into the General Fund and $39 million is used for earmarked funds). In FY 2017, under a recent constitutional change, an estimated $21 million of severance tax revenue that was previously deposited to the General Fund will be automatically allocated to the state's permanent fund.

PRUDENT FISCAL MANAGEMENT

Through sound budgeting practices, the state has prudently managed its resources. Rainy day fund balances have now been restored and exceed pre-recession totals, with nearly $528 million in the state's various rainy day funds, including the Education Fund Budget Reserve Account (nearly $350 million), General Fund Budget Reserve Account (nearly $141 million), Medicaid Growth Reduction and Budget Stabilization Account ($17 million), and Disaster Recovery Restricted Account ($20 million).

In addition, during the 2015 interim, GOMB worked with LFA staff, along with staff from the State Tax Commission on tax issues, to stress test the State of Utah's budget for an adverse and severe economic downturn. The exercise examined potential impacts on revenues and expenditures, while also examining what formal and informal reserves and other tools are available to weather an economic storm.

The stress test review suggests that the State of Utah is generally well positioned for a typical recession. Based on this review as well as consensus on trend analysis, the Governor recommends that $28 million of the over $380 million in new ongoing revenue be allocated to capital projects to serve as a working rainy day fund. These allocations are in addition to the sizable amounts of ongoing revenue already allocated to transportation and capital improvement projects (including a net $51 million in increases to working rainy day funds through earmark revenue increases and debt service payment reductions, after $10 million in earmark reform). Nearly $48 million is set aside to minimize the need for bonding for the prison relocation. The Governor's budget seeks to set aside sufficient funds for an economic downturn while also ensuring that precious taxpayer dollars remain working within the economy and remain in the pocketbooks of the people of Utah.

Utah is recognized nationally for its prudent fiscal management, including maintaining its AAA bond rating, which creates sizable interest savings relative to states with lower bond ratings. Utah is one of only ten states with this rating. The Governor's budget funds actuarially-estimated, long-term obligations including state employee retirement pensions, bond payments, and various employee benefit programs, including reducing from 20 years to 10 years the amortization period for certain employee benefit liabilities. To further minimize the state's debt load and maintain budget flexibility for economic downturns, the Governor recommends no new debt be authorized during the 2016 session so that existing debt can continue to be paid down.

One concerning budget practice in recent years has been the proliferation of General Fund earmarks. As detailed in the budget brief on earmarks, this continuing practice can create budgetary problems. The Governor discourages any further earmarking to protect the General Fund from further erosion. Further, the Governor's budget proposes to shift a portion of earmarked sales tax revenues ($10 million in FY 2017, $50 million over 5 years) to fund early education intervention for at-risk children. The Department of Transportation indicates that it can effectively manage existing projects with the change in transportation earmarks with no delay in currently programmed projects.

With these prudent fiscal management practices in place, the Governor's budget proposes to use growing revenues to strategically invest in the people of Utah.

INVESTING IN PEOPLE: EDUCATION

To be successful long-term, the state must invest in its people. In the 21st century, a dynamic economy requires an educated population. Education drives innovation, attracts employers looking to fill high-skilled jobs, and provides for a higher quality of life.

The Governor's budget starts with education, providing about $422 million for the state's public and higher education systems, bringing total state education funding to approximately $4.4 billion. The Governor recommends nearly $281 million in support of public education ($234 million ongoing, $47 million one-time, including $17 million redirected from nonlapsing balances in FY 2016 to pay for higher than projected school enrollment increases). This amount includes a sizable 4.75% increase in the Basic School Program to provide locally controlled funds for education.

The budget also provides nearly $141 million ($51 million ongoing and $89 million one-time) for the state's post-secondary institutions.

Overall, the Governor's total FY 2017 recommended increase in education funding from new revenue is $404 million, including $10 million returned from earmarks (70% of new revenue).

PUBLIC EDUCATION

Unlike those who want to micromanage the public education system from the state level, the Governor believes that the state should establish general education policy goals. Just as the Governor advocates for more state rights when it comes to the federal government's overreach, he believes that the state should respect the role of local officials. The Governor's budget proposes a substantial increase in locally controlled basic school program funding through a 4.75% increase in the value of the WPU, estimated at $130 million.

Such a sizable increase is provided to allow local schools boards flexibility as they focus on needed local investments, including professional development for educators. Our teachers, principals, and other educators are key to reaching the Governor's goal of being in the top ten states for student achievement.

In the fall of 2016, Utah's schools are estimated to have nearly 9,700 more students coming through the door. The budget funds this anticipated enrollment growth, at a FY 2017 cost of over $91 million, including a recommendation that four additional programs be provided enrollment growth funding.

While these historic increases represent a good-faith effort to increase resources for public education, meaningful accountability must accompany this investment. Over time, improved student outcomes from this major investment, as measured on the new PACE school report cards, should be expected. Important benchmarks include elementary school reading proficiency levels, middle school math proficiency levels, graduation rates, and disadvantaged student outcomes.

The Governor's budget also provides $9.5 million in one-time funds for teacher supplies, an increase of $3.5 million over the FY 2016 amount. In addition, recommendations include $3.5 million for arts learning, and $4 million to mitigate the financial impact of charter schools transitioning to the same pupil accounting methodology as school districts.

HIGHER EDUCATION

Building on the state's existing efforts to increase higher education funding in recent years, the Governor proposes additional increases in higher education. The budget includes nearly $32 million ongoing for compensation (the Board of Regents' top priority), including $8.2 million to address health insurance cost increases and $23.9 million to fund a 2.75% compensation increase for higher education employees, with the flexibility

for institutions to target funds to retain the best and brightest employees.

In addition, $9.2 million ongoing is recommended to minimize tuition increases as higher education enrollment grows, allowing institutions to maintain access and affordability. An additional $5 million ongoing is recommended for programs designed to meet market demands and $5.5 million ($2 million ongoing, $3.5 million one-time) for performance-based funding for Utah System of Higher Education (USHE) institutions.

One-time increases are recommended for the Utah College of Applied Technology (UCAT) for Custom Fit, to be allocated in cooperation with GOED ($500,000), and for financial aid tracking software.

The budget also includes funding for two higher education buildings, including a Utah Valley University performing arts building ($30 million) and Salt Lake Community College Westpointe career and technical education building ($41.5 million). Funding for related maintenance costs is also recommended ($2.2 million).

All of these investments are part of the Governor's goal to place Utah among the top ten states when it comes to academic performance. To achieve this goal, the Governor recommends $1 billion of additional ongoing funding for K-12 education and $275 million for higher education over the next five years.

INVESTING IN PEOPLE: HEALTH CARE AND THE UNINSURED

The Governor's budget recommends a $39 million funding increase in Medicaid from state funds, including a $20 million ongoing increase (of which about $7 million is for accountable care organization increases), $15 million in one-time funding, and $4 million from the Medicaid Restricted Account.

In addition, the Governor's budget sets aside $10 million in ongoing funds to address those in the coverage gap. The coverage gap is a term commonly used to reference the inaccessibility of health insurance by individuals who are ineligible for traditional Medicaid benefits and who, by virtue of earning less than the federal poverty level, are ineligible to receive federal premium subsidies towards the purchase of coverage on the health insurance marketplace. It is estimated that roughly 62,000 Utah adults are in the coverage gap. Many who fall in the coverage gap are employed in some capacity (61%) and may only need transitional assistance, while others are medically frail and have acute healthcare needs (12%). Fifty-three percent of those in the coverage gap report not being able to see a doctor at some point during the last twelve months because of cost. To the extent that programs are changed or adopted to address the needs of those in the coverage gap, such programs should focus on principles of employment and self-determination, maximizing the taxpayer dollar, and our collective responsibility to assist our state's vulnerable people.

INVESTING IN PEOPLE: WATER AND AIR QUALITY

As outlined in more detail in the Budget and Policy Brief on water, the state has many issues to address related to water and water infrastructure. With the U.S. Geological Survey indicating that Utah has the highest per capita water use in the nation, as citizens we must look at ways to use our existing water more efficiently.

In addition, as Utah's population grows, at some point in the future, water supply projects may be needed. These projects have historically been handled locally, although some are requesting a major expansion of the state's role in water infrastructure. However, because of the very large cost estimates in the billions of dollars and out of respect to the state's taxpayers, such water projects should come after all other alternatives, including significantly more efficient use of

existing water, are exhausted. In addition, minimum conditions prior to state involvement should include better water data and data reporting, establishing and achieving new and meaningful water conservation targets, independent review and validation of water pricing elasticity and repayment feasibility, meaningful local funding effort toward projects and an emphasis on water users paying according to use, voter approval of project and associated water rate increases, and appropriate financing and funding structures should be in place prior to the state allocating funds for major new water development projects. These conditions build upon the important work already underway by local water and conservancy districts.

In light of a recent legislative audit that highlights many concerns with water data and water data reporting on which enormous financial decisions need to be made, the Governor's budget allocates $460,000 to improve the accuracy of water data reported to the state, $6 million to install advanced water meters in selected cities and towns throughout the state to gather better data on actual water use data rather than estimates, as well as $300,000 for technology to improve water conservation at state facilities, and $300,000 for water conservation advertising and rebates. In addition, $523,000 is recommended for water rights adjudication and $800,000 to help ensure safe drinking water.

The Governor's budget provides $3.3 million to address air quality in a number of ways, including $2.6 million for air quality monitoring, $250,000 for air quality research, and $500,000 for grants to assist people and businesses to replace polluting small household and business equipment.

INVESTING IN PEOPLE: PUBLIC SAFETY

Those who enter the field of law enforcement put their lives on the line every day to protect the rights and freedoms of our citizens. During a time of increased scrutiny of law enforcement and added threats to our communities, it is critical that we attract and maintain the best and brightest within this field. The Governor's budget includes $1.5 million to increase salaries for state troopers. With the 2% COLA and the $1.5 million, the Department of Public Safety is receiving nearly $2.4 million to cover salary increases of employees in trooper-related classifications to include officer, lieutenant, sergeant and captain.

An additional $450,000 is budgeted to hire evidence specialists, allowing troopers to more efficiently use their time and focus on patrol activities; $360,000 to improve background checks to assess security risks of refugees; $250,000 for body camera video storage costs; $155,000 for the crime lab; $360,000 for DNA testing supplies; and $1.0 million to improve State Capitol security.

The Governor's budget also includes $1 million for veterans' outreach and in-state tuition for military-dependent resident family members who are living out of state due to military orders.

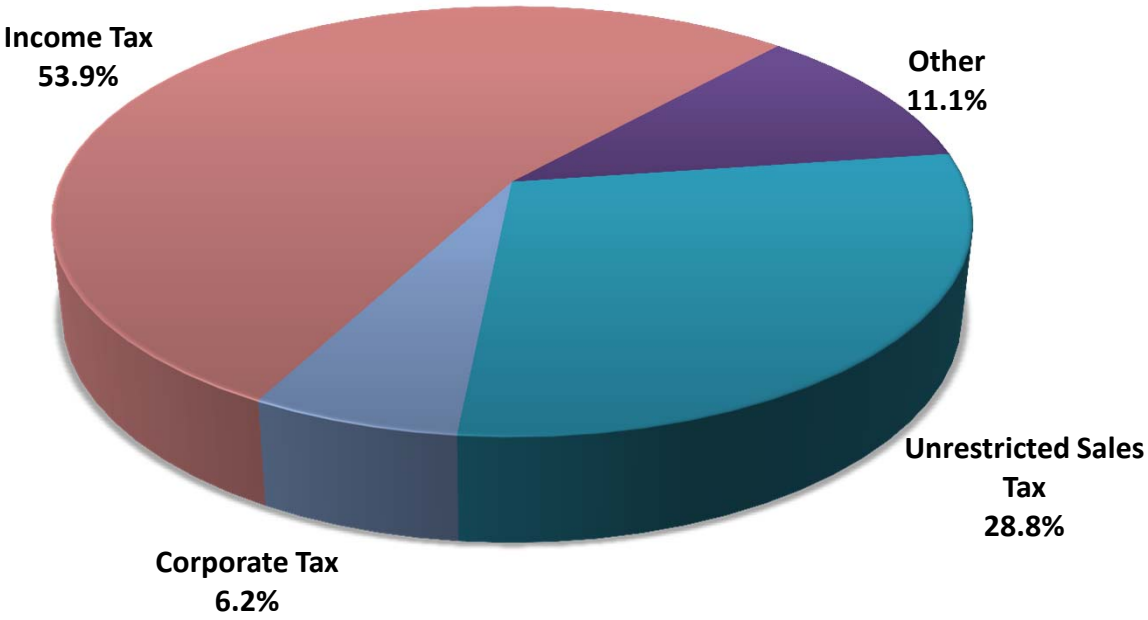
INVESTING IN PEOPLE: EMPLOYEE COMPENSATION

The Governor's budget proposes an inflationary 2% salary increase for state employees ($14.1 million) as well as targeted funding to increase agency "hot spot" salaries in specific classifications that are below market wages ($6.1 million). In addition, the budget funds ongoing health insurance and 401(k) match program cost increases ($9.2 million).

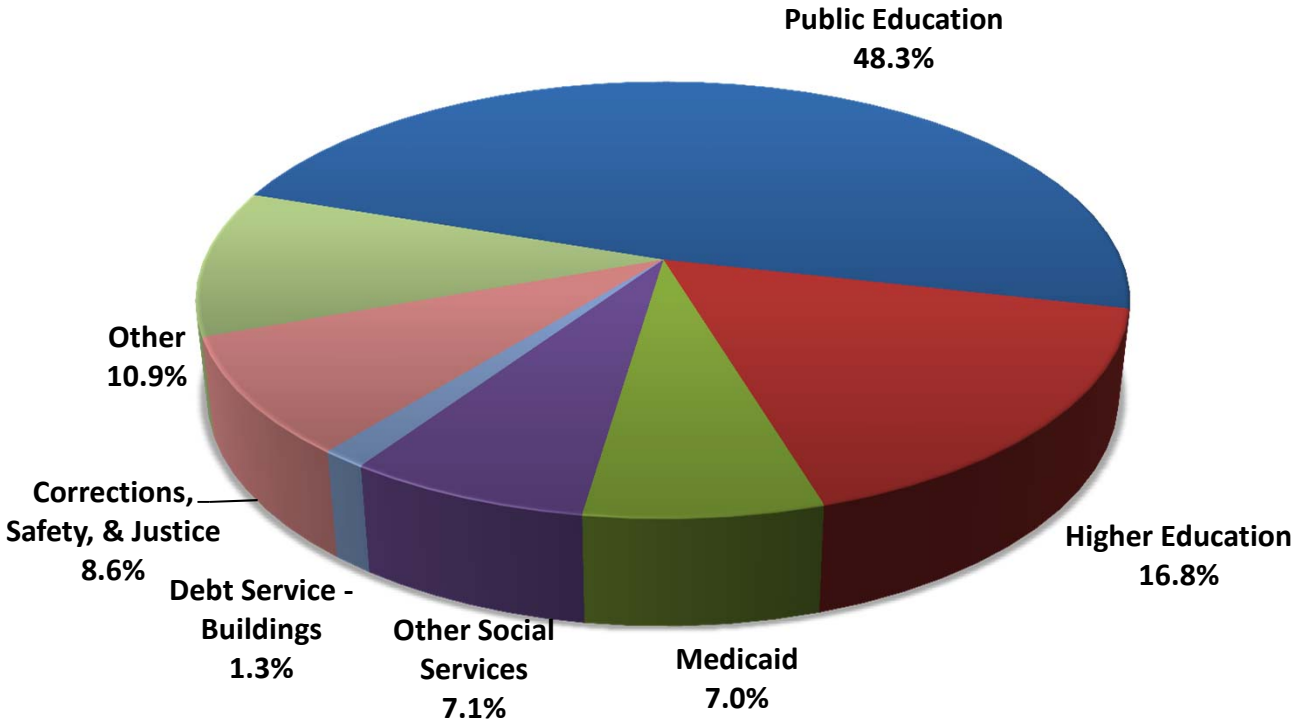
SUMMARY

The Governor's budget is rational, reasonable, responsible, and responsive to the needs of the state. It invests in the future of Utah by looking ahead to anticipated growth, new demands on services, and the opportunities that are possible if we continue with bold vision and fiscal prudence.

Sources of Unrestricted General Fund & Education Fund
FY 2017 Recommendation*



Uses of Unrestricted General Fund & Education Fund
FY 2017 Recommendation*



*Based on Table 1 - Summary of Recommendations by Agency: General Fund and Education Fund

Note: Figures may vary from other sources due to rounding and categorization.

Table 1 - Summary of Recommendations by Agency: General Fund and Education Fund

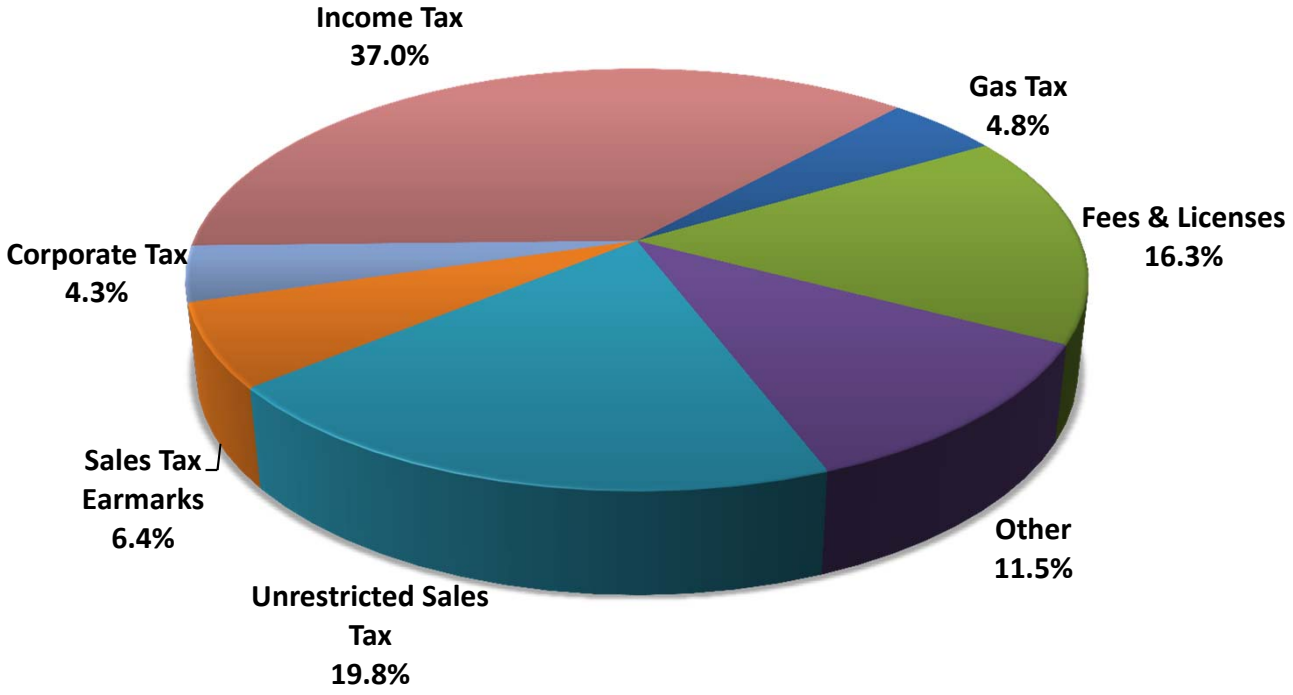
Operating and Capital Budgets, Including Expendable Special Revenue Funds and Accounts, and Restricted Fund Transfers

This table only inlcudes appropriations from the General Fund and the Education Fund - the Uniform School Fund is included under the Education Fund.

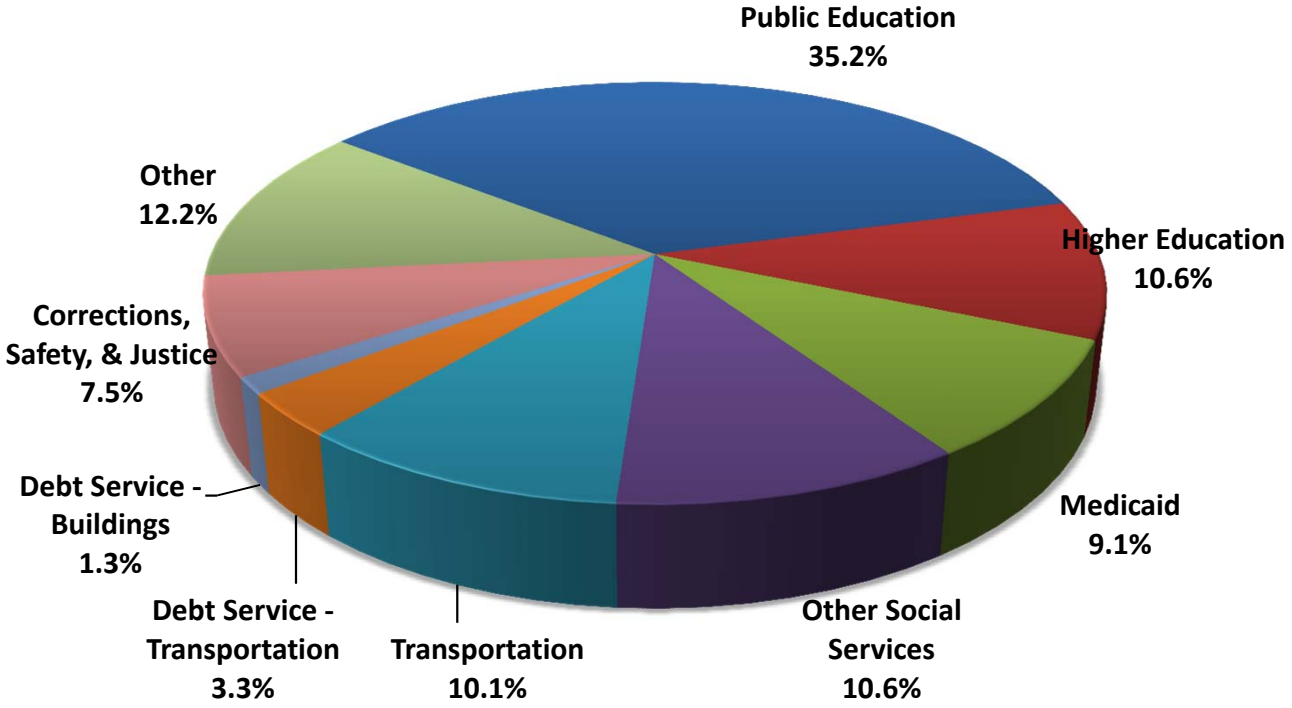
		Governor Herbert's Recommendations					
	Actual FY 2015	**Authorized FY 2016**	**Supplementals**	**Recommended FY 2016**	**Base FY 2017**	**Ongoing & One-time Adj.**	**Recommended FY 2017**
Plan of Financing							
General Fund	$2,179,051,900	$2,260,340,400	$0	$2,260,340,400	$2,260,340,400	$66,500,700	$2,326,841,100
General Fund, One-time	61,023,400	224,892,100	(42,251,600)	182,640,500	0	26,605,500	26,605,500
Education Fund	3,292,039,400	3,592,784,900	0	3,592,784,900	3,592,784,900	323,943,500	3,916,728,400
Education Fund, One-time	241,872,300	204,106,300	56,639,500	260,745,800	0	164,414,200	164,414,200
Total Financing	**$5,773,987,000**	**$6,282,123,700**	**$14,387,900**	**$6,296,511,600**	**$5,853,125,300**	**$581,463,900**	**$6,434,589,200**
Operating Budget							
Administrative Services	$30,812,500	$17,595,200	($13,500)	$17,581,700	$23,343,900	($4,839,600)	$18,504,300
Agriculture and Food	13,309,800	13,446,700	(8,900)	13,437,800	12,024,700	4,118,600	16,143,300
Attorney General	33,076,100	37,679,200	(34,500)	37,644,700	35,780,800	1,841,600	37,622,400
Auditor	3,534,600	3,212,300	(3,400)	3,208,900	3,216,300	70,200	3,286,500
Board of Pardons and Parole	4,222,300	4,441,300	(4,100)	4,437,200	4,420,000	144,100	4,564,100
Capitol Preservation Board	4,883,000	7,963,200	(800)	7,962,400	4,269,100	1,040,400	5,309,500
Career Service Review Office	261,900	268,000	(200)	267,800	266,600	7,200	273,800
Commerce	0	46,000	0	46,000	46,000	0	46,000
Corrections	262,589,400	282,567,200	(200,100)	282,367,100	285,315,000	12,691,800	298,006,800
Courts	118,101,400	123,648,300	1,730,900	125,379,200	123,475,900	5,916,600	129,392,500
Environmental Quality	14,620,600	16,226,300	16,200	16,242,500	14,586,400	7,750,100	22,336,500
Governor and Lieutenant Governor	12,592,800	31,902,200	(11,000)	31,891,200	27,157,700	8,370,200	35,527,900
Governor's Office of Economic Dev.	53,221,500	33,583,200	(9,900)	33,573,300	26,741,500	7,709,700	34,451,200
Governor's Office of Energy Dev.	1,298,400	1,510,500	30,900	1,541,400	1,305,100	241,700	1,546,800
Health	447,908,500	479,632,900	10,235,500	489,868,400	477,551,600	20,122,200	497,673,800
Heritage and Arts	15,035,000	17,049,400	(9,900)	17,039,500	13,500,400	1,181,800	14,682,200
Higher Education	808,979,600	850,982,500	0	850,982,500	845,439,000	64,008,200	909,447,200
Human Resource Management	2,606,000	2,654,600	(100)	2,654,500	2,647,100	(2,570,900)	76,200
Human Services	315,060,400	338,889,300	124,700	339,014,000	326,118,600	22,039,900	348,158,500
Insurance	4,400	4,400	0	4,400	4,400	0	4,400
Juvenile Justice Services	89,218,300	91,914,100	(63,000)	91,851,100	90,427,400	2,572,100	92,999,500
Labor Commission	6,051,200	6,140,100	(5,000)	6,135,100	6,118,400	213,700	6,332,100
Legislature	24,003,400	25,701,600	(19,300)	25,682,300	25,328,700	597,700	25,926,400
National Guard	6,147,200	6,468,800	(2,700)	6,466,100	6,453,200	287,700	6,740,900
Natural Resources	36,704,200	53,865,700	(25,600)	53,840,100	36,080,200	2,651,700	38,731,900
Public Education	2,755,938,100	2,866,823,500	3,669,100	2,870,492,600	2,841,791,900	251,003,300	3,092,795,200
Public Lands Policy Coordination	853,700	6,717,900	(1,500)	6,716,400	1,363,900	227,500	1,591,400
Public Safety	68,530,700	78,251,800	(64,800)	78,187,000	74,097,200	5,460,800	79,558,000
State Office of Rehabilitation	27,914,200	22,252,700	(11,700)	22,241,000	21,385,100	1,619,500	23,004,600
Tax Commission	46,866,800	48,253,500	(5,044,900)	43,208,600	47,954,200	1,650,300	49,604,500
Technology Services	1,319,000	1,472,500	(1,600)	1,470,900	1,360,900	133,300	1,494,200
Transportation	150,000	0	0	0	0	0	0
Treasurer	927,300	954,200	(900)	953,300	974,700	12,200	986,900
Utah College of Applied Technology	65,975,100	70,355,700	0	70,355,700	71,950,200	2,907,900	74,858,100
Utah Communications Authority	0	17,500,000	0	17,500,000	(2,000,000)	2,000,000	0
Utah Education and Telehealth Network	22,517,900	32,316,400	0	32,316,400	19,814,600	6,239,700	26,054,300
Utah Science, Technology, and Research	22,036,800	22,100,800	(2,700)	22,098,100	22,085,100	77,200	22,162,300
Veterans' and Military Affairs	2,512,800	3,034,800	34,400	3,069,200	2,242,100	845,400	3,087,500
Workforce Services	62,918,800	62,221,400	(1,413,700)	60,807,700	61,019,400	(317,800)	60,701,600
Subtotal Operating Budget	*5,382,703,700*	*5,679,648,200*	*8,887,900*	*5,688,536,100*	*5,555,657,300*	*428,026,000*	*5,983,683,300*
Capital Budget							
Capital Budget	265,038,800	313,840,600	0	313,840,600	111,547,100	88,163,400	199,710,500
Natural Resources	772,100	789,100	0	789,100	689,100	0	689,100
Public Education	14,499,700	14,499,700	0	14,499,700	14,499,700	0	14,499,700
Subtotal Capital Budget	*280,310,600*	*329,129,400*	*0*	*329,129,400*	*126,735,900*	*88,163,400*	*214,899,300*
Debt Service	85,899,100	85,896,600	0	85,896,600	71,757,600	13,991,000	85,748,600
Administrative Services ISF	0	150,000	0	150,000	0	0	0
Technology Services ISF	0	0	5,500,000	5,500,000	0	0	0
Transfers*	25,073,600	187,299,500	0	187,299,500	98,974,500	51,283,500	150,258,000
Total Budget	**$5,773,987,000**	**$6,282,123,700**	**$14,387,900**	**$6,296,511,600**	**$5,853,125,300**	**$581,463,900**	**$6,434,589,200**

*The *Transfers* line includes transfers from the General Fund and Education Fund to restricted funds and accounts. General Fund or Education Fund appropriations to expendable funds and accounts are included under the agencies that manage the expendable funds and accounts.

Sources of State-Collected Funds
FY 2017 Recommendation*



Uses of State-Collected Funds
FY 2017 Recommendation*



*Based on Table 2 - Summary of Recommendations by Agency: State-Collected Funds

Note: Figures may vary from other sources due to rounding and categorization.

Table 2 - Summary of Recommendations by Agency: State-Collected Funds

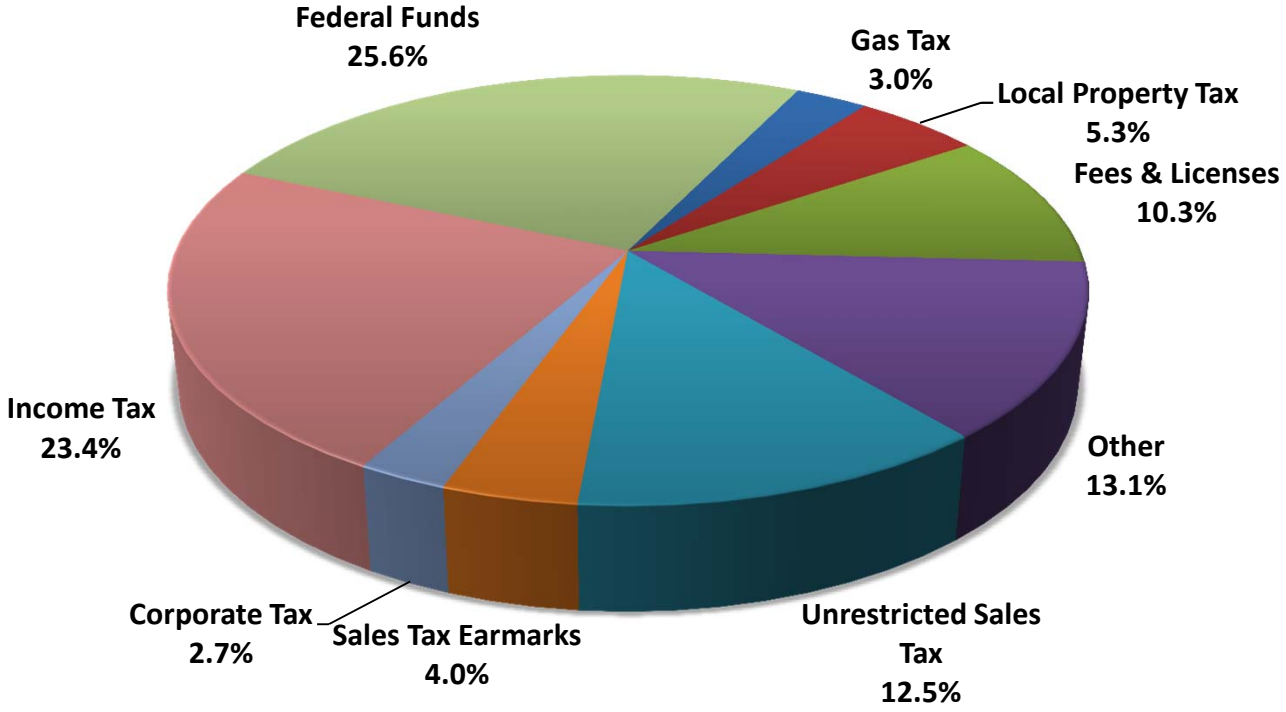
Operating and Capital Budgets, Including Expendable Special Revenue Funds and Accounts

This table includes operating and capital budgets, including expendable special revenue funds and accounts, from all state-collected sources of funding. Sources of funding include not only the General Fund and the Education Fund, but also earmarked tax revenue, funding from restricted funds and accounts, and dedicated credits. State-collected funds do not include federal funds, mineral lease, or local property tax and excludes higher education tuition.

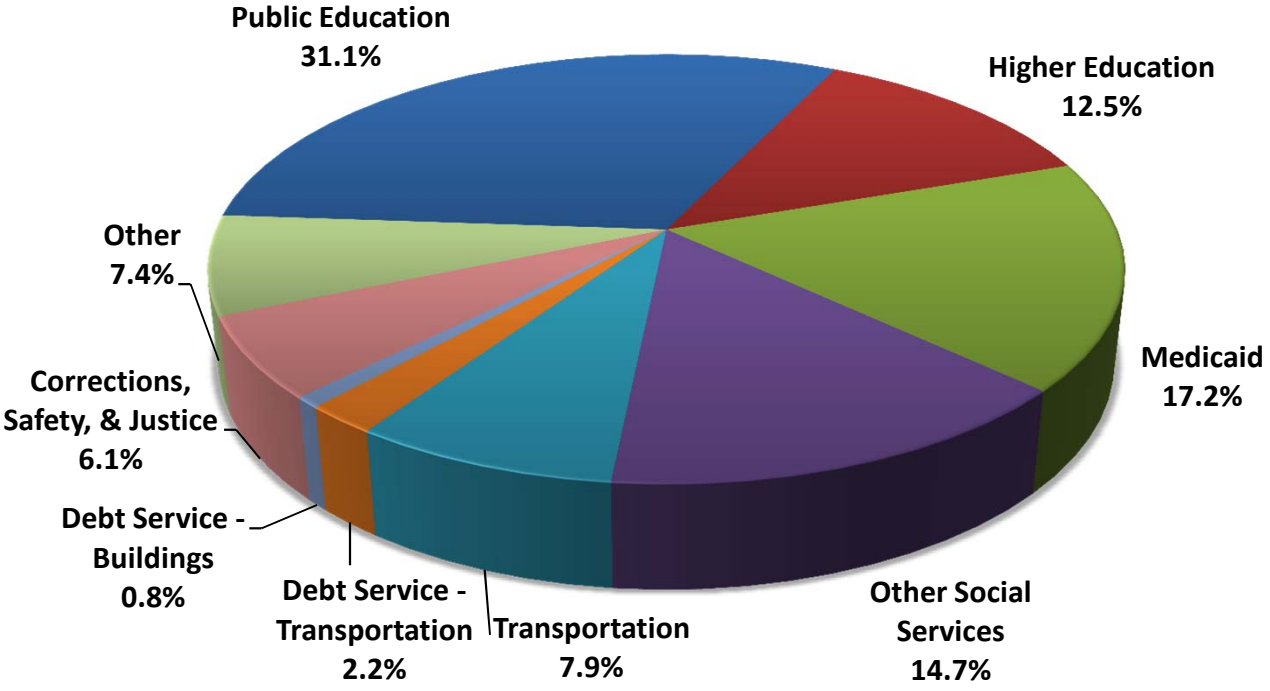
		Governor Herbert's Recommendations					
	Actual FY 2015	**Authorized FY 2016**	**Supplementals**	**Recommended FY 2016**	**Base FY 2017**	**Ongoing & One-time Adj.**	**Recommended FY 2017**
Plan of Financing							
General Fund	$2,170,444,800	$2,236,365,900	$0	$2,236,365,900	$2,236,365,900	$41,988,400	$2,278,354,300
General Fund, One-time	44,556,900	136,417,100	(47,751,600)	88,665,500	0	(165,700)	(165,700)
Education Fund	3,292,039,400	3,517,784,900	0	3,517,784,900	3,517,784,900	323,943,500	3,841,728,400
Education Fund, One-time	241,872,300	204,106,300	56,639,500	260,745,800	0	164,414,200	164,414,200
Transportation Fund	363,536,004	380,431,300	0	380,431,300	380,431,300	80,142,500	460,573,800
Transportation Fund, One-time	637,400	1,039,300	24,509,500	25,548,800	0	839,300	839,300
Dedicated Credits	586,072,673	521,781,100	5,700	521,786,800	520,967,100	4,339,000	525,306,100
Other Revenue	9,485,422	9,500,000	0	9,500,000	9,520,000	0	9,520,000
Pass Through	10,105,037	24,554,000	0	24,554,000	24,369,000	0	24,369,000
Restricted Revenue	1,764,612,418	1,357,954,900	12,098,900	1,370,053,800	1,503,414,400	85,927,600	1,589,342,000
Transfer	314,778,309	384,995,800	550,100	385,545,900	400,526,400	13,016,900	413,543,300
Trust and Agency	4,718,817	22,755,100	0	22,755,100	22,455,100	0	22,455,100
Beginning Balance	1,263,012,826	1,280,030,600	(913,500)	1,279,117,100	1,023,344,900	5,915,900	1,029,260,800
Non-lapsing Balance	(1,282,304,569)	(1,020,882,300)	0	(1,020,882,300)	(981,006,900)	50,000	(980,956,900)
Lapsing Balance	(263,433,836)	(22,964,000)	0	(22,964,000)	(27,669,000)	5,866,600	(21,802,400)
Total Financing	**$8,520,133,902**	**$9,033,870,000**	**$45,138,600**	**$9,079,008,600**	**$8,630,503,100**	**$726,278,200**	**$9,356,781,300**
Operating Budget							
Administrative Services	$50,241,538	$44,639,600	($219,900)	$44,419,700	$39,799,600	$1,760,900	$41,560,500
Agriculture and Food	24,495,432	33,335,100	620,100	33,955,200	27,541,900	6,742,100	34,284,000
Alcoholic Beverage Control	244,833,405	44,223,200	(19,500)	44,203,700	43,115,200	3,775,500	46,890,700
Attorney General	57,207,337	62,351,600	(59,200)	62,292,400	59,084,100	2,924,900	62,009,000
Auditor	5,439,534	5,628,400	(5,100)	5,623,300	5,497,500	102,700	5,600,200
Board of Pardons and Parole	4,169,200	4,698,600	(4,100)	4,694,500	4,422,200	144,100	4,566,300
Capitol Preservation Board	5,860,693	9,091,900	(800)	9,091,100	4,875,500	1,039,400	5,914,900
Career Service Review Office	239,787	267,000	(200)	266,800	266,600	7,200	273,800
Commerce	29,456,438	32,687,700	(23,000)	32,664,700	34,807,500	716,000	35,523,500
Corrections	266,599,600	300,894,700	(166,000)	300,728,700	291,606,800	12,691,800	304,298,600
Courts	137,568,655	152,812,900	1,726,700	154,539,600	149,637,300	5,736,500	155,373,800
Environmental Quality	42,457,711	48,450,600	30,800	48,481,400	44,466,300	11,124,700	55,591,000
Financial Institutions	6,794,927	7,250,900	292,900	7,543,800	7,216,400	620,200	7,836,600
Governor and Lieutenant Governor	29,102,013	48,940,800	(9,800)	48,931,000	41,371,700	8,439,200	49,810,900
Governor's Office of Economic Dev.	69,936,100	80,426,100	(409,900)	80,016,200	51,661,400	11,909,700	63,571,100
Governor's Office of Energy Dev.	1,654,719	2,058,200	30,600	2,088,800	1,671,400	249,800	1,921,200
Health	953,988,354	970,454,700	14,811,800	985,266,500	967,284,800	19,883,500	987,168,300
Heritage and Arts	17,160,016	20,664,200	(11,000)	20,653,200	16,837,200	1,290,200	18,127,400
Higher Education	810,548,500	947,398,000	0	947,398,000	855,915,800	64,008,200	919,924,000
Human Resource Management	2,237,394	2,746,900	(1,300)	2,745,600	2,480,500	(2,404,300)	76,200
Human Services	518,653,000	566,562,200	68,500	566,630,700	548,695,700	33,129,500	581,825,200
Insurance	11,035,324	13,228,800	(9,700)	13,219,100	13,058,400	336,400	13,394,800
Juvenile Justice Services	90,624,600	96,709,500	(64,800)	96,644,700	92,798,900	2,639,500	95,438,400
Labor Commission	9,766,959	11,763,900	(8,300)	11,755,600	11,520,600	1,060,200	12,580,800
Legislature	22,598,100	25,953,100	(19,300)	25,933,800	25,580,200	599,200	26,179,400
National Guard	6,038,806	8,544,700	(2,700)	8,542,000	7,973,200	288,200	8,261,400
Natural Resources	145,710,095	167,601,300	4,413,100	172,014,400	141,603,800	16,344,100	157,947,900
Public Education	2,842,810,003	3,074,525,900	3,760,900	3,078,286,800	3,013,327,100	251,218,100	3,264,545,200
Public Lands Policy Coordination	2,462,088	5,112,500	(1,800)	5,110,700	5,999,100	628,900	6,628,000
Public Safety	151,674,409	172,907,100	395,500	173,302,600	159,896,800	8,632,700	168,529,500
Public Service Commission	13,088,276	16,982,600	(2,600)	16,980,000	16,927,700	73,000	17,000,700
School and Inst. Trust Fund Office	144,821	782,000	(700)	781,300	792,800	17,600	810,400
School and Inst. Trust Lands Admin.	9,736,914	10,601,100	(9,100)	10,592,000	10,211,500	622,200	10,833,700
State Office of Rehabilitation	16,806,378	25,264,600	(12,200)	25,252,400	20,649,400	1,642,200	22,291,600

		Governor Herbert's Recommendations					
	Actual FY 2015	**Authorized FY 2016**	**Supplementals**	**Recommended FY 2016**	**Base FY 2017**	**Ongoing & One-time Adj.**	**Recommended FY 2017**
Tax Commission	84,278,500	91,262,700	(4,757,200)	86,505,500	89,845,800	3,112,400	92,958,200
Technology Services	2,871,131	3,145,900	(2,100)	3,143,800	2,626,000	142,300	2,768,300
Transportation	259,916,773	270,553,500	(156,600)	270,396,900	261,811,100	5,903,100	267,714,200
Treasurer	3,096,066	3,171,100	138,700	3,309,800	3,092,500	401,100	3,493,600
Utah College of Applied Technology	65,975,100	70,355,700	0	70,355,700	71,950,200	2,907,900	74,858,100
Utah Communications Authority	0	17,500,000	0	17,500,000	(2,000,000)	2,000,000	0
Utah Education and Telehealth Network	38,191,000	52,719,000	0	52,719,000	37,756,700	6,267,700	44,024,400
Utah Science, Technology, and Research	19,831,747	26,795,100	(2,700)	26,792,400	22,249,900	77,200	22,327,100
Veterans' and Military Affairs	2,131,845	1,841,000	34,400	1,875,400	1,851,600	845,400	2,697,000
Workforce Services	140,319,006	159,667,400	155,600	159,823,000	143,611,300	16,056,900	159,668,200
Subtotal Operating Budget	*7,217,752,293*	*7,712,571,800*	*20,500,000*	*7,733,071,800*	*7,351,390,000*	*505,708,100*	*7,857,098,100*
Capital Budget							
Capital Budget	265,038,800	313,840,600	0	313,840,600	111,547,100	88,163,400	199,710,500
Natural Resources	3,865,701	9,001,000	0	9,001,000	3,302,100	500,000	3,802,100
Public Education	14,499,700	33,249,700	0	33,249,700	33,249,700	0	33,249,700
School and Inst. Trust Lands Admin.	578,109	7,113,500	(100)	7,113,400	7,203,100	5,004,300	12,207,400
Transportation	511,164,446	403,054,500	24,638,700	427,693,200	566,532,100	112,911,400	679,443,500
Workforce Services	68,719,200	103,310,000	0	103,310,000	119,610,000	0	119,610,000
Subtotal Capital Budget	*863,865,956*	*869,569,300*	*24,638,600*	*894,207,900*	*841,444,100*	*206,579,100*	*1,048,023,200*
Debt Service	438,515,654	451,728,900	0	451,728,900	437,669,000	13,991,000	451,660,000
Total Budget	**$8,520,133,902**	**$9,033,870,000**	**$45,138,600**	**$9,079,008,600**	**$8,630,503,100**	**$726,278,200**	**$9,356,781,300**

Sources of All Funds
FY 2017 Recommendation*



Uses of All Funds
FY 2017 Recommendation*



*Based on Table 3 - Summary of Recommendations by Agency: All Sources of Funding

Note: Figures may vary from other sources due to rounding and categorization.

Table 3 - Summary of Recommendations by Agency: All Sources of Funding

Operating and Capital Budgets, Including Expendable Special Revenue Funds and Accounts

This table includes operating and capital budgets, including expendable special revenue funds and accounts, from all sources of funding. These sources of funding include state-collected funds from taxes and fees, plus federal funds, mineral lease revenues, higher education tuition, and a portion of local school property taxes.

		Governor Herbert's Recommendations					
	Actual FY 2015	**Authorized FY 2016**	**Supplementals**	**Recommended FY 2016**	**Base FY 2017**	**Ongoing & One-time Adj.**	**Recommended FY 2017**
Plan of Financing							
General Fund	$2,170,444,800	$2,236,365,900	$0	$2,236,365,900	$2,236,365,900	$41,988,400	$2,278,354,300
General Fund, One-time	44,556,900	136,417,100	(47,751,600)	88,665,500	0	(165,700)	(165,700)
Education Fund	3,292,039,400	3,517,784,900	0	3,517,784,900	3,517,784,900	323,943,500	3,841,728,400
Education Fund, One-time	241,872,300	204,106,300	56,639,500	260,745,800	0	164,414,200	164,414,200
Transportation Fund	363,536,004	380,431,300	0	380,431,300	380,431,300	80,142,500	460,573,800
Transportation Fund, One-time	637,400	1,039,300	24,509,500	25,548,800	0	839,300	839,300
Dedicated Credits	1,296,272,973	1,271,591,400	5,700	1,271,597,100	1,270,777,400	13,819,100	1,284,596,500
Federal Funds	3,497,101,152	3,721,875,900	46,094,800	3,767,970,700	3,705,330,200	93,241,600	3,798,571,800
Mineral Lease	138,844,066	108,705,500	(3,900)	108,701,600	111,136,900	105,400	111,242,300
Other Revenue	9,485,422	9,500,000	0	9,500,000	9,520,000	0	9,520,000
Pass Through	10,105,037	24,554,000	0	24,554,000	24,369,000	0	24,369,000
Restricted Revenue	1,764,612,418	1,357,954,900	12,098,900	1,370,053,800	1,503,414,400	85,927,600	1,589,342,000
Transfer	314,778,309	384,995,800	550,100	385,545,900	400,526,400	13,016,900	413,543,300
Trust and Agency	4,718,817	22,755,100	0	22,755,100	22,455,100	0	22,455,100
Beginning Balance	1,263,012,826	1,280,030,600	(913,500)	1,279,117,100	1,023,344,900	5,915,900	1,029,260,800
Non-lapsing Balance	(1,282,304,569)	(1,020,882,300)	0	(1,020,882,300)	(981,006,900)	50,000	(980,956,900)
Lapsing Balance	(263,433,836)	(22,964,000)	0	(22,964,000)	(27,669,000)	5,866,600	(21,802,400)
Local Property Tax	652,065,700	747,984,400	0	747,984,400	747,984,400	35,510,600	783,495,000
Total Financing	**$13,518,345,120**	**$14,362,246,100**	**$91,229,500**	**$14,453,475,600**	**$13,944,764,900**	**$864,615,900**	**$14,809,380,800**
Operating Budget							
Administrative Services	$51,935,854	$46,146,100	($219,900)	$45,926,200	$41,357,200	$1,760,900	$43,118,100
Agriculture and Food	29,875,782	45,536,900	615,500	46,152,400	38,204,400	7,408,600	45,613,000
Alcoholic Beverage Control	244,833,405	44,223,200	(19,500)	44,203,700	43,115,200	3,775,500	46,890,700
Attorney General	59,342,147	65,138,800	(60,900)	65,077,900	61,238,700	2,976,100	64,214,800
Auditor	5,439,534	5,628,400	(5,100)	5,623,300	5,497,500	102,700	5,600,200
Board of Pardons and Parole	4,169,200	4,698,600	(4,100)	4,694,500	4,422,200	144,100	4,566,300
Capitol Preservation Board	5,860,693	9,091,900	(800)	9,091,100	4,875,500	1,039,400	5,914,900
Career Service Review Office	239,787	267,000	(200)	266,800	266,600	7,200	273,800
Commerce	29,740,375	32,995,900	(23,300)	32,972,600	35,115,700	723,500	35,839,200
Corrections	266,937,800	301,289,400	(166,000)	301,123,400	292,001,500	12,691,800	304,693,300
Courts	138,150,582	153,568,000	1,726,600	155,294,600	150,392,400	5,743,400	156,135,800
Environmental Quality	60,285,089	68,718,300	(39,000)	68,679,300	64,348,000	11,591,500	75,939,500
Financial Institutions	6,794,927	7,250,900	292,900	7,543,800	7,216,400	620,200	7,836,600
Governor and Lieutenant Governor	41,067,439	82,648,500	(10,700)	82,637,800	78,686,200	8,469,800	87,156,000
Governor's Office of Economic Dev.	71,415,400	81,439,400	(409,900)	81,029,500	52,525,700	11,909,700	64,435,400
Governor's Office of Energy Dev.	2,142,118	2,513,000	30,200	2,543,200	2,131,100	283,600	2,414,700
Health	2,766,013,425	2,911,783,100	61,199,400	2,972,982,500	2,873,520,400	99,397,000	2,972,917,400
Heritage and Arts	24,089,178	28,468,900	(12,100)	28,456,800	25,001,300	1,320,800	26,322,100
Higher Education	1,523,457,000	1,696,666,100	0	1,696,666,100	1,605,238,100	73,488,300	1,678,726,400
Human Resource Management	2,237,394	2,746,900	(1,300)	2,745,600	2,480,500	(2,404,300)	76,200
Human Services	634,305,800	694,574,700	26,500	694,601,200	672,898,600	40,123,100	713,021,700
Insurance	12,046,190	14,463,400	(9,800)	14,453,600	14,698,400	339,600	15,038,000
Juvenile Justice Services	94,320,000	100,646,500	(68,000)	100,578,500	96,968,900	2,738,300	99,707,200
Labor Commission	12,985,459	14,719,800	(11,500)	14,708,300	14,372,200	1,146,400	15,518,600
Legislature	22,598,100	25,953,100	(19,300)	25,933,800	25,580,200	599,200	26,179,400
National Guard	74,412,944	55,295,500	(18,000)	55,277,500	65,571,200	689,900	66,261,100
Natural Resources	187,501,967	229,267,800	4,392,500	233,660,300	201,098,600	16,931,000	218,029,600
Public Education	3,913,285,503	4,341,270,800	3,749,500	4,345,020,300	4,282,898,100	287,028,900	4,569,927,000
Public Lands Policy Coordination	2,462,088	5,112,500	(1,800)	5,110,700	5,999,100	628,900	6,628,000
Public Safety	169,447,032	210,414,600	389,800	210,804,400	199,333,800	8,815,500	208,149,300
Public Service Commission	13,977,685	16,982,600	(2,600)	16,980,000	16,927,700	73,200	17,000,900
School and Inst. Trust Fund Office	144,821	782,000	(700)	781,300	792,800	17,600	810,400
School and Inst. Trust Lands Admin.	9,736,914	10,601,100	(9,100)	10,592,000	10,211,500	622,200	10,833,700
State Office of Rehabilitation	71,633,742	83,773,400	(40,300)	83,733,100	83,305,400	2,447,700	85,753,100

		Governor Herbert's Recommendations					
	Actual FY 2015	**Authorized FY 2016**	**Supplementals**	**Recommended FY 2016**	**Base FY 2017**	**Ongoing & One-time Adj.**	**Recommended FY 2017**
Tax Commission	84,842,000	91,821,300	(4,757,200)	87,064,100	90,404,400	3,112,400	93,516,800
Technology Services	2,911,131	3,445,900	(2,100)	3,443,800	3,113,700	142,300	3,256,000
Transportation	297,828,335	300,448,400	(156,600)	300,291,800	291,706,000	5,905,000	297,611,000
Treasurer	3,096,066	3,171,100	138,700	3,309,800	3,092,500	401,100	3,493,600
Utah College of Applied Technology	73,092,600	77,473,200	0	77,473,200	79,067,700	2,907,900	81,975,600
Utah Communications Authority	0	17,500,000	0	17,500,000	(2,000,000)	2,000,000	0
Utah Education and Telehealth Network	42,124,500	56,863,500	0	56,863,500	41,503,400	6,490,400	47,993,800
Utah Science, Technology, and Research	19,831,747	26,795,100	(2,700)	26,792,400	22,249,900	77,200	22,327,100
Veterans' and Military Affairs	23,101,320	23,107,200	33,400	23,140,600	23,592,300	877,900	24,470,200
Workforce Services	757,194,255	822,605,900	68,400	822,674,300	810,303,500	18,880,300	829,183,800
Subtotal Operating Budget	*11,856,907,328*	*12,817,908,700*	*66,590,900*	*12,884,499,600*	*12,441,324,500*	*644,045,800*	*13,085,370,300*
Capital Budget							
Capital Budget	265,038,800	313,840,600	0	313,840,600	111,547,100	88,163,400	199,710,500
Natural Resources	6,526,108	13,245,700	0	13,245,700	7,771,800	500,000	8,271,800
Public Education	14,499,700	33,249,700	0	33,249,700	33,249,700	0	33,249,700
School and Inst. Trust Lands Admin.	578,109	7,113,500	(100)	7,113,400	7,203,100	5,004,300	12,207,400
Transportation	845,149,928	600,891,200	24,638,700	625,529,900	765,313,900	112,911,400	878,225,300
Workforce Services	75,370,900	108,508,900	0	108,508,900	124,926,900	0	124,926,900
Subtotal Capital Budget	*1,207,163,545*	*1,076,849,600*	*24,638,600*	*1,101,488,200*	*1,050,012,500*	*206,579,100*	*1,256,591,600*
Debt Service	454,274,247	467,487,800	0	467,487,800	453,427,900	13,991,000	467,418,900
Total Budget	**$13,518,345,120**	**$14,362,246,100**	**$91,229,500**	**$14,453,475,600**	**$13,944,764,900**	**$864,615,900**	**$14,809,380,800**

MORE VALUE FOR EVERY TAX PAYER DOLLAR INVESTED

Each year policy makers have to grapple with a variety of difficult budget questions such as how to fund needs in areas like education, critical infrastructure, natural resources, and services for vulnerable populations.

HOW DO WE SUSTAIN FUNDING FOR AN INCREASING DEMAND?

CRITICAL INFRASTRUCTURE

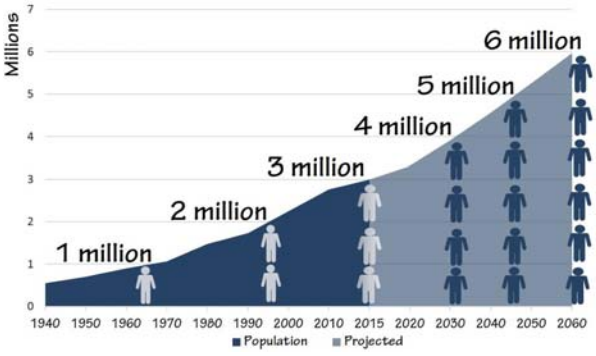
NATURAL RESOURCES

SERVICES FOR VULNERABLE POPULATIONS

Even in Utah–the best performing economy in the country–the pressure is acute because of a growing population.

The reality is that the demand and need for services will always outpace available revenue—even in a state like Utah that has the best performing economy in the country. This holds true because ideas, needs, and opportunities on how to spend taxpayer dollars are endless while the resources are finite. The pressure on revenue becomes even more acute in a state like Utah with a growing population.

UTAH'S POPULATION GROWTH



Recognizing that there will never be enough money—regardless of how well an economy is performing—it is incumbent on government to find hidden capacity and ways to maximize existing resources to meet the legitimate demand for services. The Governor's approach to budgeting is to first focus on leveraging existing resources as much as possible before recommending additional investments of scarce taxpayer dollars.

This focus creates more value for every tax dollar invested. This strategy, combined with a sound, conservative approach to budgeting and policy, is the bedrock of the Governor's budget recommendations. Government, like all organizations, has an inherent appetite to expand. Without the constraints of the market place, a natural tendency to grow must be contained through accountability, fiscal discipline, a healthy respect for the pocket books of taxpayers, and expertise on how to administer programs and services. Government should first be accountable

to the public by looking to internal improvements and ways to change how we do business before defaulting to an increase in spending. Just like individuals and families, government must live within its means—spending only what it can afford.

In order to align with these principles, the Governor charged state agencies to improve performance by at least 25%. This goal isn't simply rhetoric. A set of management principles and tools is being implemented across state government designed to boost the quality and efficiency of government services. These tools, known as the SUCCESS Framework, are yielding measurable results and require that we ask two fundamental questions prior to recommending new funds for a program or entity.

- Has the organization maximized existing resources?
- Does the request for new money demonstrate how the investment will make a measurable difference?

MEASUREMENT APPROACH

The results achieved within the SUCCESS Framework are measured by determining if a dollar invested is purchasing more value for the customer and taxpayer. For example, we want to definitively determine if customers are achieving better outcomes, if more people can be served, if decisions are more accurate, or if more applications can be processed faster for the same resources available to the agency prior to introducing improvement strategies. The relationship between value and cost is fundamental in determining where and how much to invest in a given program or system.

Systems must be able to articulate how new investments will impact quality or capacity to meet growing demand. Likewise, if a demand for service declines, then the system must justify why operating expenses shouldn't decrease as well. The SUCCESS approach gives decision makers greater insights into the need for new investments.

RESULTS

There are currently 86 systems and 21 agencies reporting results through the SUCCESS Management Information System (SMIS). Systems range from Adult Probation and Parole to optimizing mobility on Utah's roads and from business licensing to crime labs. The Governor's Office of Management and Budget is working with agencies to finalize another 15 systems for reporting by December 31, 2015. An additional 4 systems are on track to begin reporting results by the start of the legislative session. Another 30 systems are in the queue to identify measures and begin improvements. In all, GOMB is presently engaged with 135 systems to improve operations throughout state government.

EXAMPLES OF AGENCIES WITH SYSTEM IMPROVEMENTS

Criminal and Juvenile Justice	67.5%
Administrative Services	38.7%
Department of Commerce	48%
Department of Corrections	13.8%
Human Resource Management	81.6%
Department of Insurance	34.5%
Department of Public Safety	18.7%
Technology Services	85.3%
Labor Commission	102%

As of September 30, 2015 those systems which have been baselined and are reporting results have improved in aggregate by almost 24%—meaning that each dollar allocated to these systems is purchasing better, faster, or cheaper services. Improvements are observed in virtually all agencies. While all systems are in various states of improvement (some just coming online and others more mature), specific results include:

- Through efforts such as streamlining their process and preventing mistakes early on, the Department of Environmental Quality's Drinking Water Engineering program has increased the number of water system plan approvals coming out of their office by 43% without adding resources.

- The Department of Workforce Services, Division of Eligibility Services, has taken action to reduce application cycle time which has resulted in 75% of approvals being made within 14 days as compared to the baseline of 59.5%, which is a 27.2% improvement. In addition, postage costs have been reduced by $700,000 and long distance phone charges by $850,000.

- Oquirrh housing units 3 & 4 at the Department of Corrections, Division of Institutional Operations, have found hidden capacity by establishing a facility schedule that provides correctional officers with more than one additional hour of time each day shift to focus on safety and security and weekly inmate interviews. Negative events have decreased by 15% and program compliance is up by 18%. Based on the success in these two housing units, the Department of Corrections will be adapting the new facility schedule process throughout the Draper and Gunnison prison operations.

- The Department of Public Safety, Division of Forensic Services, has focused on the time it takes to process cases within the latent fingerprint system. By restructuring how work is completed, the system has experienced an overall 63% improvement increase in efficiency. This has allowed the latent fingerprint team to increase throughput from 500 cases in 2012, to 800 cases for 2015 while reducing the time to process a case from 50 days to 17.

- The Department of Technology Services blocks millions of malicious attacks on state networks every day. Even as these attacks grow more sophisticated, DTS has achieved a 100% improvement in reducing high risk areas by implementing a responsive and ongoing system to prioritize and block threats to state systems and data.

Through deliberate efforts to improve operations, many state agencies are returning funds for reprioritization during the FY 2017 budget cycle. These agencies include the departments of Administrative Services ($5,000,000), Insurance ($265,000), Veterans and Military Affairs ($197,000), Workforce Services ($1,382,000) and the Tax Commission ($5,000,000). Other agencies such as the Department of Commerce have been able to absorb additional demands for services without asking for new money.

BIG DATA

In an effort to harness the potential power of data analytics, GOMB and the Department of Technology Services (DTS) will embark on evaluating and planning for "big data" over the next year. Through internal efficiencies, DTS has freed up two FTEs for this effort—one that will be assigned to GOMB with a focus on the programmatic side of big data. DTS will focus on the infrastructure needed to bring multiple data sets together in order to conduct better analysis. Potential cost savings derived from effectively using big data analytics for the state could be in the millions of dollars as estimated by a recent outside study conducted for the State of Utah.

STATE EMPLOYEES PER UTAH CITIZEN

One example of the State of Utah delivering value for the taxpayer investment is a comparison of the number of state full-time equivalent (FTE) employees and Utah citizens. The ratio of citizens served per state FTE has improved from 134 in FY 2010 to 149 in FY 2015, a nearly 11% improvement over five years.

RIGOROUS REVIEW AND EVALUATION

The Governor's Office of Management and Budget (GOMB) spends multiple months reviewing justifications for new money, analyzing non-lapsing balances, and assessing performance and outcomes. The SUCCESS Framework effort helps to inform the process as to whether or not programs have excess capacity that could be redirected or if a greater focus should be given to process improvement. This effort resulted in a long list of budget requests that were not recommended for funding during the current budget cycle.

This year's budget requests included issues that warrant funding because of the nature of the populations served or urgency of the issue. However, the justifications for these requests and/or the program's newness require the impacted organizations to provide GOMB with a more rigorous evaluation and data. GOMB will be asking that these programs provide one or all of the following:

- rigorous plans to measure performance
- enhancements of existing evaluation plans
- deeper analysis of internal operations and processes; and
- improvement strategies and baselined measures consistent with the SUCCESS Framework

As government agencies continue to improve performance and existing resources are maximized, the growth curve for existing programs can bend—allowing for new revenue to more easily be diverted to critical areas, including education. This concerted effort will span multiple years and require a mindset of continuous improvement and focus along with building more expert capacity across state government in order for the momentum to continue.

BUDGET & POLICY BRIEF

PRUDENT FISCAL MANAGEMENT

HIGHLIGHTS

- **$528 million** in combined rainy day fund balances
- **$1.42 billion** in debt paid down since 2012
- **$350 million** of debt paid off in FY 2017
- **1 of only 10** states with a AAA bond rating

Utah is recognized nationally for its prudent fiscal management. Key to the state's success in this area is considering the long-term aspects of budget decisions, not just the short-term impacts over the coming fiscal year. Important aspects of long-term thinking are managing a budget over the ups and downs of the economic cycle as well as understanding how budget decisions made today, such as investing in education to promote an educated future workforce, can alter the state's economic trajectory years down the road.

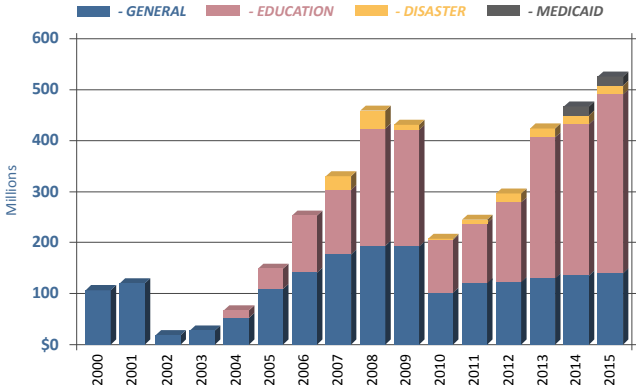
UTAH MAINTAINS AAA BOND RATING

Through sound and fundamental budgeting practices, the state has prudently managed its financial resources, which allows the private sector to flourish. Utah's longstanding AAA bond rating and ability to attract financial capital reflect the market's confidence in the state's budget management practices. As one of only ten states with a triple AAA bond rating, this market confidence allows Utah to enjoy sizable interest savings relative to states with lower bond ratings.

UTAH'S RAINY DAY FUNDS ARE AT HEALTHY LEVELS

As shown in Figure 1, the State of Utah's rainy day fund balances have been restored and exceed pre-recession totals. Including a $59 million deposit made at the end of FY 2015, the state's combined formal rainy day fund balances total approximately $528 million. This figure includes the Education Fund Budget Reserve Account (nearly $350 million), General Fund Budget Reserve Account ($141 million), Medicaid Growth Reduction and Budget Stabilization Account ($17 million), and the Disaster Recovery Restricted Account ($20 million).

FIGURE 1 – RAINY DAY FUND BALANCES



STRESS TESTING: BUDGET MANAGEMENT OVER THE ECONOMIC CYCLE

During the 2015 interim, the Governor's Office of Management and Budget (GOMB) and the Office of Legislative Fiscal Analyst (LFA) conducted a comprehensive budget stress testing exercise to assess the state's ability to respond to an economic downturn (revenue data analysis was also provided by the Tax Commission). The stress testing exercise used two hypothetical recession scenarios employed by the Federal Reserve in 2014 to assess the capital strength of banks. The stress test applied the scenarios to the state budget by examining hypothetical recessionary

impacts on revenues, expenditures, and both formal and informal reserves. The state's revenue trends were also analyzed.

The results demonstrate that the State of Utah has a number of budget tools at its disposal, including formal rainy day funds at healthy levels and other informal reserves including budget allocations for capital that are not bonded against. As a result of the stress testing exercise, GOMB recommends that $28 million traditionally considered ongoing General Fund and Education Fund revenue be allocated to further enhance the state's preparation for a potential future economic downturn.

The Governor's budget recommends $28 million be allocated to capital projects that are not bonded against, including $6.3 million to capital improvements and a total of $48 million to minimize prison bonding costs ($21.5 million ongoing).

These amounts are in addition to a net $51 million in increased "working rainy day fund" balances created through $61 million reductions in debt service levels due to scheduled debt repayments and automatic increases in funds for capital items such as transportation, offset by $10 million returned through earmark reform. An additional $21 million is also allocated to the state's permanent fund (higher legislative vote threshold to access suggests should be viewed as an extreme need rainy day fund, not a standard rainy day fund).

Based on the stress testing results, GOMB believes the state's approach ensures that sufficient reserves exist to weather a "typical" recession while also being mindful of the pocketbooks of Utah taxpayers. GOMB recommends a continued and refined joint comprehensive review of tools for managing the budget over the economic cycle.

GOVERNOR RECOMMENDS NO NEW DEBT

The Governor recommends no new debt be authorized during the 2016 Legislative Session. Moreover, the Governor recommends an additional $48 million be allocated (the $21.5 million ongoing previously mentioned and $26.3 million one-time), to minimize prison relocation bonding. As explained in more detail in the budget and policy brief on infrastructure, the State of Utah has reduced its debt by $1.42 billion since FY 2012, including $350 million to be paid off in FY 2017. By continuing to pay down existing debt, the State of Utah will be better prepared for a potential future economic downturn.

Of note, the Governor discourages bonding against working rainy day fund reserves in transportation. Doing so would actually eliminate the reserve's function as actual working rainy day funds.

AUTOPILOT BUDGETING REDUCES BUDGET FLEXIBILITY

One concerning trend that has emerged over the past decade is the advancement of what could be termed "autopilot budgeting," including revenue earmarks and other automatic funding allocations. Rather than allowing policymakers to make annual budget decisions, statutes passed during previous legislative sessions have established automatic spending priorities. While statutes can be changed, there is currently a higher threshold of automatic funding (no vote needed) than funds appropriated through the normal process and which require an affirmative action.

Although an "autopilot" decision may seem to be a good idea at the time, with less and less budget flexibility available over time, prudent budget management becomes more difficult. Revenue earmarks and automatic funding cause a great deal of effort to be spent identifying ways to get around rigid budget mechanisms in order to respond to current issues and meet the state's core needs.

One of the strengths of Utah's historic budget process is its flexibility—giving policymakers the ability to act on their responsibility to meet current needs within the accepted institutional structure and to accomplish public policy objectives. For this reason, further expansion of earmarks and other similar automatic budget mechanisms should be discouraged.

IMPROVING STATE GOVERNMENT EFFICIENCY

As detailed in the budget and policy brief on investing in what works, cabinet agencies are making significant progress to improve government performance by creating more value for every taxpayer dollar invested. This added value often comes by improving the quality of services provided by reconfiguring how work is done without adding resources. Examples of these improvements include shorter wait times for driver license renewal, faster processing of various business applications, and a more productive prison system.

MEETING FINANCIAL OBLIGATIONS

The Governor's budget fully funds long-term obligations including pensions and various employee benefits. Funded ratios in these programs are increasing based on higher rates and improved investment returns as compared to the reductions in funding levels created by investment losses incurred during the Great Recession. The state's payments to these programs are based on actuarial estimates of the allocations required to fully fund the programs over the long term. Funded ratios in some of the non-pension employee benefit programs are above previous projections and allow the state to cut the amortization period in half (20 years to 10 years) for some obligations. However, continued payments will be required to reach full funding over time.

LONG-TERM INVESTMENTS IN THE PEOPLE OF UTAH

With these fundamental fiscal management practices in place, the Governor's budget recommends using revenues provided through Utah's vibrant economy to strategically invest in the people of Utah—a prudent budget philosophy.

Wise budget management includes taking into consideration the long-term implications of current budget decisions. This long view includes not only ensuring financial basics such as balancing revenues and expenditures over annual or short-term economic cycles, but also providing the necessary structural stepping stones for Utah's future prosperity. Such budget decisions involve considering what government should do and what government should refrain from doing.

Utah must continually strive to find the right balance between taxing and spending, look for ways to improve operations to create more value

for every tax dollar invested, and to focus on those investments that pay off in the long-term—even when doing so sometimes creates a higher upfront cost to save significant dollars long-term. Prudent budget management and a long-term perspective create a positive impact on current and future generations.

One essential challenge that the state must immediately begin to address is to ensure an adequately educated workforce. In recent years, Utah has attained enough national and international recognition that it has crossed an important economic threshold. A growing number of major firms now view Utah as a good place to invest and do business. As more and more businesses originate and locate within the state, a key constraint to future economic growth is the ability to supply the skilled labor force required. Educating this skilled workforce does not happen overnight and requires an investment of financial resources. The effects of failing to invest in a skilled and educated workforce may not manifest for a decade or two; however, as the world economy becomes increasingly more knowledge-based, a workforce whose education has been neglected will create major economic consequences.

While ensuring that Utah has an educated workforce ready to compete in today's global economy may cost more in the near term, the long term investment will more than pay for itself through future economic growth and societal impacts. An important part of prudent fiscal management is not just balancing the books and saving for a rainy day, but also taking proper care to plant seeds that will enhance Utah's future economic prosperity.

BUDGET & POLICY BRIEF

UTAH'S MAJOR REVENUE SOURCES

HIGHLIGHTS

- **$3.47 billion** individual income tax
- **$2.45 billion** state sales and use tax
- **$400 million** corporate taxes
- **$450 million** gas taxes
- **43%** of sales tax growth is earmarked

STATE TAXES AND FEES

The State of Utah imposes various taxes to fund government programs administered at both the state and local level. The individual income tax and state sales and use tax are by far the two largest state revenue sources. Other revenues include a corporate franchise and income tax; motor and special fuel taxes (commonly called gas taxes); severance taxes on oil, gas, and mineral extraction; beer, cigarette, and tobacco taxes; and insurance premium taxes. These tax revenues are deposited into various state accounts. Budget bills enacted by the legislature authorize the use of these funds for designated purposes.

Sales and Use Tax. The sales and use tax is the largest revenue source for state government operations, generating an estimated $2.45 billion in revenue for FY 2017. A large portion of sales and use tax revenues ($1.85 billion) is deposited into the state General Fund. The remaining funds are earmarked. Of the nearly $598 million in sales tax earmarks, over $561 million is for transportation, with nearly $36 million for water and other purposes. As detailed elsewhere, the Governor's budget proposes a gradual reform in earmarks by returning incremental portions of any new earmarked growth to the General Fund. In addition to sales tax earmarks, additional revenues are also set aside for economic development and other purposes after being deposited into the General Fund.

Individual Income and Corporate Income Tax. The Utah Constitution requires that income taxes support public and higher education. Based on this constitutional directive, revenues from both individual income taxes ($3.47 billion) and corporate franchise and income taxes ($400 million) are not deposited into the General Fund. Instead, these revenues are deposited into the Education Fund and are only used to support the state's public and higher education systems.

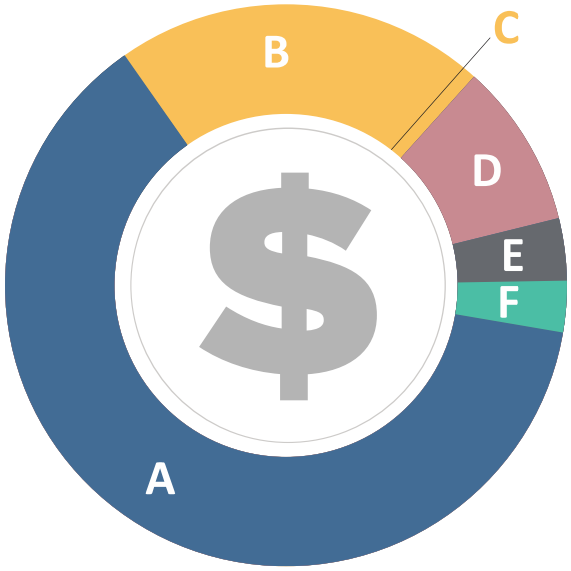
Gas Tax. The Utah Constitution also requires that "proceeds from fees, taxes, and other charges related to the operation of motor vehicles on public highways and proceeds from an excise tax on liquid motor fuel" be used for transportation purposes. Consequently, motor and special fuel taxes or "gas taxes" ($450 million) are deposited into a separate Transportation Fund to be used for transportation purposes.

General Fund Revenue Source. As shown in Figure 1, state sales and use taxes are the primary revenue source for the General Fund ($1.85 billion). Other taxes deposited into the General Fund include severance taxes on oil, gas, and mineral extraction ($46 million); beer, cigarette, and tobacco taxes ($114 million); insurance premium taxes ($94 million); and cable and satellite excise taxes ($29 million). In addition, other non-tax revenues are deposited into the General Fund such as profits from liquor sales by the Department of Alcoholic Beverage Control ($107 million), investment income ($8 million), and other sources including legal settlements, and

transfers of certain fee revenues and credits (net $81 million). In FY 2017, $21 million of severance tax revenue that has historically gone to the General Fund will instead be deposited to the state Permanent Fund.

FIGURE 1 – GENERAL FUND REVENUE SOURCES

A – Sales Tax/General Fund Portion 62%
B – Sales Tax/Earmarked Portion 20%



C – Earmarked Portion of Other Taxes 1%
D – Severance (oil, gas, metal)/Insurance Premium/Beer, Cigarette, Tobacco/Cable Excise Taxes 10%
E - Liquor Profits 4%
F – Investment Income, Credits and Other Miscellaneous Revenue Sources 3%

Earmarked Sales Tax. As the budget and policy brief on earmarks highlights in greater detail, over the past decade the legislature has significantly increased earmarks of sales and use tax revenues to other funds, restricting the revenue in the General Fund. For FY 2017, total earmarks are estimated at about $653 million including $598 million in sales tax earmarks. Absent the earmark, this sales tax revenue would have been deposited into the General Fund. This change makes it difficult to create a meaningful historical comparison of General Fund allocations or combined General Fund and Education Fund allocations across years. The Governor's budget proposes returning a portion of the earmarked sales tax to provide early intervention for at-risk children.

State-Imposed Fees. In addition to tax revenues, the state collects about $1 billion in fees each year. This figure excludes higher education tuition and fees, which total an additional $750 million. Revenue collected from fees is intended to tie the cost of providing specific government services or regulation directly to the user of the service. State statute requires that state-imposed fees be "reasonable, fair, and reflect the cost of services provided" and that a public hearing be held prior to adopting a fee.

Examples of state-imposed fees include business registrations and licenses, motor vehicle registration, hunting and fishing licenses, and fees imposed on regulated businesses (i.e., state regulatory fees imposed on banks by the Department of Financial Institutions or insurance company fees imposed by the Department of Insurance).

FEDERAL FUNDS

Federal funds (estimated at $3.8 billion) also flow through the state budget. For major programs such as Medicaid, state and federal funding is combined based on a federal state match requirement. In addition, some federal funds flow through the state to local entities such as school districts, counties, and cities. Other federal funds, including grants, are also provided directly to local entities and do not flow through the state's budget. Additional detail is provided in the federal funds budget brief.

REVENUE ESTIMATES

The Governor's Office of Management and Budget, the Office of the Legislative Fiscal Analyst, and the Utah State Tax Commission develop a consensus

point forecast for unrestricted General Fund, Education Fund, Transportation Fund, and earmarked sales and use tax revenues in November and February of each year (range forecasts are released in June and September).

The Governor's budget recommendations are based on the November 2015 consensus forecast. This forecast anticipates new FY 2017 General Fund, Education Fund, and earmarked revenues at nearly $412 million above the February 2015 session forecast. After adjusting for sales tax earmarks and new constitutionally-mandated severance tax deposits (including adjustments made in FY 2016 to treat a portion of severance tax as one-time in anticipation of the pending constitutional requirement), $380 million in ongoing revenue and $181 million in one-time General Fund and Education Fund revenue remains available for appropriation during the 2016 General Legislative Session. Of these funds, the Governor's budget recommends setting aside $28 million for non-bonded capital funding in addition to a net $51 million increase in working rainy day funds in transportation after $10 million is returned to the General Fund.

LAPSING AND NON-LAPSING BALANCES

Amounts that are appropriated to state agencies, but not expended during the year of appropriation, remain available in future years, either when returned to the fund from which they came (lapsing balances) or remaining with the agency for expenditure (non-lapsing balances).

FIGURE 2 – ALLOCATION OF NEW REVENUE TO VARIOUS STATE FUNDS

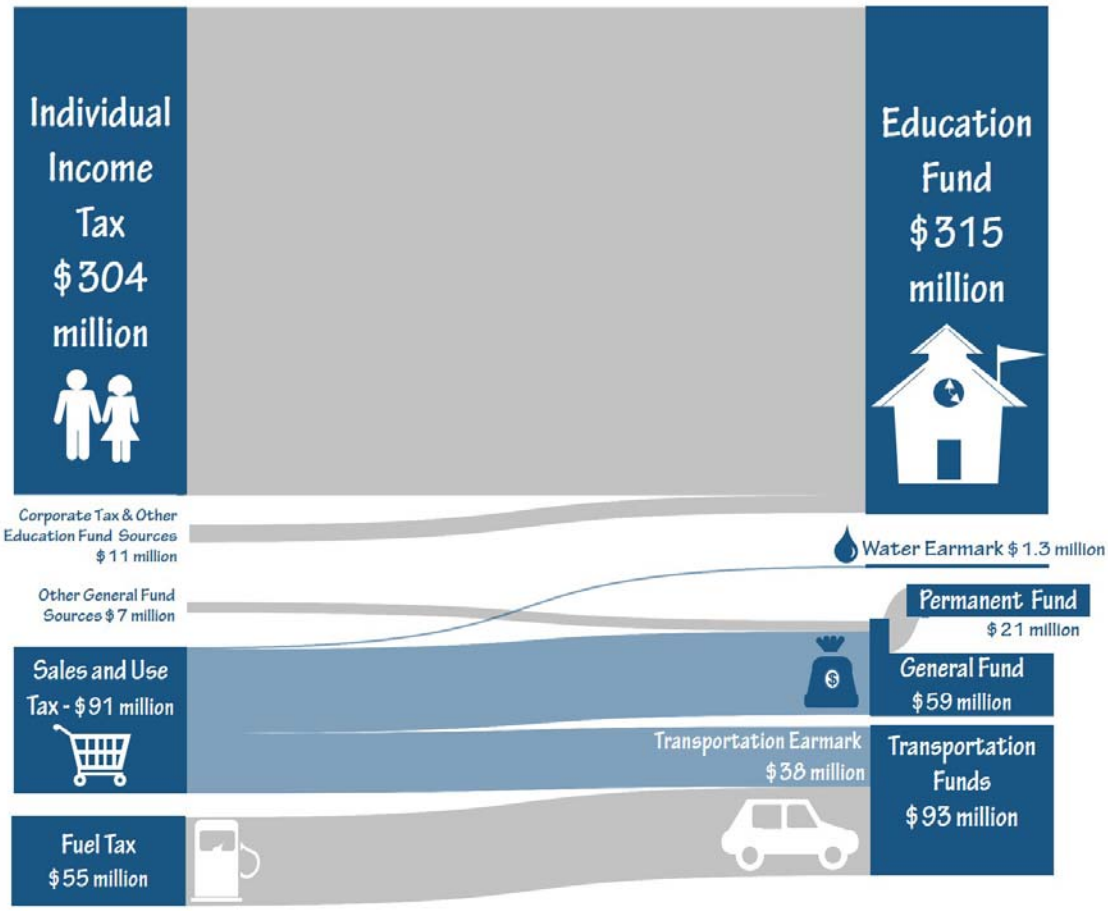


Table 4 - November 2015 Consensus Revenue Estimates

	FY 2015 Actual	FY 2016 February Consensus Estimate	FY 2016 Revised Consensus Estimate	FY 2017 Consensus Estimate	*FY 2017 - FY 2016 Year-over-year Change from Feb Consensus*
Sales and Use Tax - TOTAL	2,210,707	2,359,014	2,324,678	2,450,033	91,019
Sales and Use Tax - Earmarked for Transportation	462,901	523,819	509,822	561,349	37,530
Sales and Use Tax - Earmarked for Water	32,318	34,450	33,976	35,768	1,318
Sales and Use Tax - Earmarked for Other	534	534	534	534	0
Subtotal - Sales and Use Tax Eamark	495,753	558,802	544,332	597,650	38,848
Sales and Use Tax - General Fund	1,714,954	1,800,212	1,780,346	1,852,383	52,171
General Fund (GF) Revenue Sources					
Sales and Use Tax - General Fund	1,714,954	1,800,212	1,780,346	1,852,383	52,171
Cable/Satellite Excise Tax	28,447	28,087	28,582	29,017	930
Liquor Profits	95,412	96,603	101,572	106,625	10,022
Insurance Premiums	92,385	96,473	94,376	94,499	(1,974)
Beer, Cigarette, and Tobacco	115,916	112,330	115,381	113,537	1,207
Oil and Gas Severance Tax	69,685	59,253	49,902	36,156	(23,097)
Metal Severance Tax	16,347	20,686	11,734	9,626	(11,060)
Investment Income	6,556	6,158	7,400	7,800	1,642
Other	90,911	78,772	84,841	86,685	7,913
Property and Energy Credit	(5,411)	(6,197)	(5,817)	(5,933)	264
Subtotal General Fund	2,225,203	2,292,377	2,268,316	2,330,396	38,019
Subtotal General Fund / Sales and Use Tax Earmark	2,720,955	2,851,179	2,812,648	2,928,046	76,867
			43% of sales and use tax growth is earmarked		
Education Fund (EF) Revenue Sources					
Individual Income Tax	3,157,669	3,162,691	3,320,910	3,466,569	303,878
Corporate Tax	373,938	381,330	390,253	399,673	18,343
Mineral Production Withholding	27,146	26,336	19,687	19,917	(6,419)
Escheats & Other	21,478	21,307	20,094	20,195	(1,112)
Subtotal Education Fund	3,580,231	3,591,664	3,750,943	3,906,355	314,691
Subtotal GF/EF/Sales and Use Tax Earmark	6,301,186	6,442,843	6,563,592	6,834,401	391,558
Subtotal GF/EF	5,805,434	5,884,041	6,019,260	6,236,751	352,710
Transportation Fund (TF) Revenue Sources					
Motor Fuel Tax	261,743	283,739	285,645	324,274	40,535
Special Fuel Tax	100,072	115,051	110,098	125,358	10,307
Other	85,118	83,755	86,725	88,161	4,406
Subtotal Transportation Fund	446,933	482,545	482,468	537,794	55,249
Subtotal GF/EF/TF/Sales and Use Tax Earmark	6,748,119	6,925,388	7,046,060	7,372,195	446,807
Subtotal GF/EF/TF	6,252,366	6,366,586	6,501,728	6,774,545	407,959
Mineral Lease (ML) Revenue					
Royalties	136,241	139,674	106,909	109,336	(30,338)
Bonuses	5,471	4,016	4,275	4,292	276
Subtotal Mineral Lease	141,713	143,690	111,184	113,628	(30,063)
Total GF/EF/TF/ML/Sales and Use Tax Earmark	6,889,832	7,069,078	7,157,244	7,485,823	416,744
Total GF/EF/TF/ML	6,394,079	6,510,276	6,612,912	6,888,172	377,896

Note: These tables represent consensus revenue estimates. The Governor recommends returning $10 million of sales tax earmarks to the General Fund.

BUDGET & POLICY BRIEF

FEDERAL FUNDS

HIGHLIGHTS

- **$18.4 billion** in Utah taxes paid to the federal government
- **$3.8 billion** in federal funds that flow through the state budget

INTRODUCTION

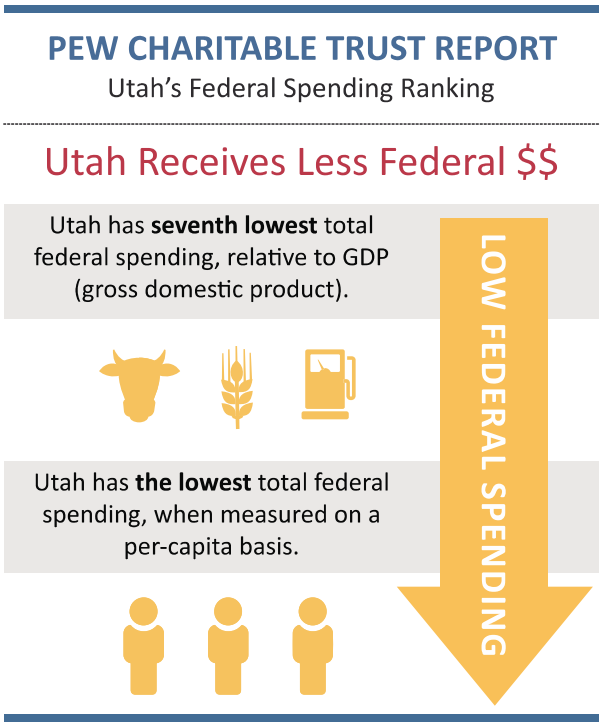
Federal taxes. Based on IRS data for the 2014 federal fiscal year (the most recent data available), taxpayers from Utah paid over $18.4 billion in taxes to the federal government, including nearly $16.2 billion in FICA and other individual income and employment taxes, $1.6 billion in business income taxes, and over $600 million in excise and other taxes.

Federal spending. The federal government spends revenues collected from taxpayers in a number of ways, including payments to federal employees and contracted businesses; retirement and non-retirement benefits to individuals (such as Social Security); and programs that are appropriated and flow through the state budget (state-run programs such as Medicaid and locally-managed programs such as education). In summary, federal funds are returned both to the state and to people or entities outside the control of state government.

While some argue that because of the federal government's fiscal trajectory the state should simply relinquish all federal funds that flow through the state budget, doing so would not relieve Utah taxpayers of paying federal taxes. Instead, Utah's taxpayers simply would not receive the benefits being paid for. The Governor has advocated, and continues to suggest, that states be allowed to keep more of the tax dollars collected in the first place without having to send the money to the federal government.

However, until tax policies are changed, it is not in the best interest of Utah citizens to refuse all federal funds. As of 2013, Utah already receives less return per federal tax dollar paid than the 50-state average.

UTAH ECONOMY OVERALL FEDERAL RELIANCE COMPARED TO OTHER STATES



A Pew Charitable Trust report on federal spending shows that Utah has the seventh lowest total federal spending relative to gross domestic product (GDP) when all federal spending is accounted for. When measured on a per-capita

basis, Utah has the lowest total per capita federal spending.

This is, in part, because Utah's population is the youngest in the nation and receives a much smaller portion of federal dollars than other states for programs such as Social Security and Medicare, two of the largest federal entitlement programs targeted to the elderly.

When comparing only the portion of federal funds that flow through the state budget, Pew reports that Utah generally averages about two percentage points lower than the 50-state average. As of 2013, Utah is one of twenty states that receive less than 30% of its total state revenue from federal funds. Although there is a lag in data for comparisons with other states, Utah's percentage of federal funds appropriated through the state budget is projected at 26% in FY 2017 and is below Utah's 10-year average of 28%.

FEDERAL FUNDING IN THE STATE BUDGET

Federal taxpayer funds are returned to Utah for many different programs. For major federal programs such as Medicaid, a state match is required and state and federal funding is combined. In addition, some federal funds flow through the state to local entities such as school districts, counties, and cities. Other federal funds, including grants, are also provided directly to local governments and do not flow through the state's budget.

Figure 1 shows the overall percentage of federal funds in the state budget. As illustrated, federal funding as a percent of the state budget increased during the Great Recession when state tax revenues plummeted and federal aid to states increased. Federal increases came through longstanding programs such as Medicaid and new federal assistance programs such as the American Recovery and Reinvestment Act (ARRA). As Utah's economy has recovered, the ratio of federal funds to the total state budget has declined and is projected to be below the 10-year average of 28%.

FIGURE 1 – PERCENTAGE OF FEDERAL FUNDS IN THE STATE BUDGET

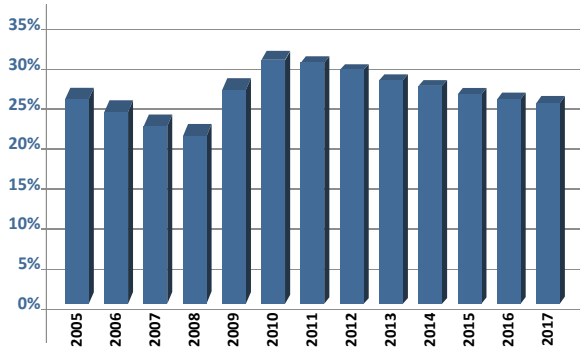


FIGURE 2 - SELECTED FEDERAL FUNDING AREAS FLOWING THROUGH THE STATE BUDGET ($ IN MILLIONS)

PROGRAM AREA	FY 2017 BUDGET
Medicaid	$1,670
Education (including special education, school lunch, and Title 1 for disadvantaged students)	$519
Supplemental Nutrition Assistance (SNAP)	$328
Transportation	$184
Temporary Assistance for Needy Families (TANF)	$79
Office of Rehabilitation (USOR)	$63
National Guard	$58
Women, Infants, and Children (WIC)	$46

Figure 2 shows some of the largest federally funded program areas. These programs account for about 78% of federal funds in the state budget. Not only do federal dollars fund a large portion of the state's major social service programs (Medicaid, SNAP, TANF, USOR, and WIC), federal dollars also play a key role in funding programs that provide care for elderly veterans, clean drinking water, air pollution prevention, and pay the salaries of citizen soldiers in Utah's National Guard. Moreover, Utah's public education system

is projected to receive over $519 million in federal assistance in FY 2017, including a number of federally authorized child nutrition programs that provide financial assistance for meals to eligible children; special education funding authorized in the Individuals with Disabilities Education Act (IDEA); and funding authorized in Title I of the Elementary and Secondary Education Act that provides additional support for students living in poverty, migrant students, and neglected students.

BUDGET & POLICY BRIEF

REVENUE EARMARKS

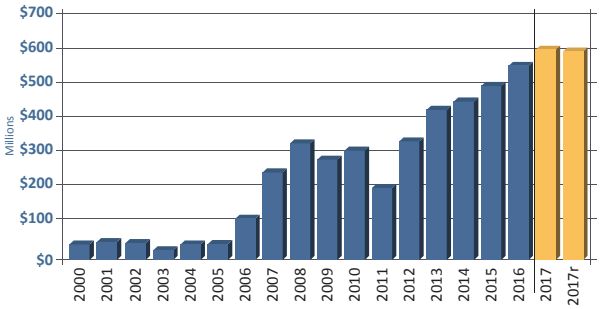
HIGHLIGHTS

- **43 percent** of state sales and use tax growth is earmarked under current law for FY 2017
- **$653 million** General Fund earmarks and set asides
- **$10 million** in sales tax earmarks proposed to be returned in FY 2017 to help fund early education intervention for at-risk children
- **$50 million** in sales tax earmarks proposed to be returned by FY 2021 out of earmark growth

SALES TAX EARMARKS

As used in this summary, "earmark" refers to revenue set aside for a specific purpose. Over the past decade, the legislature has dramatically increased the use of sales tax earmarks (see Figure 1). Historically, the legislature has resisted revenue earmarks because programs funded through earmarks tend to receive less scrutiny than those subject to the standard intense examination and prioritization of General Fund revenue through the budget process.

FIGURE 1 – EARMARKS FROM SALES TAX



Based on current law, 43% of sales and use tax revenue growth for FY 2017 is earmarked—primarily for transportation and water. Unless a legislative change is made, this trend will continue and will result in a significant portion of General Fund revenues being automatically earmarked for a specific use.

EARMARKS ARE PROBLEMATIC

Legislative earmarks of General Fund revenues are problematic because they are not fully transparent to the public. Such earmarks tend to be viewed as "captured" revenue belonging to the system benefiting from the earmark rather than as general taxpayer dollars. In addition, programs funded with earmarked revenues are often not fully prioritized against competing needs, such as education, as an integral part of the budget process.

When considering the impact of previous legislative actions to current budgeting decisions, it should be noted that references to "new revenue" have historically included only Education Fund and General Fund increases, even though the actual growth in state tax collections is higher than the reported new revenue. Similarly, the term "state funds" has historically been used synonymously with Education Fund and General Fund revenue—implying that earmarked general state tax revenues outside of the General Fund are somehow not fully available state funds.

GROWTH IN GENERAL FUND & SALES TAX EARMARKS

Figure 2 illustrates that since the Great Recession, revenues that were historically deposited into the General Fund have experienced solid growth. One reason for the slow growth of General Fund revenue is because a significant portion of total revenue growth is earmarked and not available in the General Fund.

If earmarking General Fund revenue continues to be viewed as a successful budget strategy to permanently fund programs, it is likely that program advocates will continue to come forward with proposals to set aside dedicated revenues for a particular program or system in order to bypass the annual scrutiny and prioritization of the budget process.

PROPOSAL TO STEM THE TIDE IN EARMARK GROWTH

Sales Tax Transportation Earmarks to be Returned by FY 2021

$50 MILLION

Sales Tax Transportation Earmarks to be Returned by FY 2017

$10 MILLION

As shown in Table 5 and based on current statute, an estimated $653 million that was historically considered General Fund revenue is earmarked or set-aside for specific purposes. This includes nearly $598 million in sales tax earmarks and over $55 million for other purposes, including nearly $21 million for the first year of severance tax deposits to the state permanent fund required by a recently adopted amendment to the Utah Constitution.

PROPOSAL TO REFORM EARMARKS

In order to invest in Utah's significant education needs, the Governor's budget proposes to stem the tide in earmark growth. The recommendation includes moving $10 million of sales tax transportation earmarks back to general revenues in FY 2017 in order to allocate funds for early intervention for at-risk children. An additional $40 million is proposed to be returned to the General Fund by 2021 ($20 million in FY 2018, $30 million in FY 2019, $40 million in FY 2020, and $50 million in FY 2021). These recommendations will not negatively impact currently scheduled transportation projects.

It is the position of the Governor's Office of Management and Budget that a change to earmarked funds constitutes a change to expenditure policy, not tax policy. In other words, redirecting earmarks does not change the amount of revenue collected by the Utah State Tax Commission (which administers the state's tax laws) or paid by taxpayers, it only changes how revenue is allocated.

FIGURE 2 – SALES TAX EARMARKS AND GENERAL FUND REVENUES

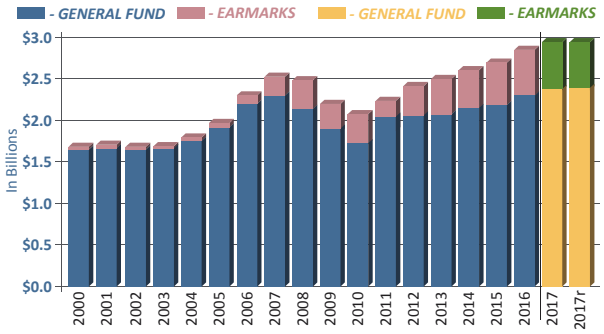


Table 5 - General Fund Earmarks and Set-Asides FY 2017

Earmarks are revenues set aside for a certain purpose. This table includes earmarks from revenues that have historically been deposited into the General Fund. As shown in the table, General Fund sales tax earmarks total about $598 million in FY 2017.

Earmark Item	Statute	Actual FY 2015	Authorized FY 2016	Consensus FY 2016*	% Chg. FY 15 - FY 16*	Consensus FY 2017*	% Chg. FY 16* - FY 17*
Sales and Use Tax							
Transportation:							
Transportation Investment Fund of 2005 (8.3% of sales tax)	59-12-103(8)	183,489	195,798	192,948	5.2%	203,353	5.4%
Transportation Investment Fund of 2005 (30% of growth above FY 11)	59-12-103(8)	126,157	170,534	160,348	27.1%	197,955	23.5%
Transportation Investment Fund of 2005 ($90M)	59-12-103(9)	90,000	90,000	90,000	0.0%	90,000	0.0%
Transportation Fund (1/16%)	59-12-103(6)	32,318	34,450	33,976	5.1%	35,768	5.3%
Transportation Investment Fund of 2005 (0.025% non-food)	59-12-103(11)	11,429	12,212	12,028	5.2%	12,666	5.3%
Transportation Fund (0.025% non-food)	59-12-103(12)	11,429	12,212	12,028	5.2%	12,666	5.3%
Transportation Investment Fund of 2005 (1/64%)	59-12-103(7)	8,080	8,612	8,494	5.1%	8,942	5.3%
Subtotal - Sales and Use Tax Transportation		462,901	523,819	509,822	10.1%	561,349	10.1%
Subtotal - Recommendation After Earmark Reform						551,349	8.1%
Water:							
Water development (94% of $ over $18.15M)	59-12-103(5)(d)	13,318	15,322	14,877	11.7%	16,561	11.3%
Water development (41% of $17.5M)	59-12-103(4)(e)	7,175	7,175	7,175	0.0%	7,175	0.0%
Drinking water (20.5% of $17.5M)	59-12-103(4)(g)	3,588	3,588	3,588	0.0%	3,588	0.0%
Water quality (20.5% of $17.5M)	59-12-103(4)(f)	3,588	3,588	3,588	0.0%	3,588	0.0%
Endangered species (14% of $17.5M)	59-12-103(4)(b)(i)	2,450	2,450	2,450	0.0%	2,450	0.0%
Water rights (6% of $ over $18.15M)	59-12-103(5)(e)	850	978	950	11.7%	1,057	11.3%
Agricultural resource development (3% of $17.5M)	59-12-103(4)(c)	525	525	525	0.0%	525	0.0%
Watershed rehabilitation ($ over $17.5M gen by 1/16%, up to $500K)	59-12-103(5)(b)	500	500	500	0.0%	500	0.0%
Water rights (1% of $17.5M)	59-12-103(4)(d)	175	175	175	0.0%	175	0.0%
Cloud seeding ($ over $18M, up to $150K)	59-12-103(5)(c)	150	150	150	0.0%	150	0.0%
Subtotal - Sales and Use Tax Water		32,318	34,450	33,976	5.1%	35,768	5.3%
Other:							
Qualifed Emergency Food Agency Fund	59-12-103(10)	534	534	534	0.0%	534	0.0%
Subtotal - Sales and Use Tax Other		534	534	534	0.0%	534	0.0%
Subtotal - All Sales and Use Tax Earmarks		495,753	558,802	544,332	9.8%	597,650	9.8%
Subtotal - Recommendation After Earmark Reform						587,650	8.0%
Severance Tax:							
Permanent State Trust Fund (begins FY 2017)	Article XIII, Sec. 5	0	0	0	0.0%	20,782	0.0%
Subtotal - Severance Tax		0	0	0	0.0%	20,782	0.0%
Cigarette Tax:							
Dept. of Health - tobacco prevention and control media campaign	59-14-204(5)(c)(i)	250	250	250	0.0%	250	0.0%
Dept. of Health - tobacco prevention, reduction, cessation, control	59-14-204(5)(c)(ii)	2,900	2,900	2,900	0.0%	2,900	0.0%
University of Utah - Huntsman Cancer research	59-14-204(5)(c)(iii)	2,000	2,000	2,000	0.0%	2,000	0.0%
University of Utah - medical eduation	59-14-204(5)(c)(iv)	2,800	2,800	2,800	0.0%	2,800	0.0%
Subtotal - Cigarette Tax Earmarks		7,950	7,950	7,950	0.0%	7,950	0.0%
Beer Tax:							
Alcohol law enforcement	59-15-109	5,416	5,422	5,422	0.1%	5,436	0.3%
Subtotal - Beer Tax		5,416	5,422	5,422	0.1%	5,436	0.3%
General Fund Set-Asides							
Economic Development - Tax Increment Financing	63M-1-2401	7,261	3,255	3,222	-55.6%	3,255	1.0%
Economic Development - Tourism Marketing Performance Account	63M-1-1406	12,000	18,000	15,000	25.0%	18,000	20.0%
Subtotal - General Fund Set-Asides		19,261	21,255	18,222	-5.4%	21,255	16.6%
Total - General Fund Earmarks		528,380	593,429	575,926	9.0%	653,074	13.4%
Total - Recommendation After Earmark Reform						643,074	11.7%

*Consensus revenue estimates adopted by GOMB and LFA in November 2015

Table 6 - Governor's Education Budget Recommendations

Public Education	One-time	Ongoing	Total
4.75% Basic School Program increase	$0	$130,161,400	$130,161,400
FY 2017 enrollment growth - Minimum School Program (four new programs proposed for growth)	$0	$91,098,000	$91,098,000
FY 2016 enrollment growth - ($17.2M funded with Minimum School Program balances) & educator salary adjustment ($3.7M)	$20,887,300	$0	$20,887,300
Early intervention for at-risk children (from transportation earmark diversion)	$0	$10,000,000	$10,000,000
Teacher supplies	$9,500,000	$0	$9,500,000
Beverly Taylor Sorenson Arts Learning program	$2,750,000	$750,000	$3,500,000
Mitigation of charter school pupil accounting transition	$4,000,000	$0	$4,000,000
Statewide adjustments for state public education employees	$157,100	$812,800	$969,900
Utah Schools for the Deaf and Blind teacher steps and lanes	$0	$460,000	$460,000
USOE accounting and financial - Expand staff and upgrade accounting system to better integrate with FINET	$600,000	$450,000	$1,050,000
Carson Smith Scholarship	$0	$270,500	$270,500
UETN equipment and public education growth	$4,400,000	$0	$4,400,000
Utah Futures	$1,700,000	$0	$1,700,000
STEM Action Center	$3,000,000	$0	$3,000,000
Public Education Subtotal	**$46,994,400**	**$234,002,700**	**$280,997,100**
Higher Education			
2.75% higher education compensation increase (merit-based allocation)	$0	$23,924,900	$23,924,900
Higher education (USHE, UCAT, UETN) health insurance increase	$0	$8,182,700	$8,182,700
USHE Growth - Access and Affordability Funding to Minimize Tuition Increases	$0	$9,205,100	$9,205,100
USHE market demand programs (including aerospace manufacturing program expansion, if institution priority)	$0	$5,000,000	$5,000,000
USHE performance funding	$3,500,000	$2,000,000	$5,500,000
Regents' Scholarship	$8,000,000	$0	$8,000,000
Needs-based completion scholarships	$5,000,000	$0	$5,000,000
Hunstman Cancer Institute	$500,000	$500,000	$1,000,000
UCAT Custom Fit	$500,000	$0	$500,000
UCAT financial aid tracking software	$400,000	$0	$400,000
Utah Debate Commission	$125,000	$0	$125,000
Capital Item - Utah Valley University performing arts building	$30,000,000	$1,168,000	$31,168,000
Capital Item - Salt Lake Community College career & technology education center	$41,500,000	$1,080,000	$42,580,000
Higher Education Subtotal	**$89,525,000**	**$51,060,700**	**$140,585,700**
Grand Total Education	**$136,519,400**	**$285,063,400**	**$421,582,800**

BUDGET & POLICY BRIEF

PUBLIC EDUCATION FUNDING IN UTAH

HIGHLIGHTS

- **$3.3 billion** in total state spending on public education
- **$91 million** for FY 2017 enrollment growth of over 9,700 new students
- **$21 million** for FY 2016 enrollment growth
- **$675 million** in unused local property tax available for operations and capital

OVERVIEW

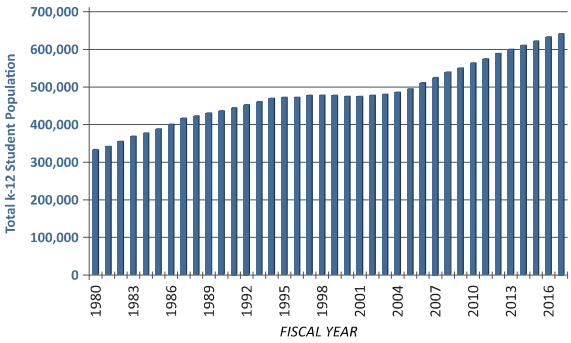
The number of students enrolled in public education is a major driver of public education costs. October 2015 enrollment in Utah's schools exceeded previous estimates and appears to be tied to in-migration that exceeded previous estimates driven by a strong Utah economy that attracts families to the state.

Funding Utah's education needs can be complex; however, the overarching structure of the education funding system is conceptually simple. State and local funding are combined in the Minimum School Program to provide similar educational opportunities to students throughout the state through equalization programs including the statewide Basic School Program and the Voted and Board Levy Guarantee Program. The number and characteristics of students impact funding levels in the various equalization programs. School districts also have the authority to impose property taxes to provide additional funding.

Enrollment Increases. The number of children in Utah's public schools continues to grow. The state's student population reached nearly 634,000 in FY 2016, nearly 3,800 more students than anticipated. This level of enrollment growth suggests an increasing level of in-migration to the state, likely driven by Utah's strong economic condition. Over 9,700 additional students are anticipated to enroll in schools in FY 2017, bringing total estimated enrollment to over 643,600. Combining the increased costs for students in FY 2016 with anticipated FY 2017 enrollment increases results in an anticipated net cost from new revenue of $94.8 million ($91.1 million ongoing and $3.7 million one-time) plus $17.2 million redirected from Minimum School Program nonlapsing balances in FY 2016.

As illustrated in Figures 1 and 2, enrollment has increased significantly over the past decade. While enrollment growth is anticipated to continue for the foreseeable future, the change in internal population growth is expected to grow at a slower pace. However, as was the case in FY 2016, strong increases to Utah's in-migration may offset the slowing rate of internal growth.

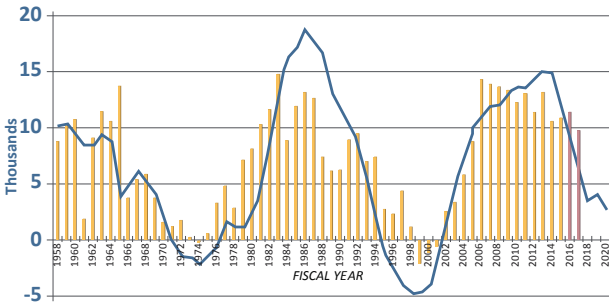
FIGURE 1 – PUBLIC EDUCATION TOTAL ENROLLMENT



Funding new enrollment growth is a major budget driver for the state. The costs associated with annual enrollment growth exceed the entire budget of many state agencies. The Governor's

budget fully funds enrollment growth as historically defined. In addition, the budget adds four new programs to the enrollment growth calculation.

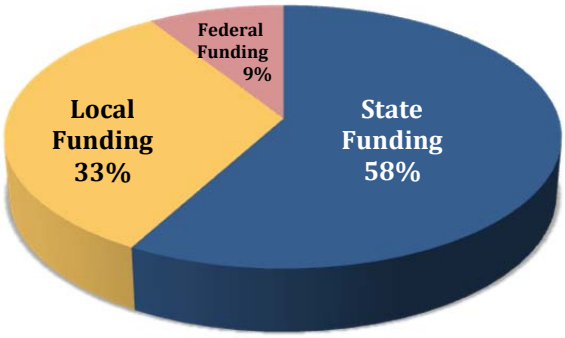
FIGURE 2 – PUBLIC EDUCATION ENROLLMENT GROWTH AND DIFFERENCE IN BIRTHS 5 & 17 YEARS PREVIOUS



Funding Overview. Utah's public education system has a shared state and local governance and funding structure. The legislature and governor exercise oversight of the system by allocating state funds for public education; establishing tax policies that provide the state portion of public education revenues; and by setting broad parameters within which the system operates. The State Board of Education exercises general control and supervision of public education. School district boards impose local property taxes and local school district and charter school boards oversee the delivery of education services.

Total Funding. When total funding sources (state, local, and federal) for all uses are considered, it is estimated that funding for Utah's public education system will total approximately $5.7 billion in FY 2017 or over $8,800 per student. This includes over $3.3 billion in state funds (generally income tax), about $1.9 billion in local funds (generally property tax), and about $500 million in federal funds. Based on these estimates, state funds constitute approximately 58% of total school funding (the exact percentage will vary slightly depending on local funding decisions). About $3.1 billion of the $3.3 billion in state funds flowing through the Minimum School Program, with the remainder in other programs.

FIGURE 3 – STATE, LOCAL, AND FEDERAL FUNDING



WHAT IS THE MINIMUM SCHOOL PROGRAM?

Of the estimated $5.7 billion total in public education funding for FY 2017, approximately $3.9 billion (nearly 70%) falls within the Minimum School Program. The Minimum School Program is comprised of the following three major sub-programs: (1) the Basic School Program, (2) the Voted and Board Levy Program, and (3) the Related-to-Basic Programs. Of the $3.9 billion in Minimum School Program funding, about $800 million comes from a portion of local school property taxes, with the remaining $3.1 billion allocated from state funds.

Basic School Program. The Basic School Program is the largest subprogram within the Minimum School Program and is funded in the Governor's budget at $2.7 billion. These funds are spent by local school boards on local priorities. The Basic School Program, which is a statewide equalization program, comprises about half of all K-12 school funding.

On the revenue side, Utah's statewide income tax system is the main source of state funds for the Minimum School Program. In addition, a uniform property tax rate (the basic levy) is imposed statewide by school districts.

On the spending side, school districts and charter schools receive allocations based on the number of weighted pupil units (WPUs) generated within the school district or charter school multiplied by the value of the WPU. A school district or charter school's WPU amount is generally based on the number of students and the characteristics of those students. For example, a student in grades 1-12 in a school district typically generates 1.0 WPU. A kindergarten student will generate 0.55 of a WPU. Charter school WPUs vary by grade range (K=0.55, Grades 1-6=0.90, 7-8=0.99, 9-12 1.2 WPUs). Additional WPU numbers are generated based on student or other characteristics such as special education students, school district size, or the existence of small rural schools within the district.

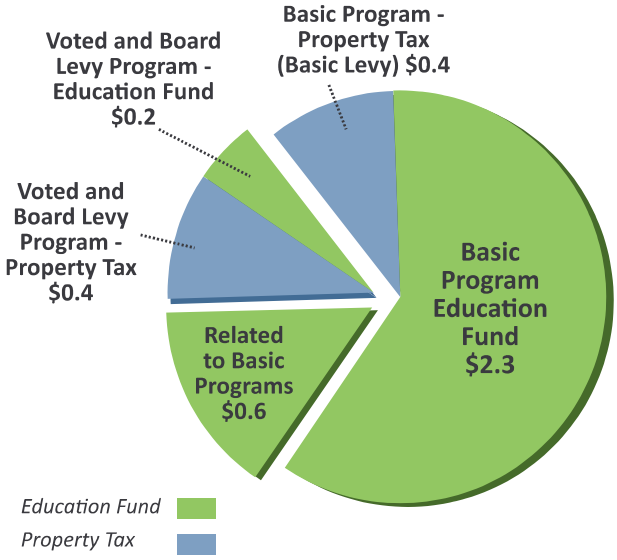
As a result of increased enrollment growth, the Governor's budget funds an increase in the number of WPUs. Increases are also proposed in the Basic School Program as explained in detail in the budget and policy brief on public education priorities.

***Voted and Board Levy Program:* A Partially Equalized Program.** Under the voted and board levy program, the state provides about $188 million of Education Fund revenue to school districts with a comparatively low property tax base per student based on the district's tax effort as measured by the local property tax rate. About $391 million in property taxes are imposed under the voted and board local levy program and are included in the state budget. However, school districts may also impose taxes above the amount included for purposes of the state partial equalization program. The 2015 General Legislative Session included a significant funding effort for this program.

Related to Basic Program. This subprogram is funded with state revenues generally targeted for a specific purpose. Examples include educator salary adjustments, pupil transportation, charter school local property tax replacement funding, and at-risk student funding.

State Funding of Public Education. Public education is by far Utah's largest state-funded program, with about $3.3 billion recommended in FY 2017. This amount equals about half of the state's combined Education Fund / General Fund budget. The Minimum School Program ($3.9 billion) provides a substantially equalized funding structure through the Basic School Program ($2.3 billion state / $400 million local) and the partially equalized Voted and Board Levy Guarantee Program ($180 million state / $390 million local). In addition, the Governor's budget recommends nearly $575 million through the Related to Basic School Program for specific items such as transportation, charter school local property tax replacement, and educator salary adjustments.

FIGURE 4 – MINIMUM SCHOOL PROGRAM FUNDS ($ IN BILLIONS)



As Utah's largest state-funded program, changes affecting education funding that may appear small have major budget implications. For example, it costs a total of $112 million in FY 2016 and 2017 to fund the anticipated growth in the projected number of new public education enrollments (9,700 in FY 2017 plus nearly 3,800 higher than expected in FY 2016).

Local Funding Effort. School districts are authorized to impose five discretionary property tax levies, subject to certain limits, if they choose to provide services above the levels possible with state funding. Local school boards have political accountability to local voters for the use of additional local funds. Charter schools cannot impose property taxes but do receive allocations based on the amount of property tax imposed by local school districts.

As of 2015, school districts will receive about $1.7 billion in property tax, consisting of about $400 million in the mandatory basic levy and about $1.3 billion in discretionary local taxes. Approximately $675 million in local discretionary property tax authority remains available under existing statutory property tax rate caps. This total includes about $265 million in levies for school operations ($125 million board levy and $140 million voted levy) and over $410 million of taxing authority under the capital levy, which can be used for items such as buildings and technology infrastructure.

While unused property tax capacity varies by school district, all districts have unused property tax authority through the board local or voted local levy for operations; the vast majority of districts have unused authority under both levies; and all districts but one have unused authority under the capital levy. Although charter schools cannot impose property taxes, the Charter School Local Replacement Program provides charter schools with an amount equal to the statewide per-pupil average of certain property tax revenues.

Unlike Utah's substantially equalized funding for operations, capital expenses are generally funded at the local level with property taxes or other locally controlled funds. In FY 2016, about $33.2 million is provided to equalize funding for capital infrastructure.

BUDGET & POLICY BRIEF

PUBLIC EDUCATION PRIORITIES

HIGHLIGHTS

- **4.75%** increase (**$130 million**) in locally-controlled funds through the Basic School Program
- **Emphasis on greater resources** for students who lack economic opportunities
- **$91 million** in FY 2017 for enrollment growth of over 9,700 new students
- **$10 million** for early intervention for at-risk children, redirected from General Fund earmarks
- **$9.5 million** for teacher supplies, an increase of $3.5 million
- **$4.4 million** for statewide technology infrastructure through Utah Education and Telehealth Network
- **$21 million** for higher than anticipated FY 2016 enrollment growth
- **$1 billion** funding target over the next five years as part of the 10-year education plan

OBJECTIVE

To develop effective public education policies and funding solutions that ensure:

- significant investments in public education (the Governor recommends $1 billion in new funding over the next five years) to facilitate Utah's goal to be among the top 10 states for student achievement;
- schools have adequate resources to meet the educational needs of a diverse student population;
- meaningful local control over funding that provides the flexibility to meet varying local needs, including providing sufficient basic school program funds for local school boards to provide professional development tailored to unique local needs and to appropriately address technology use at the local level;
- local school board accountability allowing constituents and the state to clearly understand the use of state taxpayer dollars, including transparency of costs as well as student achievement on key metrics; and
- targeted early intervention support for students who lack economic opportunities.

GUIDING PRINCIPLES

- The public education system should not be micromanaged at the state level. Instead, the state should provide flexible resources in concert with a robust accountability system and allow local school boards to prioritize expenditures based on local needs and expected outcomes. Significant data on school performance already exists. Policy makers should take time to understand the existing data while continuing the discussion on how to enhance accountability.
- To ensure the $3.3 billion in state tax revenues (estimated at over $5.7 billion in total revenues) allocated to public education translates to positive outcomes, student achievement should continue to be reported to state policymakers and the public. In addition, further efforts should be taken to promote added visibility into the relationship between cost and outcomes so that state policymakers can better understand the outcomes existing investments are able to purchase and what additional investments may be needed to improve those outcomes. The Governor has convened education experts to analyze this relationship and will continue working with the group over the next year.

- Technology use continues to be a topic of discussion. The public education system includes three types of technology: (1) the statewide technology infrastructure provided by the Utah Education and Telehealth Network (UETN) and funded at the state level; (2) local technology infrastructure which should be funded primarily through locally controlled sources such as Minimum School Program allocations or local property taxes; and (3) specific devices, software, or other student technologies which should also be controlled at the local level and paid for with locally-controlled resources. Local school boards should prioritize student technology purchases against other competing local needs.
- Developing and retaining the best teachers in our schools is a key factor to our long term success. Providing local school districts with resources to invest in professional development was a key factor in deriving the recommended 4.75% WPU increase. This approach allows local districts to build upon strategies they already have in place while also balancing professional development against other critical district needs. Possible training opportunities include embedded professional development such as academic coaching, mentor modeling of differentiated instruction, observation and feedback on instructional techniques, training on the use of data in progress monitoring, etc.
- The state should work together with local school districts in investing the appropriate level of funding to ensure that Utah meets its goal to be among the top 10 states for student achievement in the nation.

BACKGROUND

The state's future prosperity relies on an educated population. Utah's economy continues to gain the attention of major national and international firms that demand highly skilled workers. Educating Utah's young people to meet employer's needs does not happen overnight and will take a consistent and sizable investment over time. Failure to invest in education will hamper Utah's economic growth both now and in the long term. Appropriate education investments will help ensure that firms offering high-paying jobs will continue to be attracted to Utah.

UTAH'S DEMOGRAPHICS ARE CHANGING

Utah's population is becoming increasingly less homogeneous. Utah's education system needs to be responsive to this increasingly diverse student population and better reach those whose conditions in upbringing may create additional learning challenges. Improving life opportunities for low-income children will likely require an increased investment due to the additional resources required to reach students in poverty.

A common measure used to identify low-income households is qualification for free or reduced price lunch under the federal school lunch program. An estimated 185,000 students (29% of all students) in Utah will qualify for free school lunch in the coming school year (income under $31,500 for a family of four). An additional 48,000 students (7% of all students) are estimated to qualify for reduced price lunch (income under $45,000 for a family of four).

The negative impact of poverty on academic performance has been well established, beginning as early as the second year of life and extending through elementary and high school. Poor children, more often than not, show up unprepared for kindergarten compared to their peers from families with an economic advantage. In addition, school readiness has been shown to predict virtually every educational benchmark including test scores, special education placement, likelihood of dropping out, etc.

EARLY INTERVENTION

Early intervention has been shown to narrow the school readiness gap and produce noticeable achievement beyond kindergarten. According to one longitudinal study, high-quality preschool programs for young children living in poverty contribute to their intellectual and social development in childhood and their school success, economic performance, and reduced commission of crime in adulthood.

4.75% INCREASE IN BASIC SCHOOL PROGRAM

In addition to the enrollment growth allocation of $91 million, the Governor's budget includes a 4.75% increase in the Basic School Program, which would increase locally controlled school funding by over $130 million.

The Basic School Program increases are reflected in the budget as a 4.75% increase in the value of the WPU. However, the Governor would also support reforming the structure of the locally controlled Basic School Program to provide a weighting for low-income students. The Governor hopes to work with legislators and stakeholders during the legislative session to create a collaborative solution for appropriately weighting the WPU for low-income students. It is important to note that if this approach were used, the methods of providing instruction to low-income students would be left to local discretion with the funds allocated within the Basic School Program.

Basic School Program funds are controlled at the local level, allowing local decisions related to employee compensation, professional development, and teacher mentoring, technology, and specialized reading and math programs. This local decision-making provides local control, but with that local control comes significant accountability for spending state funds to deliver the expected educational outcomes. Failure to allocate funds in ways that achieve the best educational outcomes undermines legislator confidence in local control and could result in less local financial flexibility over time.

$10 MILLION FOR EARLY INTERVENTION FOR AT-RISK CHILDREN

In addition to the $130 million increase in the basic program, $10 million is proposed to be redirected from sales tax earmarks to focus on early intervention, including expanded kindergarten programs and pre-school for at-risk children. While the funding is reflected in the budget as an increase in the number of kindergarten WPUs, the Governor would also support use of the funds for other types of early intervention, including high-quality preschool programs that enhance school readiness.

PROPOSED SOLUTIONS

Provide significant flexible general purpose funding ($130 million) through **4.75% increase** in the locally-controlled Basic School Program

Allocate $10 million for **early intervention** resources to assist at-risk children

Fully fund **enrollment growth** of 9,700 students ($91 million)

Resist pressures to assume local roles

Finalize **10-year plan** for education

Improve **visibility into education** costs and outcomes

Encourage efforts to **identify efficiencies** to free up resources for students and teachers

Explore opportunities for simplifying and **streamlining funding** to meet current needs

Share best practices across the state

Table 7: Minimum School Program & School Building Program
Governor's Recommendation

A	C	D	E	F	G
	Fiscal Year 2015 Actual	Fiscal Year 2016 Revised		Fiscal Year 2017 Recommended	

Section 1: Total Minimum School Program Revenue

Revenue Sources	Amount		Amount		Amount
A. State Revenue					
1. Education Fund	$2,621,355,700		$2,717,073,400		$2,945,369,300
2. Education Fund, One-time	9,180,000		3,600,000		12,250,000
3. Uniform School Fund	30,000,000		27,000,000		27,000,000
4. Uniform School Fund, One-time	4,000,000		10,000,000		0
5. USF Restricted - Interest & Dividends Account	39,178,700		39,730,000		45,000,000
6. EFR - Minimum Basic Growth Account			56,250,000		56,250,000
B. Transfers to Education Fund, One-time	(58,902,600)		(8,000,000)		0
C. Beginning Nonlapsing Balances	95,958,700		45,953,200		20,779,300
D. Closing Nonlapsing Balances	(46,246,100)		(37,953,200)		(20,779,300)
Subtotal State Revenue:	**$2,694,524,400**		**$2,853,653,400**		**$3,085,869,300**
E. Local Property Tax Revenue					
1. Basic Levy	$296,709,700		$380,172,300		$392,266,800
2. Voted Local Levy	258,867,000		269,043,500		282,607,700
3. Board Local Levy	81,489,000		83,768,600		93,391,000
4. Board Local Levy - Reading Levy	$15,000,000		15,000,000		15,229,500
Subtotal Local Revenue:	**$652,065,700**		**$747,984,400**		**$783,495,000**
Total Revenue:	**$3,346,590,100**		**$3,601,637,800**		**$3,869,364,300**

Section 2: Revenue & Expenditure Details by Program

Part A: Basic School Program (Weighted Pupil Unit Programs)

Primary WPU Value :	***$2,972***		***$3,092***		***$3,239***
Add-on WPU Value :	***$2,726***		***$2,837***		***$2,972***
Basic Tax Rate:	***0.001419***		***0.001736***		***0.001695***
Revenue Sources	**Amount**		**Amount**		**Amount**
A. State Revenue					
1. Education Fund	$2,064,738,300		$2,125,931,500		$2,304,452,800
2. Education Fund, One-time	(4,000,000)		(10,000,000)		0
3. Uniform School Fund	30,000,000		27,000,000		27,000,000
4. Uniform School Fund, One-time	4,000,000		10,000,000		0
B. Local Property Tax Revenue - Basic Levy	296,709,700		380,172,300		392,266,800
C. Transfers to Education Fund, One-time	(54,504,000)		0		0
D. Beginning Nonlapsing Balances	72,978,000		22,228,200		5,054,300
E. Closing Nonlapsing Balances[1] [2]	(22,521,100)		(22,228,200)		(5,054,300)
Total Revenue:	**$2,387,400,900**		**$2,533,103,800**		**$2,723,719,600**
Expenditures by Program	**Amount**	**WPUs**	**Amount**	**WPUs**	**Amount**
A. Regular Basic School Program					
1. Kindergarten[3]	$86,827,000	28,319	$87,562,300	30,616	$99,166,400
2. Grades 1-12	1,636,190,200	562,824	1,740,251,800	576,803	1,868,264,900
3. Necessarily Existent Small Schools	28,164,800	9,357	28,931,800	9,357	30,307,300
4. Professional Staff	156,768,900	53,751	166,198,100	55,577	180,013,900
5. Administrative Costs	4,294,500	1,505	4,653,500	1,490	4,826,100
Subtotal:	**$1,912,245,400**	**655,756**	**$2,027,597,500**	**673,843**	**$2,182,578,600**
B. Restricted Basic School Program					
1. Special Education - Regular - Add-on WPUs	$198,141,500	75,134	$213,155,100	77,514	$230,371,600
2. Special Education - Regular - Self-Contained	42,314,800	13,925	43,056,100	13,940	45,151,700
3. Special Education - Pre-School	28,951,000	9,878	30,542,800	10,238	33,160,900
4. Special Education - Extended Year Program	1,268,000	429	1,326,500	429	1,389,500
5. Special Education - State Programs	8,074,300	3,258	10,073,700	3,322	10,760,000
Subtotal:	**$278,749,600**	**102,624**	**$298,154,200**	**105,443**	**$320,833,700**
6. Career & Technical Education - District Add-on	$80,622,700	30,085	$85,351,100	30,545	$90,779,700
7. Class Size Reduction	$115,783,200	39,457	$122,001,000	39,990	$129,527,600
Subtotal:	**$475,155,500**	**172,166**	**$505,506,300**	**175,978**	**$541,141,000**
Total Expenditures:	**$2,387,400,900**	**827,922**	**$2,533,103,800**	**849,821**	**$2,723,719,600**

Table 7: Minimum School Program & School Building Program
Governor's Recommendation

A	C	D	E	F	G
	Fiscal Year 2015 Actual	Fiscal Year 2016 Revised		Fiscal Year 2017 Recommended	
		T H E L I N E			
Part B: Related to Basic School Program					
Revenue Sources	**Amount**		**Amount**		**Amount**
A. State Revenue					
1. Education Fund	$480,121,600		$491,622,500		$517,500,300
2. Education Fund, One-time	13,180,000		13,600,000		12,250,000
3. USF Restricted - Interest & Dividends Account	39,178,700		39,730,000		45,000,000
B. Transfers to Education Fund, One-time	(4,398,600)		(8,000,000)		0
C. Beginning Nonlapsing Balances	17,178,900		23,725,000		15,725,000
D. Closing Nonlapsing Balances	(23,725,000)		(15,725,000)		(15,725,000)
Total Revenue:	**$521,535,600**		**$544,952,500**		**$574,750,300**
Expenditures by Program	**Amount**	**Changes**	**Amount**	**Changes**	**Amount**
A. Related to Basic Programs					
1. To and From School Pupil Transportation	71,978,000		75,830,200	4,762,100	80,592,300
2. Guarantee Transportation Levy	500,000		500,000	7,700	507,700
3. Flexible Allocation - WPU Distribution[4]	23,106,600		23,106,600	2,800,000	25,906,600
Subtotal:	**$95,584,600**	**$0**	**$99,436,800**	**$7,569,800**	**$107,006,600**
B. Special Populations					
1. Enhancement for At-Risk Students	24,249,100		25,681,000	1,612,800	27,293,800
2. Youth-in-Custody	19,622,700		20,974,500	1,317,200	22,291,700
3. Adult Education	9,536,600		10,303,400	647,100	10,950,500
4. Enhancement for Accelerated Students	4,424,700		4,557,500	286,200	4,843,700
5. Concurrent Enrollment	9,270,600		9,766,700	613,300	10,380,000
6. Title I Schools in Improvement - Paraeducators	300,000		300,000	4,600	304,600
Subtotal:	**$67,403,700**	**$0**	**$71,583,100**	**$4,481,200**	**$76,064,300**
C. Other Programs					
1. School LAND Trust Program	39,178,700		39,730,000	5,270,000	45,000,000
2. Charter School Local Replacement	102,030,200		99,946,200	14,809,800	114,756,000
3. Charter School Administrative Costs	6,146,400		6,741,000	722,700	7,463,700
4. K-3 Reading Improvement Program	15,000,000		15,000,000	229,500	15,229,500
5. Educator Salary Adjustments	163,381,000	3,713,400	167,094,400	3,713,400	167,094,400
6. Teacher Salary Supplement Restricted Account	5,850,900		6,553,600		6,553,600
7. Library Books & Electronic Resources	524,700		850,000		850,000
8. Matching Fund for School Nurses	882,000		1,002,000		1,002,000
9. Critical Languages & Dual Immersion	2,315,400		2,915,400		2,915,400
10. Year-Round Math & Science (USTAR Centers)	6,222,200		6,200,000		6,200,000
11. Early Intervention	7,500,000		7,500,000	114,800	7,614,800
12. Beverley Taylor Sorenson Arts Learning Program	2,000,000		4,000,000	750,000	4,750,000
13. Public Education Job Enhancement	202,700				
Subtotal:	**$351,234,200**	**$3,713,400**	**$357,532,600**	**$25,610,200**	**$379,429,400**
D. One-time Funding Items					
1. Teacher Supplies & Materials	5,000,000		6,000,000	9,500,000	9,500,000
2. Beverley Taylor Sorenson Arts Learning Program	2,313,100		2,500,000	2,750,000	2,750,000
3. Civics Education - State Capitol Field Trips			150,000		
4. K-12 Digital Literacy			5,000,000		
5. School Library Books & Electronic Resources			750,000		
6. Special Education - Intensive Services			2,000,000		
Subtotal:	**$7,313,100**	**$0**	**$16,400,000**	**$12,250,000**	**$12,250,000**
Total Expenditures:	**$521,535,600**	**$3,713,400**	**$544,952,500**	**$49,911,200**	**$574,750,300**

Table 7: Minimum School Program & School Building Program
Governor's Recommendation

A	C	D	E	F	G
	Fiscal Year 2015 Actual	Fiscal Year 2016 Revised		Fiscal Year 2017 Recommended	
Part C: Voted & Board Local Levy Programs					
Revenue Sources	**Amount**	**Changes**	**Amount**	**Changes**	**Amount**
A. State Revenue					
1. Education Fund	76,495,800		$99,519,400		$123,416,200
2. EFR - Minimum Basic Growth Account			$56,250,000		$56,250,000
B. Local Property Tax Revenue					
1. Voted Local Levy	258,867,000		269,043,500		282,607,700
2. Board Local Levy	81,489,000		83,768,600		93,391,000
3. Board Local Levy - Reading Improvement Program (5)	15,000,000		15,000,000		15,229,500
C. Beginning Nonlapsing Balances (1)	5,801,800		0		0
D. Closing Nonlapsing Balances	0		0		0
Total Revenue:	**$437,653,600**	**$0**	**$523,581,500**	**$0**	**$570,894,400**
Expenditures by Program			**Amount**	**Changes**	**Amount**
Guarantee Rate (per 0.0001 Tax Rate per WPU): (6)	***$27.36***		***$35.55***		***$38.54***
A. Voted and Board Local Levy Programs					
1. Voted Local Levy Program	326,340,200		$392,419,300		$427,474,400
2. Board Local Levy Program	96,313,400		116,162,200		128,190,500
3. Board Local Levy - Reading Improvement Program	15,000,000		15,000,000	229,500	15,229,500
Total Expenditures:	**$437,653,600**		**$523,581,500**	**$229,500**	**$570,894,400**
Total Minimum School Program Expenditures:	**$3,346,590,100**		**$3,601,637,800**		**$3,869,364,300**

Section 3: School Building Programs (Not Included in MSP Totals Above)

Revenue Sources	**Amount**		**Amount**	**Changes**	**Amount**
A. State Revenue					
1. Education Fund	$14,499,700		$14,499,700		$14,499,700
2. Education Fund, One-time	$0		$0		$0
3. EFR - Minimum Basic Growth Account	$0		$18,750,000		$18,750,000
Total Revenue:	**$14,499,700**		**$33,249,700**		**$33,249,700**
Expenditures by Program			**Amount**		**Amount**
A. Capital Outlay Programs					
1. Foundation	$12,610,900		$27,610,900		$27,610,900
2. Enrollment Growth	$1,888,800		5,638,800		5,638,800
Total Expenditures:	**$14,499,700**		**$33,249,700**		**$33,249,700**

Governor's Office of Management & Budget ***Date Modified:*** ***12/4/2015***
12/7/2015 8:27

Notes:

1. USOE transferred $262,800 from the FY15 closing nonlapsing balance to the Voted & Board Local Levy Programs to shore them up. USOE also transferred $30,100 to the Youth in Custody and the To and From School Pupil Transportation programs to correct FY14 errors.
2. FY16 enrollment exceeded the Common Data Committee's projection by approximately 3,800 students. The result is an appropriation shortfall of $17,173,900. The Governor recommends that current nonlapsing balances in the Basic School Program be used to fund the shortfall.
3. The Governor recommends increasing the appropriation for the Kindergarten program by $10,000,000 to be used for early intervention (e.g., Optional Extended Day Kindergarten). The WPU count Includes an additional 3,087.37 WPUs. The Governor recommends increasing this to $50,000,000 over the next five years.
4. During the 2015 General Session an additional $2,800,000 of ongoing funding was appropriated to the Flexible Allocation program in FY16; the funding was pulled back on a one-time basis.
5. The FY17 increase reflects the requisite local funding match for the recommended funding growth in the K-3 Reading Improvement Program.
6. The FY16 rate listed is that needed to both fully implement SB97 and distribute the FY16 growth funding. The current statutory rate is $33.27, which resulted when the rate in SB97 superseded that in 53A-17a-133 without providing for growth.

BUDGET & POLICY BRIEF

POST-SECONDARY EDUCATION

HIGHLIGHTS

- **$9.2 million** to maintain access and affordability as enrollment grows
- **$5 million** for needs-based completion scholarships to help more students graduate
- **$5.5 million** for performance-based funding for the state's higher education institutions
- **$5 million** for market demand-based higher education programs
- **$8 million** for Regents' Scholarship
- **$900,000** for Utah College of Applied Technology, including Custom Fit
- **$6.1 million** for Utah Education and Telehealth Network
- **$74 million** for new building construction and operation and maintenance funding
- **$32 million** for compensation (including 2.75% for merit-based employee wage increases and health insurance)
- **$275 million** funding target over the next five years as part of the 10-year education plan

OBJECTIVE

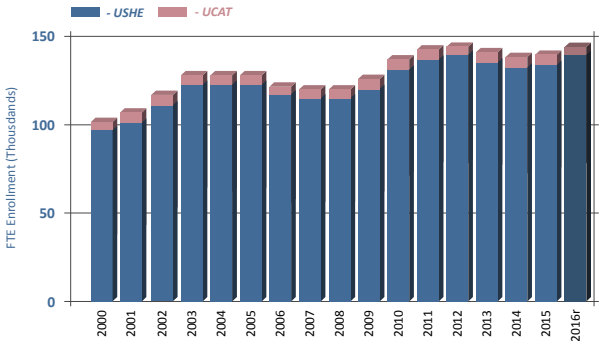
To support the state goal of 66% of Utah's workforce attaining a post-secondary degree or certificate by:

- increasing the graduation / completion rate;
- ensuring affordability for students at all economic levels;
- providing access and infrastructure for first generation and nontraditional students; and
- improving the alignment between graduate skills and workforce needs.

BACKGROUND

In the 21st century, a dynamic economy requires an educated population. Education drives innovation, attracts employers looking to fill high-skilled jobs, and provides for a higher quality of life. Higher education levels correspond to higher average income and lower levels of government dependence. Post-secondary education is one of the largest programs funded in the state budget, constituting about 17% of the combined Education Fund and General Fund budget.

FIGURE 1 – HIGHER EDUCATION ENROLLMENT



Utah has two major post-secondary education systems—the Utah System of Higher Education (USHE) and Utah College of Applied Technology (UCAT).

The eight USHE institutions include the University of Utah, Utah State University (including USU Eastern), Weber State University, Southern Utah University, Utah Valley University, Dixie State University, Salt Lake Community College, and Snow College.

After a slight decline in recent years, USHE projects a continued increase in total enrollment to about 183,000 in FY 2016, or about 136,000 annualized full-time equivalent students. USHE granted approximately 31,000 degrees in FY 2015,

an increase of roughly 3,300 from FY 2011 (see Figure 2).

FIGURE 2 – NUMBER OF DEGREES BY INSTITUTION

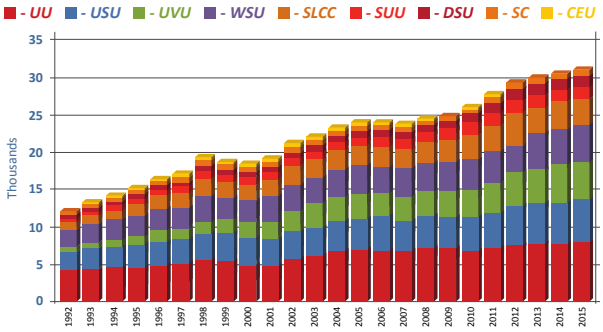
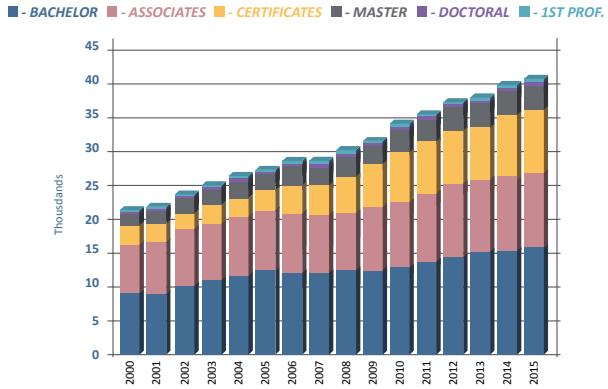


FIGURE 3 – HIGHER EDUCATION COMPLETIONS BY TYPE



The eight UCAT institutions include Bridgerland, Ogden-Weber, Davis, Tooele, Mountainland, Uintah Basin, Southwest, and Dixie ATC. UCAT currently serves about 36,000 students, including high school, occupational upgrade, certificate seeking, and other post-secondary training students. UCAT awarded approximately 8,300 certificates in FY 2015, including approximately 7,600 full program certificates and approximately 750 occupational skills certificates. As detailed in a recent audit, care should be taken to distinguish the various types of certificates issued by UCAT, as well as USHE institutions, to ensure clarity about the skill levels students are achieving.

The Utah Education and Telehealth Network provides the technology infrastructure to connect education and health care entities statewide.

ACCESS AND AFFORDABILITY

Access and affordability are key issues for post-secondary education. Although Utah has some of the lowest tuition nationally, tuition has been increasing at a higher rate than overall inflation. Along with the challenges associated with a changing demographic that includes a higher proportion of first-generation and lower-income college students, tuition increases create challenges for students who struggle to pay for college or who may not be aware of the educational and financial aid options available.

Funding for post-secondary education comes from state and federal funds, endowment funds, and tuition. Tuition payments can be paid directly by the student or through scholarships, grants, and student loans. Between 2008 and 2014 the number of students awarded Federal Pell grants nearly doubled from 57,370 to 114,260 and award amounts increased by 187% for the same period.

Increasing tuition costs have also led many students to increasingly turn to student loans. In FY 2014, federal student loans and Pell Grants in Utah totaled $1.28 billion. Student loans comprised 67%, or $820 million of the total. Student loans represent an increasing source of household debt that could create a long-term drag on the economy.

In response to the increases in tuition and to encourage more students to complete their post-secondary education, the Governor's budget includes $5 million for a new needs-based completion scholarship.

HIGHER EDUCATION GUIDING PRINCIPLES

- Improve **the degree** completion rates of higher education students.
- Focus on ways to deliver education more **economically** and provide access to additional funding for students.
- Develop mechanisms to support post-secondary education access and success for **non-traditional** students.
- Incentivize **education innovation** in order to explore new models for delivering post-secondary education.
- Offer programs that meet the workforce demands of **high-wage industries.**

PROPOSED SOLUTIONS

- To ensure desired outcomes, provide $9.2 million for increased enrollment and $5.5 million in USHE performance-based funding contingent on demonstrable improvements in meaningful performance measures—correlated with each institution's distinct mission—including the number of overall degrees and degrees for first generation or disadvantaged students.
- Provide $5 million for needs-based completion scholarships to help more students graduate.
- Provide $900,000 to UCAT for the Custom Fit program and to provide financial aid tracking software.
- Provide $32.1 million for employee compensation, including $23.9 million in flexible merit-based compensation funding to USHE, UCAT, and UEN to help in retaining highly qualified employees.
- Provide $8 million for the Regents' Scholarship.
- Provide funding for a performing arts building at Utah Valley University ($30 million) and a career and technical education building at Salt Lake Community College ($41.5 million) as well as additional funding ($2.3 million) for the operation and maintenance of the two new buildings.
- Provide $6.1 million for the Utah Education Network to improve existing infrastructure and expand capacity.
- Continue to work with USHE and individual institutions to explore more detailed levels of data to better understand the net out-of-pocket cost of higher education for students (after scholarships and grants), ensure that post-secondary education remains affordable, and assist policy makers in gaining a better understanding of how to best fund the system.
- Look for opportunities for shared resources to improve system-wide efficiency, including supporting USHE cybersecurity consolidation through a redirection of existing IT security resources.

BUDGET & POLICY BRIEF

WATER

HIGHLIGHTS

- **$6 million** (including $4 million General Fund) to collect data and study water use throughout the state
- **$460,000** to improve water data reporting processes
- **$300,000** to invest in technology to improve state facility water conservation
- **$300,000** for water conservation advertising and rebates
- **$523,000** for water rights adjudication to improve water rights certainty
- **$800,000** to help ensure safe drinking water
- **$130,000** for an inventory of canals

OBJECTIVE

To develop water funding policies and mechanisms that ensure:

- the State of Utah maintains a financial role that is fiscally prudent and sustainable;
- a sufficient, safe, and reliable supply of water meets appropriate usage levels for a growing population and balances residential, commercial, recreational, agricultural, and environmental uses;
- Utah's limited water resources are wisely being used;
- an appropriate alignment exists between the costs of water and the use of water;
- the water quality of our lakes, rivers, and streams is protected; and
- policymakers make informed financial decisions regarding water based on accurate and reliable data.

BACKGROUND

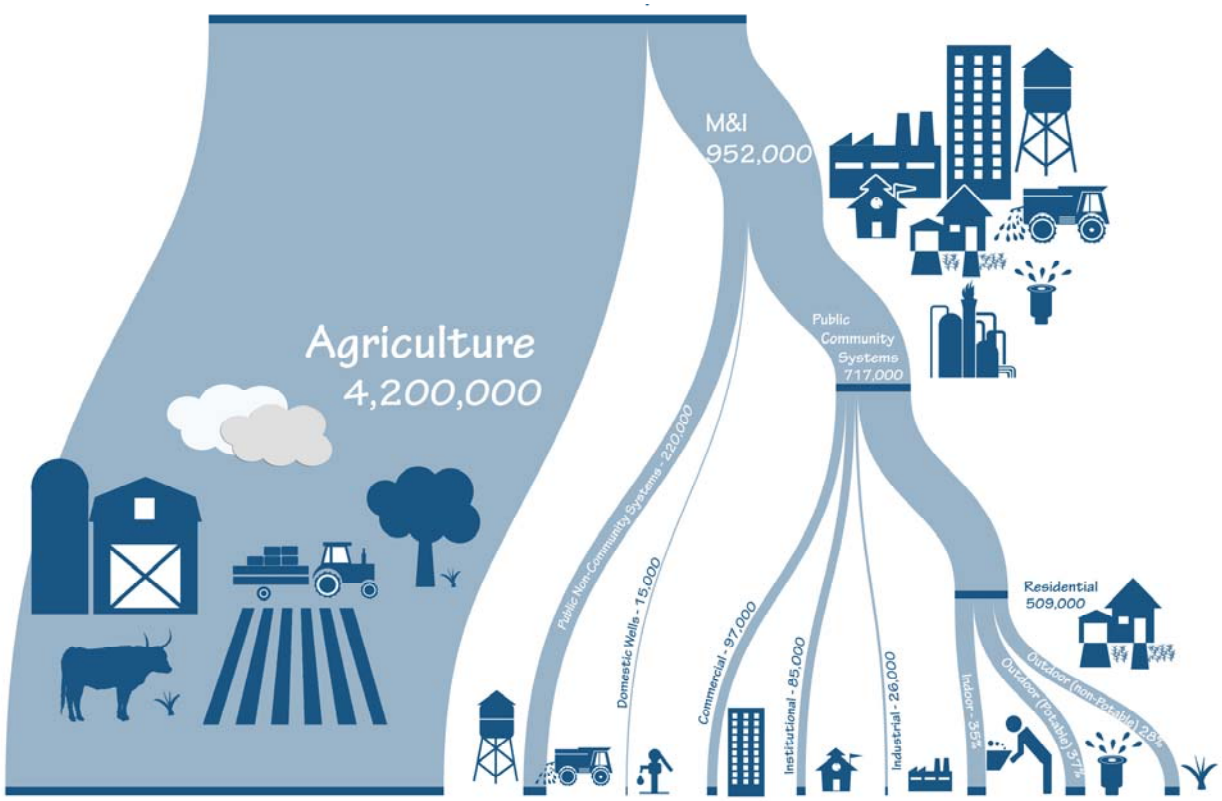
As one of the driest states in the country, water is always a topic of concern within Utah. Although the state as a whole is very dry, most of Utah's major population centers enjoy favorable circumstances with higher precipitation rates than the state average and close proximity to mountains and their even higher precipitation and snowpack. Snowpack offers a clean, annually renewed water source that is largely delivered by gravity to the state's major population centers. Some projections suggest future changes in weather patterns and precipitation could affect snowpack.

WATER USE

Figure 1 shows the distribution of diverted water in Utah. Diverted water is generally categorized into agricultural water (estimated 82%) and municipal and industrial (M&I) water (estimated 18%). Of the 18% of diverted water that is M&I, an estimated 3.5% of the statewide total is residential indoor use; 6.5% residential outdoor use; 2.5% commercial and industrial use; 1.5% institutional use (such as governments and schools); and 4% public non-community use, which includes certain industrial uses.

Recognizing that water use data reporting among states is imperfect and sometimes based on inconsistent methodologies, the U.S. Geological Survey indicates that Utah has the highest per capita M&I water use in the nation. The State of Utah should continue to push for better data that provides for better water use comparisons within Utah and among other states.

FIGURE 1 – WATER DISTRIBUTION IN ACRE FEET PER YEAR



Looking to the future, policymakers should take a comprehensive view of water and seek to improve the efficient use of water across the board. Recognizing that any change must protect existing water rights and include proper economic incentives, relatively minor percentage increases in agricultural efficiency could have a dramatic impact to water use overall.

For example, a true 5% efficiency increase in agricultural water use (after return flow) could provide an amount equal to current statewide indoor water use. The ability to shift this agricultural water use to M&I use would depend on the geographic location, with some water being cost prohibitive to move to other locations. In addition, as agricultural land is converted to residential and commercial uses, the water is generally converted to M&I use.

WATER INFRASTRUCTURE

The State of Utah itself does not own major water delivery infrastructure. Rather, water has historically been a local responsibility, generally through local government entities and some private providers. Local water wholesalers and water retailers develop water sources and deliver water to the end user. In some cases, local water providers have neglected to build sufficient revenues into their water prices to cover the repair and replacement of infrastructure—one of the several reasons for Utah's low water rates. Another reason is the practice of using property taxes (rather than user fees) to pay for a portion of water costs.

Future population growth and local repair and replacement costs will likely result in increased future water costs. The easiest and least

expensive water development projects have already been completed. Future projects will be very costly due to the nature of the projects themselves, as well as increased environmental review and permitting processes.

With Utah's projected population growth in mind, policymakers, water providers, and water users must work together toward solutions that lead to much greater conservation of existing developed water; use existing infrastructure more efficiently; and develop future water in ways that are fiscally and environmentally sustainable.

Assuming that current water usage levels continue as-is or only minor additional conservation occurs, the demand for M&I water is projected to exceed supply over the coming decades as Utah's population continues to grow. Utahns have an important choice to make about water use. The need for additional water supply at some point is a given; however, the timing of water system development varies dramatically depending on changes in water usage. Increased conservation could delay major development projects for decades while the failure to conserve water will lead to accelerated building schedules and their associated increased costs sooner.

As previously mentioned, the U.S. Geological Survey indicates that Utah has the highest per capita M&I water use in the nation, even though Utah's water use has been estimated to be 18% lower than the reported water use in a 2000 report commonly used as a benchmark. Some existing projections assume little to no improvement in the efficient use of water after 2025. If Utah's water were used more efficiently, the need for costly water development projects could be postponed for decades. However, if water use continues as-is or there are only minor additional conservation efforts put into place, Utah will likely need to develop costly water supply systems in the near term.

Currently, about $36 million is earmarked from state sales tax for water—an amount that automatically increases with an increase in sales tax revenues.

WATER CONSERVANCY DISTRICT FUNDING REQUEST

Considering current per-capita usage, projected population growth, and the condition of infrastructure, a group representing large water conservancy districts has identified $33 billion in water projects they believe should be built in the state over the next 45 years ($18 billion in repair and replacement projects and $15 billion in new projects). In some cases, a fair amount of detail has been provided on the projects while in other cases minimal detail is available. Given the very long time period for these estimates, the dollar amounts provided should be considered a very rough approximation of future water project costs.

Under the water conservancy district proposal, existing local revenues would cover some of the projects and new local revenues in the form of property taxes or user fees would also be required to cover all future water projects identified. The proposal also suggests that state tax revenues cover roughly $12 billion of the estimated $33 billion.

Although the requested General Fund amount for this year is currently at $35 million, the original plan called for $100 million of ongoing revenue to be allocated for these projects and it is likely that similar large dollar amounts will be pursued in the future.

Under the water conservancy district proposal, the State of Utah would allocate state General Fund tax revenues and issue state bonds to pay for billions of dollars in major water development projects. The State of Utah would pay for all project costs up front, with repayments to the state delayed to

begin from one to ten years after completion of construction, depending on when water is supplied. Given the state's 20 year bonding limit on general obligation bonds, this means that state taxpayers would largely pay for the bond prior to full annual repayment to the state beginning.

The Lake Powell Pipeline Act (enacted in 2006) and the Bear River Development Act (enacted in 1991) indicate that the projects are subject to future funding decisions. Under the acts, once projects are built, and repayments to the State of Utah begin, full repayment would not be reached for over 50 years. Repayments for 70% of the project costs would be made within 50 years after local entities take water that was contracted for prior to construction. However, the remaining 30% of project costs are completely open-ended, meaning no set time period is in place for repayment to the state, although this portion of the water must be repaid within 50 years after the water is taken. Repayments to the state would be made at an indeterminate interest rate, which could be less than the state's borrowing costs. Under the proposal, the State of Utah's General Fund would never be repaid and the ongoing allocation of tax revenues would create a permanent sizable state taxpayer subsidy for water development.

The request of the conservancy districts is essentially for the State of Utah to assume the role of financing water projects which was previously filled by the federal government. It should also be recognized that allocating state tax revenues for major water development projects constitutes a massive expansion of the state's role. Unlike the federal government, the State of Utah balances its budget. This means that this type of major funding expansion would ultimately affect other state-funded programs (in particular education) or future tax levels.

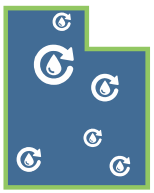
Out of respect to the taxpayer, it is recommended that the State of Utah only allocate very scarce General Fund resources to financing major water projects after all other alternatives are exhausted (similar to how other budget requests are treated) and the significant concerns raised in the recent legislative audit on water are resolved. Of particular concern is the current pressure to the General Fund in meeting core existing state government functions.

Prior to undertaking a major expansion to the state's role in water project funding, the following minimum conditions should be met:

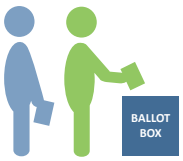
Better water data and data reporting

New and meaningful water conservation targets

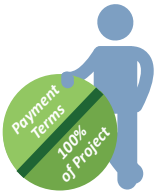
Independent validation



Local funding effort and increased emphasis on user fees



Transparency and local voter engagement



Appropriate financing and repayment terms

The details of these minimum conditions include:

- Better water data and data reporting prior to any state financing or funding, including universal metering of water in all areas that would receive state-funded water and three years of data reporting of water usage under new state reporting standards to be implemented in 2016.
- Building upon previous efforts, the implementation of new and meaningful water conservation targets that strongly emphasize improved water conservation, including reductions of government water use.
- Independent validation, including a comprehensive price elasticity and repayment feasibility study, reporting of water use data in CAFRs, and independent validation of project costs.
- Local funding effort and increased emphasis on user fees, including local conservancy districts paying up front for a meaningful portion of the project itself (for example, the federal government required a 35% local contribution on recent projects); water rates that reflect a local water user effort demonstrating a strong local commitment when compared with the water rates of other state taxpayers that will be paying to finance the projects and that fund needed local repair and replacement projects; and movement away from property taxes in favor of user fees for water (which will enhance economic incentives for conservation).
- Transparency and local voter engagement through public processes, including public hearings disclosing projected water rate increases and a local vote agreeing to the project and associated state repayment, including needed rate increases.
- Appropriate financing and repayment terms, including all interest capitalized into the loan; an interest rate set in statute that reflects the state's borrowing costs (given the long repayment period, either adjusting for inflation or adjusting over time to reflect the state's latest borrowing rate); set repayment period for 100% of the project costs; payments that at least partially begin concurrently with the state's bond repayment; and repayment directly to the state General Fund rather than a revolving loan fund so that the legislature has the ability to prioritize each water project against other state priorities.

Recognizing that the projects are not currently funded and that current statutes will require changes, ongoing discussions will be needed to ensure appropriate terms are put in place prior to the state allocating additional funds for these purposes. The Governor recognizes the positive efforts of stakeholders to date in encouraging conservation, striving for improved water use data, and planning for the future and welcomes the opportunity to continue to work together to find solutions that meet the appropriate water needs of a growing population in a fiscally prudent and conservative way.

GUIDING PRINCIPLES

- The State of Utah should take a comprehensive view of water management. Policies and strategies must be developed or better implemented to encourage all water users (residential, commercial, agricultural, and government) to conserve water. Strategies include enhanced public education, meaningful price signals, use of emerging water-saving technologies, increasing wastewater reuse, encouraging water-wise landscaping, and the elimination of conservation barriers in local and state laws. Solutions should recognize the increasing value of limited water resources as growing demands stress existing supply and maximize the efficient use of existing water infrastructure and supplies.
- Better data and greater transparency into water usage and funding sources to help

policymakers and consumers make informed decisions on how best to use and conserve water. Better information and market price signals such as user fees will allow market forces to influence the use and conservation of water.

- Local governments should implement plans to locally fund the repair and replacement of local infrastructure, in particular when receiving any state taxpayer funding or financing. The State of Utah should adjust its policies to remove any obstacles, real or perceived, to local entities setting aside funds to repair and replace their water infrastructure.
- Funding responsibility should increasingly shift to end users. State involvement should be prudent and fiscally sustainable. Further earmarks should not be used. When state funds are provided to assist water development, local recipients should meet basic criteria such as planning, maintenance, appropriate rate structuring, and conservation to advance the state's overall water goals. The state should continue to support conservation strategies and education.
- The state water engineer must have the administrative and legal tools sufficient to efficiently enforce water rights law. The state should improve its water right adjudication process to clarify which water rights are valid and bring more certainty and speed to water transactions.
- Increased use of private financing sources for water development projects should be encouraged.

BUDGET RECOMMENDATIONS

- $6 million one-time, including $4 million General Fund, to collect data and study water use throughout the state, including advanced metering to measure water use in selected areas
- $460,000 ($320,000 ongoing and $140,000 one-time General Fund) to improve water data reporting processes from local government to state agencies so that policymakers have better information available to make major financial decisions
- $300,000 one-time to invest in water-wise technology to improve water conservation at state facilities
- $300,000 one-time from an increase in the water conservation earmark for water conservation advertising campaigns and rebates
- $523,000 ($375,000 ongoing to include $100,000 from water earmark increase and $148,000 one-time) for water rights adjudication to improve certainty around water rights
- $800,000 to help ensure safe drinking water
- $130,000 to finalize an inventory of canals in the state

BUDGET & POLICY BRIEF

AIR QUALITY

HIGHLIGHTS

- **$500,000** in grants to encourage replacement of pollution-emitting equipment in homes and small businesses
- **$6.2 million** for technical support center to improve air quality monitoring
- **$700,000** to complete active transportation corridor along Jordan River Parkway
- **$424,000** ongoing and **$2.2 million** one-time for monitoring and compliance
- **$250,000** for air quality research

OBJECTIVE

To find practical, effective, and fiscally prudent solutions to improve Utah's air quality in support of:

- Healthy Utahns
- An attractive atmosphere for business and visitors
- A quality of life that is unsurpassed

BACKGROUND

Over the past decade, Utah's overall air quality has improved despite a growing population and economy. Between 2002 and 2011 (the most recent data available), the population of the four most populated Wasatch Front counties increased by over 350,000 people (a 20% increase). During the same period of time, total emissions from those counties declined from 791,063 tons to 515,346 tons–a 35% total reduction and a 45% per capita reduction.

Despite these improvements, for the health of the people of Utah and to meet the more stringent standards established by the Environmental Protection Agency (EPA), Utah must continue to improve its air quality. These stronger standards, coupled with expanding media attention, have augmented awareness and concern among Utah citizens and air quality is ranked as one of the top concerns for Utah residents. The increased focus on air quality has also been instrumental in educating residents about the need for individual efforts to improve air quality.

The state has taken significant action in recent years to improve air quality. We have required industrial sources to install stringent new control technology, passed nearly 30 new regulations

POPULATION VS. EMISSIONS

Between 2002 and 2011

2002

Between 2002 and 2011, population in the 4 most populated Wasatch Front counties increased by over 350,000 people (a 20% increase).

AS POPULATION WENT UP EMISSIONS WENT DOWN

2011

During the same period of time, total emissions from those counties declined from 791,063 tons to 515,346 tons–a 35% total reduction and a 45% per capita reduction.

addressing large categories of emissions, launched public education campaigns, created incentives for consumers to purchase cleaner vehicles, implemented travel-reduction plans, funded meaningful research efforts to improve our understanding of Utah's unique challenges, and much more. The Governor's Clean Air Action Team has identified other meaningful strategies to clean our air. In addition, state government has implemented changes that have already reduced emissions from its own passenger vehicle fleet by 6% with additional reductions likely over time. Other agencies have installed electric vehicle charging stations and improved facilities for bike commuters. State employees also maintain a steady average of over 50,000 transit trips per month.

While great strides have been made, there is more to be accomplished. Utah's unique topography, climate, and air chemistry exacerbate air pollution during certain times of the year. While ongoing research efforts have been effective, a greater understanding of the causes and effects of Utah's air pollution is needed to determine and fine-tune the most appropriate, effective, and cost-efficient mechanisms to improve Utah's air quality.

Additionally, as technology continues to reduce vehicle emissions, a greater percentage of emissions will come from area sources – emissions produced by heating our homes and businesses, for instance. As our population grows, these area sources will continue to increase - eventually becoming the dominant source of emissions if current trends continue. In order to meet health standards, it will be necessary to explore options to reduce emissions of current and future buildings and improve energy efficiency.

GUIDING PRINCIPLES

- All sources of air pollution—from large industry to individual residents—must reduce emissions. An estimated 87% of Utah's winter air pollution comes from mobile and local area sources (such as vehicles, homes, consumer products, and small businesses). Most of our problem, therefore, is the result of the myriad decisions we make in our individual lives. Air pollutants do not respect jurisdictional boundaries and spread throughout the region. In short, all contribute to the problem and all are affected by the problem. As such, everyone must be involved and contribute to the solutions. State government can and must play a significant role; however, government cannot unilaterally solve the problem—everyone must bear some of the burden.
- Air, like food and water, is a vital element for sustaining human life. Contaminants directly impact overall health. Solutions must recognize the critical nature of this common resource and public health priority.
- Utah's unique challenges require unique solutions that complement Utah's values, lifestyle, and economy. While air quality decisions should be informed by broad research, such decisions should ultimately be tailor-made for Utah and not simply comprise the one-size-fits-most solutions borrowed from or imposed by others.
- Education will play a key role in arming citizens with the knowledge necessary to become part of the solution. Most Utahns want to do the right thing. We will emphasize educating and enabling residents to make smart choices.
- While every effort should be made to enlist the volunteer spirit that Utah is known for, voluntary efforts alone will be insufficient to tackle the challenges before us. Thoughtful, targeted regulation and enforcement must be embraced as an important part of Utah's air quality strategy.
- While all potential solutions should be considered, the state has limited financial resources. To have a meaningful impact on improving air quality, funding must be prioritized based on approaches that have the greatest return per dollar invested.

PROPOSED SOLUTIONS

- We cannot solve problems that we do not yet understand. We must build understanding of Utah's unique climate, topography, and air chemistry, as well as future capacity to find the most effective solutions to Utah's air quality challenges.
- To ensure everyone is playing by the same rules and the public at-large is not suffering from the bad actions of a few, we need adequate personnel to inform, educate and, when necessary, enforce agreed-upon solutions.
- In today's world of rapidly improving technologies, many solutions already exist and simply need to be adopted. Improved technology means improved air quality. Replacing old fleet vehicles, buses, lawn care equipment, inefficient water and space heaters, and other sources of pollution with more modern, fuel-efficient, and cleaner technologies will bring immediate improvement. Accelerating the adoption of Tier 3 products (vehicles and fuel) will be a significant part of the solution. Finally, serious consideration should be given to the potential benefits of improved energy and emission standards in residential and commercial building codes.

BUDGET RECOMMENDATIONS

The Governor's budget proposes $500,000 to continue the Clean Air Replacement, Retrofit and Off-Road Technology (CARROT) grant program to assist households and businesses with the replacement of pollution-emitting equipment and wood burning stoves. An additional $250,000 is recommended to continue research into Utah's unique air quality issues—particularly in the Uintah Basin, $2.6 million to expand air quality monitoring systems, and $6.2 million to construct a technical support center to accommodate the state air quality lab. The center represents a long-term commitment to improve the quality and reliability of environmental monitoring programs to protect Utah residents. Additionally, $700,000 would provide matching funds to invest in the completion of the Jordan River Trail—the state's longest urban active transportation system with over 100 miles of connected trails. This trail segment would not only complete a region-wide recreation amenity, it also connects nearby neighborhoods to public transit options.

BUDGET & POLICY BRIEF

HEALTH CARE AND THE UNINSURED

HIGHLIGHTS

- **$19.6 million** in one-time supplemental funds for Medicaid Consensus items in FY 2016
- **$20 million** in ongoing funds for Medicaid Consensus items in FY 2017
- **$10 million** in ongoing funds to expand health care coverage for the uninsured
- **$6.4 million** in one-time funds for local mental health authorities in FY 2017
- **$1 million** in ongoing funds to restore dental coverage for adults with disabilities in FY 2017
- **$676,000** for abstinence and personal responsibility education and health screenings for women

OBJECTIVE

To provide healthcare coverage to vulnerable individuals at a long-run sustainable cost and in a fashion that maintains or improves benchmarks for quality of care.

MEDICAID BACKGROUND

Medicaid is a joint state and federal program that funds health care services for an estimated 341,000 low-income Utahns in FY 2017. Medicaid is an entitlement program, meaning that the program guarantees authorized services to everyone who meets eligibility requirements. Eligible recipients receive services from private providers, who are paid with Medicaid program funds.

Medicaid income eligibility requirements vary, with qualified income thresholds reaching up to 133% of the federal poverty level for some core service groups. The federal poverty level, which varies by household size, is about $24,000 for a family of four. In general, adults without dependent children do not qualify for Medicaid on the sole basis of low income and asset status. However, considerable overlap exists between Medicaid eligibility criteria and eligibility requirements for other public benefit programs.

FIGURE 1 – FY 2017 MEDICAID FUNDING

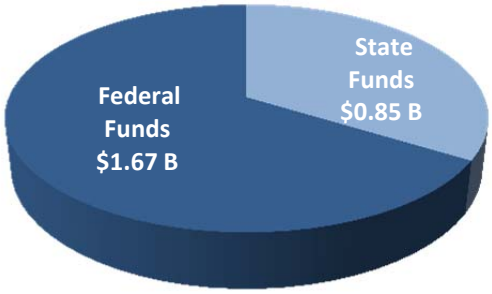
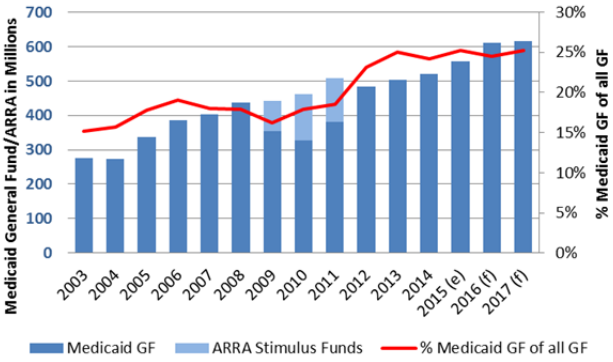


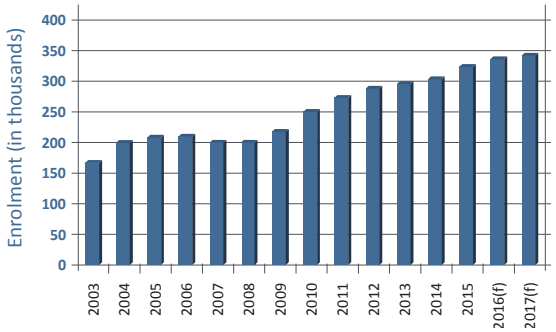
FIGURE 2 – GENERAL FUND FOR MEDICAID



From FY 2004 to FY 2014, Medicaid General Fund spending grew from $274 million to $519 million, which represents an increase in the Medicaid share of General Fund from 15% to 24%. In FY 2016 and 2017, Medicaid spending as a percent of all General Fund is projected to be 25%, as General Fund appropriations lag anticipated growth in Medicaid expenditures.

Numerous factors influence the level of Medicaid enrollment and corresponding expenditures, including population growth, program changes and economic conditions. In FY 2016, average Medicaid caseload (including Qualified Medicare Beneficiaries and Primary Care Network enrollees) is forecast to reach 337,100 individuals. This represents a year-over growth rate of 3.6%, higher than would be expected considering Utah's favorable economic climate. It is believed that various provisions of the Affordable Care Act, such as changes in Medicaid eligibility criteria, the creation of the online Health Insurance Market Place and the mandate that individuals must carry health insurance, will continue to contribute to cyclically-anomalistic levels of Medicaid enrollment in FY 2016. In FY 2017, caseload is expected to grow to 341,000 (a 1.2% increase) which is more characteristic of typical Medicaid roll behavior during an economic expansion.

FIGURE 3 – NUMBER OF MEDICAID ENROLLEES



BUDGET RECOMMENDATION

In FY 2016, the Governor recommends $19.6 million be appropriated, including $15 million in one-time General Fund and $4.6 million from the Medicaid Restricted Account. For FY 2017, the Governor recommends $20 million in ongoing funds, which includes about $7 million in increased costs associated with higher reimbursement rates for Accountable Care Organizations (ACOs). The FY 2017 ongoing recommendation amount is based on the recent history of various Medicaid line items having run surpluses for several consecutive years.

The Governor also recommends $2.5 million in funding for the continuation of enhanced reimbursement rates for physicians, $6.4 million in Medicaid matching funds for local mental health authorities, $1 million to restore dental coverage for adults with disabilities, and $1 million to be used over the two-year period of FY 2017 and FY 2018 to support additional enrollment on the Medically Complex Children's Waiver, among other Medicaid and health care-related funding recommendations.

THE COVERAGE GAP AND THE UNINSURED IN UTAH

The coverage gap is a term commonly used to reference the inaccessibility of health insurance by individuals who are ineligible for traditional Medicaid benefits and who, by virtue of earning less than the federal poverty level, are ineligible to receive federal premium subsidies towards the purchase of coverage on the health insurance marketplace.

HEALTHCARE COVERAGE GAP

Individuals ineligible for Medicaid or exchange subsidies

62,000 Utah adults are in the coverage gap.

61% are employed and may only need transistional assistance.

12% are medically frail and have acute needs.

53% of those in the coverage gap report not being able to see a doctor at some point during the last 12 months due to cost

It is estimated that roughly 62,000 Utah adults are in the coverage gap. Many who fall in the coverage gap are employed in some capacity (61%) and may only need transitional assistance, while others are medically frail and have acute healthcare needs (12%). Fifty-three percent of those in the coverage gap report not being able to see a doctor at some point during the last twelve months because of cost.

In FY 2017, the Governor recommends $10 million ongoing (General Fund) be appropriated to support increased healthcare access and affordability for those in the coverage gap. To the extent that programs are changed or adopted to address the needs of those in the coverage gap, such programs should focus on principles of employment and self-determination, maximizing the taxpayer dollar, and our collective responsibility to assist our state's vulnerable people.

ACCOUNTABLE CARE ORGANIZATION (ACO) EVALUATION

Last spring, the Governor's Office of Management and Budget, in cooperation with the Department of Health, completed an analysis of the change in Medicaid Per Member Per Month expenditure trend, by aid category, between the ACO implementation region (Utah, Salt Lake, Davis and Weber counties) and non-metro areas where Fee-for-Service Medicaid payment arrangements continued. It is estimated that the ACOs produced roughly $6 million of General Fund cost avoidance in calendar year 2013 and $5 million of General Fund cost avoidance in calendar year 2014. While these ACO-generated savings are not insignificant, they represent approximately 1.5% of Medicaid General Fund expenditures within ACO-affected line items. As ACOs expand into other areas of the state, evaluation of cost and quality outcomes should continue.

MEDICAID REFORMS

In recent years, Utah's Medicaid program has implemented a number of reforms designed to reduce costs and maintain or improve patient outcomes. For example, Accountable Care Organizations receive capitated reimbursements for services provided to Medicaid beneficiaries, thereby aligning incentives for delivering quality care at the lowest cost. Medicaid's Preferred Drug List (PDL) is designed to leverage cost savings associated with preferred status drugs while at the same time ensuring that prescriptions are safe and efficacious for patients. As of Fiscal Year 2014, Utah's PDL has generated more than $50 million in savings to the state. Various Medicaid waiver programs are also in place, many of which are designed to meet the needs of beneficiaries in preferred settings while simultaneously producing cost avoidances.

BUDGET & POLICY BRIEF

CORRECTIONS & RECIDIVISM REFORM

HIGHLIGHTS

- **$2 million** for supervising offenders in the community ($1 million from internal savings)
- **$3.7 million** for jail reimbursement, bringing the total to 100% of the statutory rate
- **$1 million** to maintain jail contracting at 83% of the statutory rate
- **$48 million** cash allocation to minimize the level of bonding required for prison relocation
- **$1.5 million** to counties for treatment of offenders in the community

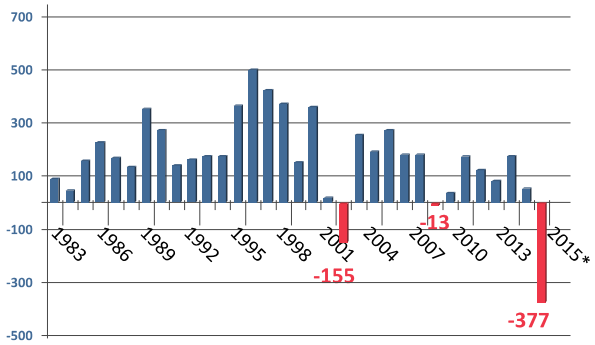
BACKGROUND

A strong criminal justice system ensures the protection of Utah's citizens, helps victims feel justice has been served, and allows released offenders to become contributing members of society rather than return to prison. Utah struggles with persistently high recidivism rates, as does the nation as a whole. Today, about 65% of Utah inmates released on parole return to prison within three years for technical parole violations or for committing a new crime.

UTAH'S PRISON POPULATION

Utah currently incarcerates around 6,500 state inmates. Between 2014 and 2015, the average daily incarcerated population decreased by 5 percent. It should be noted that in the past 30 years, there have only been two years where the yearly population experienced a decline (seen in Figure 1). Between January and November 2015, the average daily prison population decreased by 377 inmates from the previous year. Though no causal relationship has been determined, this unusually large drop is likely the result of the early planning and implementation stages of the Justice Reinvestment Initiative (JRI), which passed in the 2015 General Session.

FIGURE 1 – 1983-2015 CHANGE IN YEARLY INCARCERATION



*Year 2015 only includes 11 months of data.
**In 2002, the average daily population declined by 155 inmates due to an early release (DOC closed the 300 bed Promontory facility) and in 2008, the population dropped (of an unknown cause) by 13 inmates.

The Governor proposes $3.7 million to get to 100% of the statutory target rate for county jail reimbursement.

SUPERVISION OF OFFENDERS IN THE COMMUNITY

Over 70% of the offenders under the jurisdiction of Department of Corrections are supervised in the community either on probation or on parole. Currently, there are around 18,000 offenders under the supervision of Adult Probation and Parole (AP&P). AP&P has seen a significant increase in the offender population over the past two years, with a net growth of 1,600 offenders (a 10% increase). This 10% increase of offenders in the community is the result of the Board of Pardons and Parole recommending earlier release of inmates from prison, a growing number of offenders being sentenced by judges to Class A

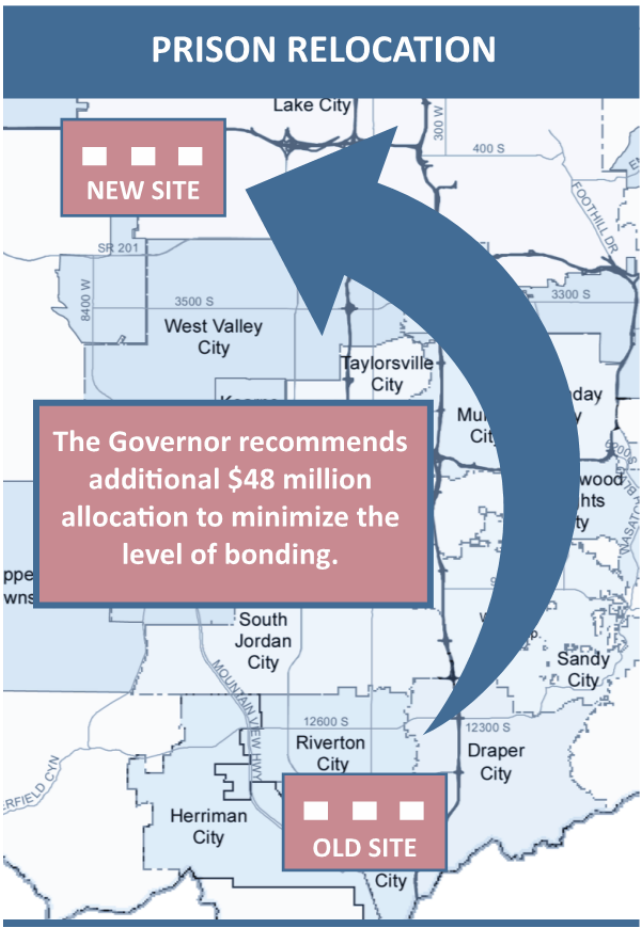
misdemeanors, and Adult Probation and Parole agents working longer with offenders to reduce their risk level before recommending revocation of parole and probation.

The implementation of the Justice Reinvestment Initiative (H.B. 348 of the 2015 General Session) directs the Department of Corrections to implement new supervision procedures (as developed by the Utah Sentencing Commission), which are consistent with evidence-based practices. Consistent with the 2015 Adult Sentencing and Release Guidelines which became effective October 1, 2015, Adult Probation and Parole (AP&P) has expanded supervision services to include all high and moderate Class A offenders (in addition to felony offenders).

H.B. 348 directs agents to award offenders who display progress towards completing their conditions of probation/parole agreement. It is the agent's responsibility to report the offenders' accomplishments to the Court or to the Board of Pardons and Parole, which may then terminate an offender's probation or parole agreement earlier than originally planned. The bill also directs the agents to give sanctions to offenders that violate their conditions of probation/parole according to the swift, certain, and proportionality principle. The Governor recommends an additional $2 million for supervising offenders in the community, of which $1 million comes from internal DOC savings due to reduction in prison population.

PRISON RELOCATION

During the 2015 general session the legislature authorized a $470 million general obligation bond and $80 million in one-time general fund to relocate the Draper prison to another site. The Prison Relocation Commission voted unanimously to relocate the Draper Prison near I-80 and 7200 West in Salt Lake City. A resolution supporting moving the prison to Salt Lake City was approved by the legislature and signed into law by the Governor in August 2015. The Governor recommends an additional $48 million cash allocation to minimize the level of bonding required for relocating the prison.



JRI TRACKING REQUIREMENTS

The efforts to track the implementation and progress of H.B. 348 are comprehensive. The bill directs CCJJ to submit an annual report to three interim committees starting fall of 2016. The mandated statutory policy changes that require data tracking include:

- data relevant to the revised goals and outcomes of treatment programs serving offenders in the community;
- implementation tracking and outcome data related to a new probation and parole supervision incentive and sanction matrix;

- data relevant to the new graduated caps placed on probation and parole revocations;
- tracking and outcome data related to new program for earning time credits for state inmates for completion of priorities in offender's case action plan;
- tracking and outcome data related to the new program for earning probation and parole compliance credits for completion of priorities in offender's case action plan; and
- cost savings related to recidivism reductions.

In addition, a number of complementary measures helpful in explaining the progress of HB 348 will be collected and analyzed. These include broad indicators, such as:

- trends in the prison population
- trends in the parole and probation populations
- 3-year general recidivism rate (return to prison)

SUCCESS INITIATIVE

The Department of Corrections' goal is to reduce recidivism by applying the management principles and tools of the SUCCESS Framework. Significant progress is being made in the following areas.

- Adult Probation and Parole: Find hidden capacity allowing agents to spend more time using evidence-based practices to case manage offenders to reduce risk factors.
- Institutional Programming: Deliver more evidence based programming, services and treatments with more fidelity and increase successful completions.
- Institutional Operations: Improve the offender management process to provide correctional officers more time to perform security and offender management functions to reduce inmate negative events and increase compliance with case action plans.
- Correctional Industries: Increase work opportunities for inmates and train them with marketable skills.

The departmentwide performance improvement over baseline is 13.4% for the period July 2013 through October 2015.

BUDGET & POLICY BRIEF

CAPITAL INFRASTRUCTURE & BONDING

HIGHLIGHTS

- **No new debt**, including no new debt authorization for prison relocation
- **$1.42 billion** of general obligation debt paid off from FY 2013 to FY 2017
- **$350 million** of general obligation bond debt paid off in FY 2017
- **$48 million** to minimize bonding needed for prison relocation
- **$6.3 million** in FY 2017 capital improvement funding
- **$84 million** for four new buildings

BACKGROUND

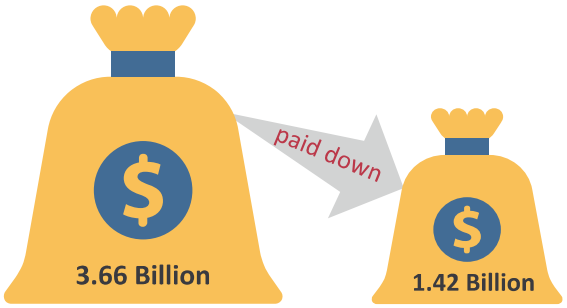
Sometimes taken for granted, reliable infrastructure is essential to a well-functioning economy. Transportation systems and state buildings account for a significant portion of the infrastructure budget for the State of Utah.

Infrastructure projects typically take a significant amount of planning time and have a long life cycle that allows the state to bond for new projects. Ensuring an appropriate mix of bonding and cash financing for new infrastructure, along with adequate funding to maintain existing buildings and roads, fulfills the state's critical infrastructure needs and adds significant value to the economy.

After issuing bonds during the Great Recession, the State of Utah will have paid down $1.42 billion in debt since FY 2012, including $350 million in general obligation bond debt during FY 2017.

DEBT PAID OFF

By 2012 the State of Utah had incurred $3.66 billion in general obligation debt.



The State will have paid down $1.42 billion in general obligation debt, including $350 million in FY 2017.

Responding to a need to replace the outdated Draper prison and improve inmate programming to reduce recidivism, the Prison Relocation Commission recently selected a Salt Lake City site for constructing a new prison facility. During the 2015 Legislative General Session, $80 million in cash and $470 million in general obligation bond authority was set aside for the project. The Governor's budget includes an additional $48 million cash allocation to minimize the level of bonding required for prison relocation.

The Governor's budget also provides funding for four major building projects: Utah Valley University performing arts building ($30 million), Salt Lake Community College Westpointe Center ($41.5 million), Department of Environmental Quality technical support center ($6.2 million), and expansion of the state archives storage facility

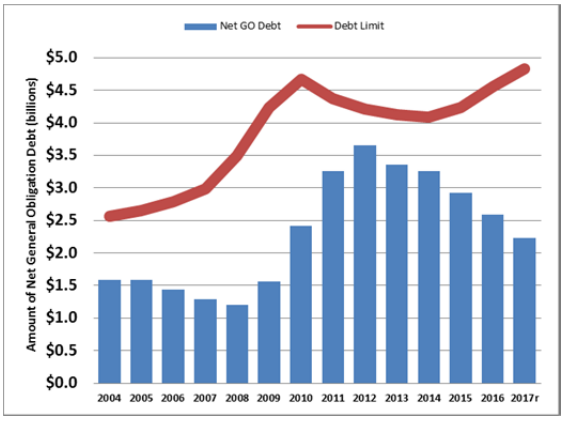
($4.2 million). The budget also includes an additional $2.2 million toward the operation and maintenance of the new buildings.

MANAGING DEBT

Utah's longstanding "triple-triple" status—a AAA rating from all three bond-rating agencies—is the result of conservative and responsible debt management. The State Treasurer has recommended an average debt target of 60% of the constitutional debt limit and $600 general obligation debt per capita to help ensure a continued AAA rating.

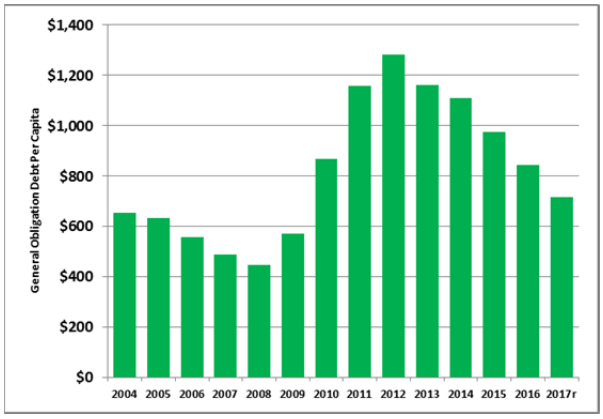
The Utah Constitution limits the state's general obligation debt for buildings and roads to an amount equal to 1.5% of the value of the state's taxable property. As shown in Figure 1, the total general obligation debt for FY 2016 is approximately 57% of the constitutional debt limit and is expected to drop to approximately 46% in FY 2017 based on expected increases in property values and retired debt. Utah's FY 2016 general obligation debt for roads and buildings is approximately $2.5 billion, with total debt service payments are expected to total about $427 million.

FIGURE 1 – OUTSTANDING GENERAL OBLIGATION DEBT



General obligation debt per capita reached a high of $1,283 in FY 2012. For FY 2017, per capita general obligation debt is forecast to decline to $716, a 44% reduction from the FY 2012 peak (see Figure 2).

FIGURE 2 – OUTSTANDING GO DEBT PER CAPITA

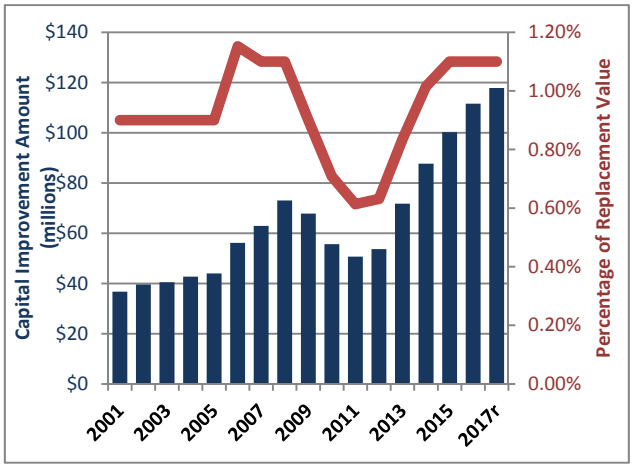


CAPITAL IMPROVEMENTS FOR STATE BUILDINGS

The Governor's budget includes $6.3 million in additional funding for capital improvements—defined in state statute as remodeling, alteration, replacement, or repairs of less than $2.5 million or the construction of a new facility of less than $500,000. Capital improvement funds are used to replace worn equipment and facilities to include repairs to electrical and plumbing systems, roofs, and parking lots. Together with the base budget amount of $112 million, the total capital improvement budget recommended by the Governor meets the statutory level of 1.10% of the replacement value of all state buildings.

Figure 3 depicts the recent history of capital improvement funding. While significant new capital development projects have been funded over the past decade, infrastructure maintenance did not keep pace through the economic downturn. Although the need to fund infrastructure maintenance may not receive a lot of attention, significant dollars can be saved over time with the proper upkeep and maintenance of existing infrastructure. Maintenance costs are substantially less over the long-term as compared to funding costly repairs or reconstruction when buildings and roads are not properly maintained.

FIGURE 3 – CAPITAL IMPROVEMENT FUNDING



The possibility of increasing the statutory capital improvement amount of 1.1% is currently under consideration. The Governor's Office of Management and Budget (GOMB) recommends establishing baseline measures and performance to ensure that existing capital improvement funds are maximized before increasing the statutory amount. The State Building Board and the Division of Facility and Construction Management are also making changes to better track operation and maintenance funding to ensure proper preventative maintenance is taking place.

GOMB will continue working with the Division of Facilities Construction and Management in applying the SUCCESS Framework, an operational excellence methodology, to ensure the maximum use of capital improvement dollars while also ensuring that projects are completed on time and within budget.

Table 8: General Obligation and Revenue Bonds

General Obligation Bonds Payable (Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2015
2004 A Refunding Issue	3/2/2004	2010-2016	4-5%	$314,775	$131,315
2009 A Highway Issue	3/17/2009	2010-2019	2-5%	$394,360	$101,060
2009 B Capital Facility Issue	5/19/2009	2010-2015	4%	$104,450	$22,500
2009 C High/Capital Facility Issue	9/29/2009	2011-2018	2-5%	$490,410	$281,605
2009 D Highway Issue	9/29/2009	2019, 2024	4.15%, 4.55%	$491,760	$491,760
2010 A Highway/Capital Facility Issue	9/30/2010	2011-2017	1.75-5%	$412,990	$209,675
2010 B Highway Issue	9/30/2010	2019-2025	3.19-3.45%	$621,980	$621,980
2010 C Refunding Issue	10/21/2010	2016-2019	4-5%	$172,055	$172,055
2011 A Highway/Capital Facility Issue	7/6/2011	2012-2026	2-5%	$609,920	$324,350
2012 A Capital Facility/Refunding Issue	10/3/2012	2014-2017	4-5%	$37,350	$37,220
2013 Highway Issue	7/30/2013	2015-2029	3-5%	$226,175	$215,650
2015 Refunding Issue	4/1/2915	2019-2026	3.5%-5%	$220,980	$220,980
Total General Obligation Bonds Outstanding					$2,830,150
Unamortized Bond Premium					$119,509
Total General Obligation Bonds Payable					$2,949,659

State Building Ownership Authority Lease Revenue Bonds Payable (Thousands)

Bond Issue	Date Issued	Maturity Date	Interest Rate	Original Issue	Balance June 30, 2015
Government Activities					
Series 1998 C	8/15/1998	2000-2019	3.8-5.5%	$101,557	$27,710
Series 2009 D	9/9/2009	2014-2017	5%	$12,125	$7,400
Series 2009 E	9/9/2009	2018-2030	4.62-5.77%	$89,470	$89,470
Series 2010	11/30/2010	2011-2024	2-5%	$24,555	$18,805
Series 2011	10/25/2011	2012-2031	2.13-4%	$5,250	$3,940
Series 2012 A	11/20/2012	2017-2027	1.5-5%	$11,755	$11,755
Series 2012 B	11/20/2012	2013-2022	1.5-2.25%	$9,100	$6,908
Business-Type Activities					
Series 1998 C	8/15/1998	2000-2019	3.8-5.5%	$3,543	$1,055
Series 2006 A	1/10/2006	2006-2027	3.5-5%	$8,355	$380
Series 2007 A	7/10/2007	2009-2028	4.25-5%	$15,380	$1,360
Series 2009 A	3/25/2009	2011-2030	3-5%	$25,505	$4,200
Series 2009 B	9/9/2009	2012-2019	3-5%	$8,455	$4,625
Series 2009 C	9/9/2009	2024, 2029	5.29%, 5.77%	$16,715	$16,715
Series 2010	11/30/2010	2011-2024	2-5%	$12,180	$9,805
Series 2012 A	11/20/2012	2017-2027	1.5-5%	$3,855	$3,855
Series 2012 B	11/20/2012	2013-2022	1.5-2.2%	$2,600	$1,982
Series 2015	4/29/2015	2016-2030	3%-5%	$29,230	$29,230
Total Lease Revenue Bonds Outstanding					$239,195
Unamortized Bond Premium					$9,618
Total Lease Revenue Bonds Payable					$248,813

Legal Debt Margin (Millions)

	2011	2012	2013	2014	2015
Taxable Value	$205,284	$201,473	$201,294	$207,211	$221,650
Fair Market Value	$280,846	$274,806	$272,954	$282,489	$303,725
Debt Limit Amount (1.5%)	$4,213	$4,122	$4,094	$4,237	$4,556
Net General Obligation Bonded Debt	$3,256	$3,660	$3,361	$3,271	$2,950
Legal Debt Margin	$957	$462	$733	$966	$1,606
Net General Obligation Bonded Debt Percent of Limit	77.29%	88.79%	82.09%	77.19%	64.75%

Note: Article XIV, Section 1 of the Utah Constitution allows the State to contract debts not exceeding 1.5 percent of the total taxable property in the State. Net general obligation and revenue bonded debt includes principal, premiums, discounts, and deferred amount on refundings for years prior to 2014. Beginning in 2014, deferred amount on refunding is no longer included. The value of taxable property used for the fiscal year limitation is from Tax Commission assessed values from the prior year. During 2010 to 2012, the State issued general obligation bonds to take advantage of low interest rates and ease budget constraints.

Statutory Debt Limit (Millions)

	2011	2012	2013	2014	2015
Appropriations Limitation Amount	$2,849	$3,034	$3,142	$3,250	$3,315
Statutory Debt Limit (45%)	$1,282	$1,365	$1,414	$1,463	$1,492
Net General Obligation Bonded Debt	$3,256	$3,660	$3,361	$3,271	$2,950
Exempt Highway Construction Bonds	$2,698	$3,132	$2,869	$2,860	$2,622
Net General Obligation Bonded Debt Subject to Limit	$558	$528	$492	$411	$328
Additional General Obligation Debt Incurring Capacity	$724	$837	$922	$1,052	$1,164

Note: Article XIV, Section 5 of the Utah Constitution limits any funds borrowed to be used solely for purposes as authorized by law. In addition, Title 63J-3-402 of the Utah Code limits outstanding state general obligation debt to not exceed the 45% (unless approved by more than two-thirds of both houses of the Legislature) of that fiscal year's appropriation limit. Net general obligation and revenue bonded debt includes principal, premiums, discounts, and deferred amount on refundings for years prior to 2014. Beginning in 2014, deferred amount on refunding is no longer included.

BUDGET & POLICY BRIEF

TRANSPORTATION INFRASTRUCTURE

HIGHLIGHTS

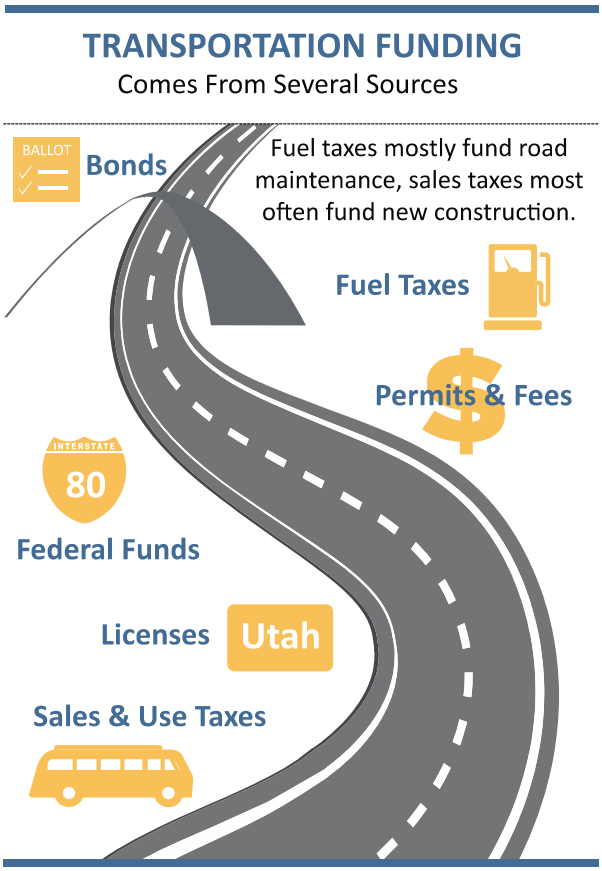
- **$10 million** of earmarked sales tax to be returned in FY 2017 to fund early intervention education for at-risk students
- **$551 million** remain in earmarked sales tax for transportation
- **$1.2 billion** in transportation budget after earmark reform

BACKGROUND

A well-functioning transportation system is critical to a well-performing economy. Utah's public roads currently expand over 46,000 miles. In addition, Utah's transportation system also includes a sizable mass transit system with both rail and bus operations. With Utah's population projected to increase over 60% by 2040, there will be a significant need for new roads, highways, bridges, mass transit, and other methods of transportation.

The Unified Transportation Plan provides a road map for potential future needs within the transportation system, including projected costs. While the plan is a useful tool for thinking about future needs, it assumes current and past behaviors, technology, and models for future construction. New and better tools and strategies are inevitable and will help to maximize capacity and create structures with potentially longer life cycles. As a result, the Unified Transportation Plan should be viewed as an estimate, not a definitive statement of future need.

Transportation funding comes from several sources: sales and use tax earmarks, fuel taxes, bonds, federal funds, licenses, permits and fees, and various additional sources. For the most part, fuel tax revenues fund road maintenance and sales tax earmarks fund new construction.



Fuel Taxes. Due to increased vehicle fuel efficiency and changes in driving patterns, motor fuel and special fuel tax or "gas tax" collections had flattened at around $360 million. A portion of these gas tax funds is allocated to local governments for local road maintenance. Despite this flat revenue trend, maintenance costs continue to increase as the population expands and more roads are built. The combined impacts of inflation along with more fuel-efficient vehicles

eroded the purchasing power of fuel tax revenues over time.

Sales and Use Tax Earmarks. In recent years, significant resources have been diverted from the General Fund through sales and use tax earmarks. Absent changes, General Fund transportation earmarks are projected to reach about $561 million in FY 2017, or 22.9% of all sales tax. These automatic funding earmarks reduce available funding for other priorities, including public and higher education.

To begin to counteract the negative impact on education brought about through the excessive increase in earmarks, the Governor's budget reinstates $10 million in earmarked sales and use taxes to fund early intervention for at-risk students in FY 2017 (reducing the earmark for transportation to 22.6% of sales tax). In addition, over each of the following four years, an incremental $10 million in revenue would be returned ($20 million in FY 2018, $30 million in FY 2019, $40 million in FY 2020, $50 million in FY 2021).

It is important to note that this earmark reform does not reduce transportation earmarks on a year-over-year basis in any year for which projects are currently programmed. Rather, reform slows the rate of growth in transportation earmarks. UDOT indicates that the agency will be able to handle all existing programmed road projects with the shift in funding.

The Governor opposes further earmarks of the sales tax, including when the existing 30% of sales tax growth reaches the current statutory cap (projected in FY 2018), thereby allowing the legislature to annually prioritize a greater portion of new sales tax revenue.

Bonds. Bond proceeds can account for a significant portion of revenue in any given year. However, the Governor's budget includes no additional bonding for roads and recommends that the state continue to pay down transportation debt ($350 million in FY 2017).

Federal Funds. Although federal funding has historically been a relatively stable transportation revenue source, the federal fiscal situation and issues with the Federal Highway Trust Fund increase the uncertainty of this revenue source.

GUIDING PRINCIPLES

- Begin to reform sales tax transportation earmarks, while maintaining currently programmed projects.
- Prioritize existing infrastructure maintenance by developing new roads, highways, and bridges only after appropriately preserving the existing infrastructure and enacting feasible solutions that optimize mobility.
- Focus on continuous improvement by ensuring the transportation system is maximizing current resources and is continually finding more efficient and effective ways to build and maintain the transportation system.
- Encourage increased transparency about the full costs of the transportation system, including air quality impacts.
- Increase public awareness by encouraging individuals to make sustainable and responsible transportation decisions.
- Seek ways to improve and achieve more efficiency in local mass transit systems.

PROPOSED SOLUTIONS

- Reduce the use sales and use tax earmarks while taking care of road maintenance and maintaining scheduled road projects.
- Implement additional project management techniques such as Critical Chain Project Management to complete new transportation projects faster and more cost effectively.
- Explore intelligent highway systems, congestion pricing, and other innovative methods to meet Utah's future transportation needs.

CONTINUOUS PROCESS IMPROVEMENT

The SUCCESS Framework is a set of management principles designed to boost the quality and efficiency of government services with the goal of creating more and more value for every tax dollar invested. These tools provide assistance in meeting the complex challenges facing government services–including increased demand, fragmentation, and constrained budgets.

The Governor's Office of Management and Budget is currently working with the Utah Department of Transportation (UDOT) to create measures for UDOT's three strategic goals:

1) optimize mobility;
2) zero crashes, injuries and fatalities; and
3) preserve infrastructure.

All the systems supporting these three goals will soon be reporting into the Success Management Information System (SMIS) to ensure the best use of taxpayer dollars.

UDOT currently has six of its systems defined and reporting to SMIS including heavy equipment, snow and ice removal, ports of entry, access permits, procurement, and preconstruction. These six systems account for nearly $60 million in operating expense.

Using the tools and strategies of the SUCCESS Framework, the Access Management system is approving permits faster and has increased the percentage of applications approved within 45 days. Similarly, the procurement system has significantly increased the percent of completed contracts that meet associated reliability standards; the heavy equipment management system has increased the percentage of trucks available during the snow season; and the ports of entry system has increased the percentage of trucks that use the bypass system and the percent of trucks that pass through the ports of entry within established time standards. Overall, the six UDOT systems currently reporting in SMIS have experienced a 20% improvement from the January 2013 baseline through October 2015.

Table 9 - Recommended Adjustments by Agency: Education Fund and General Fund

Ongoing and One-time Funding

FY 2016 Recommended Adjustments

Adjustment	One-time	Ongoing
Environmental Quality		
AG Funding Source - Technical Correction	28,000	0
Governor's Office of Energy Dev.		
Building Lease Adjustments	32,000	0
Health		
CHIP 100% Federal Match	-5,000,000	0
Abstinence and Personal Responsibility Education for Teens and Health Screenings for Incarcerated Women	262,000	0
Medicaid Caseload, Inflation and Program Changes (Medicaid Consensus)	15,000,000	0
Public Education		
Minimum School Program Growth	3,713,400	0
Tax Commission		0
One-Time Efficiency Savings From Motor Vehicle System Completion	-5,000,000	0
Veterans' and Military Affairs		
Dump Truck at Veterans Cemetery	36,000	0
Workforce Services		
Medicaid Enhanced Match Rate Savings and Efficiencies (DWS)	-1,300,000	0
Efficiency Savings - Plastic Medicaid Cards	-82,000	0
Statewide Adjustments		
State Employee Workers Compensation Rate Change	-895,000	0
Total of FY 2016 Recommended Adjustments	**6,794,400**	**0**
Restricted Fund Adjustments and Transfers that Impact the General Fund		
FY 2016 Statewide Adjustments to Restricted Funds and Accounts	-54,800	0
Total of FY 2016 Recommended Transfers and Adjustments impacting the General Fund	***6,739,600***	***0***

FY 2017 Recommended Adjustments

Adjustment	One-time	Ongoing
Administrative Services		
Aggregate Funding Buffer for Natural Disasters in Disaster Recovery Fund	500,000	0
Internal Audit for Small Agencies	0	200,000
Unutilized Funding in Finance Mandated	-1,000,000	0
Attorney General		
Case Settlements	224,000	0
Executive Compensation Increase Jan 2017 - Back Out Half Year	-23,800	0
Internet Crimes Against Children Task Force	100,000	0
Staff Increases for Attorney General Priorities	0	500,000
Auditor		
Executive Compensation Increase Jan 2017 - Back Out Half Year	-10,500	0
Capital Budget		
Archives Storage Vault Expansion	4,183,300	0
Capital Improvement at Statutory 1.1%	0	6,271,200
Environmental Quality Technical Support Center	6,208,700	0
Prison Relocation Bonding Cost Minimization	26,271,200	21,512,300
Salt Lake Community College Career & Technology Education Center	41,500,000	0
Utah Valley University Performing Arts Building	30,000,000	0
Capitol Preservation Board		
Capitol Security	1,000,000	0
Corrections		
Jail Contracting	1,000,000	0
Courts		
Court Case Management System	1,000,000	0
Court Contracts and Leases	0	260,000
District Court Judge and Staff for Fifth Judicial District	0	341,400
Judicial Salary Increase	0	520,000
Juvenile Court Judge and Staff for Fourth Judicial District	0	341,400
Shift Funding from Court Complex Account to General Fund	0	313,400

Adjustment	One-time	Ongoing
Debt Service		
Debt Service - Build America Bond Subsidy	14,214,000	0
General Obligation Bond Debt Service	-223,000	0
Environmental Quality		
AG Funding Source - Technical Correction	0	28,000
Air Quality Monitoring	2,160,000	424,200
Governor and Lieutenant Governor		
Elections Operations	0	300,000
Executive Compensation Increase Jan 2017 - Back Out Half Year	-45,300	0
Jail Reimbursement	2,700,000	1,000,000
Literacy/Education Program	75,000	0
Operational Projects	150,000	0
Privatization Board	140,000	0
Transportation Planning	140,000	0
Voter Outreach	250,000	0
Voting Machines	3,000,000	0
Governor's Office of Economic Dev.		
Avenue H Transition Study	50,000	0
STEM Action Center	3,000,000	0
Sundance and Utah Co-branding	1,000,000	0
Governor's Office of Energy Dev.		
Building Lease Adjustments	0	35,000
SB 216 (2015 Session) Staffing Costs	0	100,000
Western Interstate Energy Board Membership	18,000	0
Health		
CHIP 100% Federal Match	-17,440,100	0
Continue Medicaid Rate Enhancement for Physicians	2,500,000	0
Abstinence and Personal Responsibility Education for Teens and Health Screenings for Incarcerated Women	0	414,000
Medicaid Caseload, Inflation and Program Changes (Medicaid Consensus)	0	20,000,000
Restore Adult Dental Medicaid Services to Disabled Individuals	0	1,000,000
Staff and Supplies at the Office of Medical Examiner	0	1,077,600
Uninsured Poverty Gap	0	10,000,000
Heritage and Arts		
Community Library Enhancement Fund	100,000	0
Competitive Grant Program for Cultural Activities	500,000	0
Local Museum Grants	100,000	0
Multicultural Youth Leadership Summit	30,000	0
Rio Grande Building Parking Lot Security Infrastructure - Gate and fencing	50,000	0
Higher Education		
Huntsman Cancer Institute	500,000	500,000
Market Demand Programs	0	5,000,000
Needs-based Completion Scholarships	5,000,000	0
Regents Scholarship	8,000,000	0
Salt Lake Community College Career & Technology Education Center	-1,080,000	1,080,000
USHE Growth - Access and Affordability Funding to Minimize Tuition Increases	0	9,205,100
USHE Performance Funding	3,500,000	2,000,000
Utah Debate Commission	125,000	0
Utah Valley University Performing Arts Building	-1,168,000	1,168,000
Human Resource Management		
Human Resource Management Internal Service Fund	0	-2,571,900
Human Services		
Federal Match Assistance Percentage (FMAP) Decrease	0	1,072,400
Senior Nutrition (Meals on Wheels)	350,000	0
Vehicles at Division of Child Family Services	200,000	0
Youth in Custody Aging-out into Division of Services for People with Disabilities (DSPD) Services	0	897,000
Juvenile Justice Services		
Federal Match Assistance Percentage (FMAP) Decrease	0	28,600
Natural Resources		
State Park Planning - Hole in the Rock State Park	25,000	0
Water Conservation at State Facilities	300,000	0

Adjustment	One-time	Ongoing
Public Education		
Beverley Taylor Sorenson Arts Learning Program	2,750,000	750,000
Carson Smith Scholarship	0	270,500
Early Intervention for At-Risk Children	0	10,000,000
Minimum School Program Growth	0	91,098,000
Mitigation of Charter School Pupil Accounting Transition	4,000,000	0
Teacher Supplies	9,500,000	0
USDB Teacher Steps and Lanes	0	460,000
USOE Accounting System	600,000	0
USOE Financial Staff	0	450,000
WPU Increase - 4.75%	0	130,161,400
Public Safety		
Crime Lab DTS charges	0	153,900
DNA Supplies and Sexual Evidence Kits	362,900	0
Trooper Pay Increase	0	1,500,000
State Office of Rehabilitation		
Compliance Officer	0	150,000
Independent Living Assistive Technology Program	500,000	0
Independent Living Centers	300,000	0
Sign Language Interpreter Certification Program	60,000	0
Tax Commission		
In God We Trust License Plate	100,000	0
Treasurer		
Executive Compensation Increase Jan 2017 - Back Out Half Year	-12,900	0
Utah College of Applied Technology		
Custom Fit	500,000	0
Financial Aid Tracking Software	400,000	0
Utah Education and Telehealth Network		
UETN Equipment and Public Education Growth	4,400,000	0
UETN Utah Futures	1,700,000	0
Veterans' and Military Affairs		
One-Time Efficiency Savings	-197,000	0
Veteran's Initiative	0	1,000,000
Workforce Services		
Medicaid Enhanced Match Rate Savings and Efficiencies (DWS)	0	-1,300,000
Efficiency Savings - Plastic Medicaid Cards	0	-82,000
Statewide Adjustments		
Dept. of Human Resource Management Compensation Adjustments	0	153,200
Dept. of Human Resource Management ISF Adjustments	0	760,400
Dept. of Technology Services Compensation Adjustments	0	745,700
Dept. of Technology Services ISF Adjustments	0	478,100
Division of Facilities Construction & Management ISF Adjustments	0	148,900
Division of Finance ISF Adjustments	0	19,600
Risk Management ISF Adjustments	0	715,700
State Employee 401k Match	-266,800	394,200
State Employee 2% Compensation Increase	0	13,259,400
State Employee Health Increase	0	8,325,500
State Employee Retirement Rate Change	0	76,000
State Employee Targeted Compensation - 0.75% Equivalent	0	5,032,700
State Employee Targeted Compensation - 0.75% for Schedule AD/AR	0	183,300
State Employee Term Pool Rate Change	0	128,700
State Employee Unemployment Rate Change	0	-496,100
State Employee Workers Comp Rate Change	0	-895,000
State Employee Targeted Compensation - 0.75% for Non-comp Agencies	0	911,900
Higher Education (USHE, UCAT, UETN) 2.75% Comp Increase	0	23,924,900
Higher Education (USHE, UCAT, UETN) Health Increase	0	8,182,600
Total of FY 2017 Recommended Adjustments	***163,869,700***	***379,679,200***

Adjustment	One-time	Ongoing
Restricted Fund Adjustments and Transfers that Impact the General Fund		
Alcoholic Beverage Control		
Forklift	40,000	0
Staff for New West Valley Store	0	557,400
Tax Commission		
Liquor Profit Distribution to Law Enforcement Agencies	0	14,500
FY 2017 Statewide Adjustments to Restricted Funds and Accounts	266,800	2,341,000
Total of FY 2017 Recommended Transfers and Adjustments impacting the General Fund	***306,800***	***2,912,900***
Items Already Included in Revenue Consensus		
Alcoholic Beverage Control		
Credit Card Processing Fees	0	783,000
Ongoing Funding to Operate Six Stores	0	500,000
Governor's Office of Economic Dev.		
EDTIF Cash Payments	0	3,255,000
Total of FY 2017 Recommended Transfers and Adjustments Included in Revenue Consensus	***0***	***4,538,000***
Total FY 2017 General Fund and Education Fund Recommended Adjustments	**164,176,500**	**387,130,100**

Table 10 - Recommended Adjustments by Agency with Further GOMB Evaluation

Ongoing and One-time Funding

This year'srecommendaitons include issues that warrant funding because of the nature of the populations served or urgency of the issue. However, the justification for these requests and/or the program's newness require the impacted organizations to provide GOMB with a more rigorous evaluation and data. GOMB will be asking that these programs provide one or all of the following:

- rigorous plans to measure performance
- enhancements of existing evaluation plans
- deeper analysis of internal operations and processes; and
- baselined measures consistent with the SUCCESS Framework along with improvement strategies

FY 2016 Recommended with Further Evaluation

Adjustment	One-time	Ongoing
Courts		
Juror, Witness, Interpreter Program (FY 2015 Deficit and FY 2016 Projected Shortfall)	1,842,500	0
Human Services		
ACA-Mandated Health Benefits for Employees at The Utah State Hospital	251,000	0
Technology Services		
Federal Payback	5,500,000	0
Total of FY 2016 Recommended Adjustments with Further Evaluation	**7,593,500**	**0**

FY 2017 Recommended with Further Evaluation

Adjustment	One-time	Ongoing
Agriculture and Food		
State Fair Improvements	3,000,000	0
State Fair Operations	675,000	0
Utah's Own program	100,000	0
Capitol Preservation Board		
Capitol Preservation Board Scheduling	20,000	0
Corrections		
Adult Probation and Parole Agents and Support Staff	250,000	750,000
Expand Office Space for Adult Probation and Parole	400,000	0
Inmate Medical Staffing	575,400	0
Environmental Quality		
Air Quality CARROT Grants	500,000	0
Air Quality Research	250,000	0
Water Use Data Collection	4,000,000	0
Governor and Lieutenant Governor		
Indigent Defense Commission	300,000	
Governor's Office of Economic Dev.		
Business Resource Centers	125,000	0
Tourism Marketing	0	3,000,000
Health		
Babywatch Early Intervention Caseload Evaluation	100,000	0
Drug Overdose Prevention Initiatives	500,000	0
Increase Caseload for Medically Complex Children's Waiver	1,000,000	0
Human Services		
2-1-1 United Way	400,000	0
ACA-Mandated Health Benefits for Employees at The Utah State Hospital	376,000	0
Caregiver Support Program for Seniors	200,000	0
Cost Increases for Individuals Receiving Division of Services for People With Disabilities (DSPD) Services	1,734,600	0
Division of Services for People with Disabilities (DSPD) Waiting List Services	0	2,000,000
Domestic Violence Intervention Programs	895,000	0
Forensic Jail Outreach Program - State Hospital Waiting List Reduction Efforts	400,000	0
In-Home Assistance Program for Aging Individuals	255,000	0
Justice Reinvestment Act - Passthrough to Counties	1,500,000	0
Medicaid Match Funds for Local Mental Health Authorities	6,400,000	0
Natural Resources		
Canal Inventory	130,000	0
Prairie Dog Management	350,000	0
Water Data Reporting Accuracy Improvements	140,000	320,000
Water Rights Adjudication	148,000	275,000

Adjustment	One-time	Ongoing
Public Lands Policy Coordination		
Endangered Species Attorney and Staff	206,000	0
Public Safety		
Enhance Background Security Checks	120,000	240,000
Hire Evidence Custodians to Allow Troopers to Focus on Enforcement	0	450,000
Utah Highway Patrol Video Storage Maintenance	0	250,000
State Office of Rehabilitation		
Staff to Support Services for Blind & Visually Impaired	0	225,000
Technology Services		
Big Data Planning	100,000	0
Utah Communications Authority		
Offset of FY 2016 Ongoing Reduction	2,000,000	0
Total of FY 2017 Recommended Adjustments	***27,150,000***	***7,510,000***
Restricted Fund Adjustments and Transfers that Impact the General Fund		
Alcoholic Beverage Control		
Additional staff for stores	0	500,000
Total of FY 2017 Recommended Transfers and Adjustments impacting the General Fund	***0***	***500,000***
Total of FY 2017 Recommended Adjustments and General Fund Impacts with Further Evaluation	***27,150,000***	***8,010,000***

Table 11: Recommended Adjustments: Restricted Funds

Ongoing and One-time Funding

FY 2016 Recommended Adjustments

Adjustment	Restricted Fund or Account	One-time	Ongoing
AG Funding Source - Technical Correction	1081 (DEQ) Environmental Voluntary Cleanup Restricted Account	$300	$0
AG Funding Source - Technical Correction	1082 (DEQ) Environmental Quality Restricted Account	$11,800	$0
AG Funding Source - Technical Correction	1088 (DEQ) Used Oil Collection Administration Account	$3,800	$0
AG Funding Source - Technical Correction	5245 (FIN) Drinking Water Origination Fee Subaccount	$1,400	$0
AG Funding Source - Technical Correction	5260 (FIN) Utah Wastewater Loan Program Subaccount	$1,600	$0
AG Funding Source - Technical Correction	7220 (DEQ) Petroleum Storage Tank Trust Fund	$7,200	$0
Local Transportation	2800 (DOT) Transportation Fund Unrestricted	$7,391,600	$0
Medicaid Caseload, Inflation and Program Changes (Medicaid Consensus)	1222 (DOH) Medicaid Restricted Account	$4,600,000	$0
Motor Vehicle Electronic Payment Fees	1504 (TAX) Electronic Payment Fee Restricted Account	$300,000	$0
State Parks Maintenance and Operations	1157 (DPR) State Park Fees Restricted Account	$4,000,000	$0
State Road and Bridge Maintenance	2800 (DOT) Transportation Fund Unrestricted	$17,247,100	$0
Pamela Atkinson Homeless Account	1053 (DWS) Pamela Atkinson Homeless Account	$347,600	$0
Unclaimed Property Workload Increase	7210 (TRS) State Treasurer Unclaimed Property	$141,000	$0
Unemployment Insurance System Infrastructure Modernization	5110 (DWS) Unemployment Compensation Fund	$1,600,000	$0
FY 2016 Sub-total without Statewide Adjustments		***$35,653,400***	***$0***

FY 2017 Recommended Adjustments

Adjustment	Restricted Fund or Account	One-time	Ongoing
Additional State Road Miles Maintenance	2800 (DOT) Transportation Fund Unrestricted	$0	$74,000
Adjudication Administrative Law Judge	1485 (LBR) Industrial Accident Restricted Account	$0	$130,000
AG Funding Source - Technical Correction	1081 (DEQ) Environmental Voluntary Cleanup Restricted Account	$0	$300
AG Funding Source - Technical Correction	1082 (DEQ) Environmental Quality Restricted Account	$0	$11,800
AG Funding Source - Technical Correction	1088 (DEQ) Used Oil Collection Administration Account	$0	$3,800
AG Funding Source - Technical Correction	5245 (FIN) Drinking Water Origination Fee Subaccount	$0	$1,400
AG Funding Source - Technical Correction	5260 (FIN) Utah Wastewater Loan Program Subaccount	$0	$1,600
AG Funding Source - Technical Correction	7220 (DEQ) Petroleum Storage Tank Trust Fund	$0	$7,200
Automated Sortation System Enhancements	2862 (DHA) Braille Contract Fund	$0	$75,000
Catastrophic Wildfire Reduction	1185 (DNR) Sovereign Lands Management Account	$2,000,000	$0
CHIP 100% Federal Match	1320 (FIN) Tobacco Settlement Restricted Account	-$1,041,800	$0
Computer Updates	1300 (FIN) Financial Institutions	$116,700	$0
Conservation Projects	5460 (DAG) Agriculture Resource Development Fund	$500,000	$0
Cost of Living Increase for Utah Fire Academy Employees	1254 (DPS) Fire Academy Support Account	$0	$72,500
Domestic Elk Program	1033 (DAG) Utah Livestock Brand & Anti-theft Account	$60,000	$0
Drinking Water Program Maintenance and Improvement	5235 (FIN) Utah Drinking Water Loan Program Subaccount	$0	$800,000
Driver License Division Attorney	2865 (DPS) Public Safety Restricted Account	$0	$177,000
Endangered Species Botanist	1142 (DNR) Species Protection Account	$0	$75,000
Fire Marshal Equipment and Software	1254 (DPS) Fire Academy Support Account	$111,300	$0
Hildale Flooding Repair Expenses	5270 (FIN) Water Resources Construction Fund	$200,000	$0
Job Growth Initiatives	1281 (DWS) Special Administrative Expense Account	$5,000,000	$0
Jordan River Trail Completion Match	1185 (DNR) Sovereign Lands Management Account	$700,000	$0
Land Exchange Distribution	1321 (FIN) Constitutional Defense Restricted Account	$0	$1,000,000
Land Exchange Program	5495 (TLA) Land Grant Management Fund	$300,000	$0
Local Transportation	2800 (DOT) Transportation Fund Unrestricted	$0	$22,614,400
Motor Vehicle Electronic Payment Fees	1504 (TAX) Electronic Payment Fee Restricted Account	$0	$750,000
Outdoor Recreation	1054 (GOV) Industrial Assistance Account	$1,200,000	$0
Pamela Atkinson Homeless Account	1053 (DWS) Pamela Atkinson Homeless Account	$347,600	$0
Quagga Mussel Mitigation	1155 (DPR) GF Boating Account	$0	$700,000
Reduce Ongoing Appropriation to Reflect Anticipated Collections	1321 (FIN) Constitutional Defense Restricted Account	$0	-$596,200
Right of Way Acquisition Specialist	5495 (TLA) Land Grant Management Fund	$46,300	$0
School Trust Lands Water Infrastructure Development	5495 (TLA) Land Grant Management Fund	$5,000,000	$0
Shift Funding from Court Complex Account to General Fund	1445 (JUD) State Courts Complex Account	$0	-$313,400
Sovereign Lands Access and Management Projects	1185 (DNR) Sovereign Lands Management Account	$2,150,000	$0
Sovereign Lands Ongoing Management	1185 (DNR) Sovereign Lands Management Account	$0	$50,000
State Parks Maintenance and Operations	1157 (DPR) State Park Fees Restricted Account	$0	$4,000,000
State Parks OHV Trails Improvement	1156 (DPR) Off-Highway Vehicle Account	$0	$500,000
State Road and Bridge Maintenance	2800 (DOT) Transportation Fund Unrestricted	$0	$52,767,000
Transportation Earmark Increase	2900 (DOT) Transportation Investment Fund of 2005	$0	$37,530,000
Unclaimed Property Workload Increase	7210 (TRS) State Treasurer Unclaimed Property	$0	$350,000
Unemployment Insurance System Infrastructure Modernization	5110 (DWS) Unemployment Compensation Fund	$4,000,000	$0
Utah Fire Academy Training Courses	1254 (DPS) Fire Academy Support Account	$0	$75,000
Wildlife Resources Central Region Office Replacement	1171 (DNR) Wildlife Resources Trust Account	$900,000	$0
FY 2017 Sub-total without Statewide Adjustments		***$21,590,100***	***$120,856,400***

FY 2016 and FY 2017 Recommended Statewide Adjustments

Adjustment	Restricted Fund or Account	One-time	Ongoing
State Employee Workers Comp Rate Change (FY 2016)	Various funds and accounts	-$294,400	$0
Dept. of Human Resource Management Compensation Adjustments	Various funds and accounts	$0	$56,000
Dept. of Human Resource Management ISF Adjustments	Various funds and accounts	$0	$293,900
Dept. of Technology Services Compensation Adjustments	Various funds and accounts	$0	$298,600
Dept. of Technology Services ISF Adjustments	Various funds and accounts	$0	$207,400
Division of Facilities Construction & Management ISF Adjustments	Various funds and accounts	$0	$26,000
Division of Finance ISF Adjustments	Various funds and accounts	$0	$12,900
Risk Management ISF Adjustments	Various funds and accounts	$0	$312,400
State Employee 401k Match	Various funds and accounts	$1,638,800	$0
State Employee Compensation Increase	Various funds and accounts	$0	$4,499,400
State Employee Health Increase	Various funds and accounts	$0	$2,648,700
State Employee Targeted Compensation - 0.75% Equivalent	Various funds and accounts	$0	$451,400
State Employee Targeted Compensation - 0.75% for Schedule AD/AR	Various funds and accounts	$0	$75,500
State Employee Term Pool Rate Change	Various funds and accounts	$0	$664,800
State Employee Unemployment Rate Change	Various funds and accounts	$0	-$161,200
State Employee Workers Comp Rate Change	Various funds and accounts	$0	-$294,400
State Employee Targeted Compensation - 0.75% for Non-comp Agencies	Various funds and accounts	$0	$99,000
Sub-total FY 2016 and FY 2017 Statewide Adjustments		***$1,344,400***	***$9,190,400***

FY 2016 Recommended Adjustments with Further Evaluation

Adjustment	Restricted Fund or Account	One-time	Ongoing
Utah Geological Survey Revenue Shortfall	1185 (DNR) Sovereign Lands Management Account	$500,000	$0
Lassonde Center for Innovation - Community Banking Program	1300 (FIN) Financial Institutions	$300,000	$0
Peace Officers Standards and Training - Restricted Fund Shortfall	2855 (DPS) Uninsured Motorist Identification Restricted Account	$500,000	$0
FY 2016 Sub-total Adjustments with Further Evaluation		***$1,300,000***	***$0***

FY 2017 Recommended Adjustments with Further Evaluation

Adjustment	Restricted Fund or Account	One-time	Ongoing
Accident Electronic Data Interchange Project	1485 (LBR) Industrial Accident Rest Account	$450,000	$150,000
Conservation Employees	5460 (DAG) Agriculture Resource Development Fund	$100,000	$480,000
Infrastructure Condition Assessment	3000 (FCM) Capital Projects Fund	$0	$250,000
Lassonde Center for Innovation - Community Banking Program	1300 (FIN) Financial Institutions	$300,000	$0
Operating Costs of Emergency Vehicles Driving Simulator Trailers	1254 (DPS) Fire Academy Support Account	$0	$258,000
Peace Officers Standards and Training - Restricted Fund Shortfall	2855 (DPS) Uninsured Motorist Identification Restricted Account	$500,000	$0
Space Utilization Employee	3000 (FCM) Capital Projects Fund	$0	$120,000
State Building Energy Efficiency Program	3000 (FCM) Capital Projects Fund	$0	$550,000
Tourism Marketing	1403 (GOV) Tourism Marketing Performance Account	$0	$3,000,000
Utah Geological Survey Revenue Shortfall	1185 (DNR) Sovereign Lands Management Account	$281,000	$0
Water Conservation Efforts	5275 (FIN) Water Resources Conservation & Development Fund	$300,000	$0
Water Rights Adjudication	5275 (FIN) Water Resources Conservation & Development Fund	$0	$100,000
Water Use Data Collection	5210 (FIN) State Revolving Fund for Drinking Water Projects	$1,000,000	$0
Water Use Data Collection	5235 (FIN) Utah Drinking Water Loan Program Subaccount	$500,000	$0
FY 2017 Sub-total Adjustments with Further Evaluation		***$3,431,000***	***$4,908,000***

Total FY 2016 and FY 2017 Adjustments Funded from Restricted Funds and Accounts, Including Items Requiring Further Evaluation	***$63,318,900***	***$134,954,800***

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