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**Utah 2010: Meanings of a Legislative Session, A
Budget Crisis, and National Rankings**

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Abstract

This report examines how Utah's budget is surviving the "Great Recession." Was the crisis "wasted" or was it used and, if used, for whose benefit? The report considers criteria by which a state is judged to be fiscally responsible, particularly in a time of economic and fiscal stress. It raises two further, and related, questions: what determines a budget total and what considerations allocate that total? The report begins with background on the cultural, economic, and political environment and the budgetary procedures within which the 2011 budget was crafted.

Keywords: Utah State Budget, fiscal policy, taxes

Utah 2010: Meanings of a Legislative Session, A Budget Crisis, and National Rankings

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Introduction

The 2010 Utah Legislature ended its regular 45-day session with somber notes about its character, praise for its budget, and relief for its end (*Deseret News* 2010b). Beginning January 25 and ending March 11, the session had been predicted to focus on the budget and legislative ethics. While external conditions forced this agenda, the legislature attacked both challenges aggressively. It gave its own color to the agenda by relentlessly challenging the federal government. The session also was a testing of a new governor, Gary R. Herbert, and of the shaping of a relationship between him and the legislature.

The color of the federal bashing (Gehrke 2010b), and of the whole session, proved that elections make a difference in a legislature's spirit and accomplishments. For the 2010 Utah Legislature, the spirit and accomplishments reflect dominance by Utah's Republican majorities: 53 of 75 representatives and 21 of 29 senators. The session adopted legislation to exempt from federal regulation the sale in Utah of guns made in Utah, expecting to straight-jacket the Commerce Clause of the U. S. Constitution. It adopted legislation authorizing state and local governments to take federal land by eminent domain, ignoring federal protection by the Supremacy Clause. The session was awash with rhetoric to renew legislators' presumptions of the spirit of the founders, as if the founders were not reflected in the "10th Federalist," or in the Constitution's purpose of strengthening the national government. For some Utah legislators, nullification is alive and well. For others, the Civil War was real and significant, but they believe the symbolic power of these bills will

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challenge and constrain federal power and justifies the legal costs of even fruitless defenses of these “message” bills.

A proposed citizen’s initiative (Utahans for Ethical Government 2009) for ethics reforms was taken to be a serious challenge, even a threat. It prompted an unprecedented level of legislative attention, producing 12 new laws to prove the legislature’s commitment to ethics. Leaders of the initiative effort were not impressed, finding the laws inadequate, often symbolic, and sometimes steps backward: for example, in putting before the public a constitutional amendment establishing an independent ethics commission. Its drafters hoped the amendment would overrule the initiative if both were passed and would prohibit future initiatives concerning legislative ethics. The petition initiators did not oppose it, believing, among other reasons, the wording of the amendment is flawed for such purposes.

The budget was more substantive. In total, it did provide a reasonably honest balanced budget. The GOPB (2010b, 5) reported that it also stayed within the legislated limits to growth in expenditures:

UCA 63J-3-201 through 205 limits how much the State can spend from unrestricted General Fund sources and non-Uniform School Fund income tax revenues. The limit allows spending to increase relative to population and inflation increases. The FY 2010 and FY 2011 budgets are within the appropriations limit.

In its allocations, it attended to priorities rather than making meat-axe cuts; while every program suffered, the budget gave public education less pain than most programs, although providing no funds for increased enrollments.

This report reflects upon how Utah’s budget is surviving the “Great Recession.” Is the crisis “wasted” or is it used and, if used, for whose favor(s)? The report considers criteria by which a state is judged, as is Utah, to be fiscally responsible, particularly in a time of economic and fiscal stress. It raises two further, and related, questions: (1) what determines the budget total and (2) what considerations allocate that total? This report begins, however, with background on the cultural, economic, and political environment and the budgetary procedures within which the budget for FY 2011 was crafted.

The People

The 2010 Census is expected to show the last decade to have continued Utah’s rapid growth: since 1960 it has been among the fastest in the nation. It also is expected to document the exceptional broadening of the ethnic mix since 1990: from one of the most homogeneous states to a state with minorities of significant size that are resulting in “majority minorities” for two urban school districts. Finally, it is expected to show that the Utah population remains among the youngest and most

Final Appropriations, Millions of \$ (Legislative Fiscal Analyst 2010a)

Fiscal Year	Total Funds			General Funds		
	2009	2010	2011	2009	2010	2011
Total	12,407	11,947	11,919	5,001	4,462	4,783
Exec. Off. & Crim. Just.	754	804	779	549	514	541
Capital Facil. & Gov. Oper.	482	387	592	247	148	262
Commerce & Workforce	1,262	1,101	1,392	101	104	100
Economic Dev. & Revenue	335	476	506	130	103	106
Health	2,089	2,210	2,165	307	267	305
Human Services	602	592	604	270	245	275
Higher Education	1,299	1,231	1,231	757	693	721
Natural Resources	251	270	265	80	58	50
Public Education	3,664	3,594	3,374	2,436	2,293	2,385
Trans., Env., & Nat Guard	1,649	1,262	991	104	18	19

“Total Funds” are all sources; These include federal grants, fees, earmarked assessments, etc. in addition to the “General Funds.”

“General Funds” are primarily the receipts from the states two major taxes: the sales tax and the income tax.

fertile in the nation, placing extraordinary demands upon public schools and easing per capita expenditures for health care. Previous editions of this report describe these characteristics and trends. The *Economic Report to the Governor* (GOPB 2010a, “Excerpts”) summarized the situation and trends of the past year as:

The State of Utah’s July 1, 2009 population was an estimated 2,800,089, an increase of 1.5% over 2008, according to the Utah Population Estimates Committee (UPEC). This is lower than the record growth of 3.2% experienced in 2007. A total of 42,310 people were added to Utah’s population, with 3.7% of this increase coming from people moving into the state. Utah’s unique characteristics of a high fertility rate and low mortality rate consistently contribute to strong natural increase, the difference between births and deaths. In 2009, the number of births did not surpass the record of 55,357 set in 2008. However the 54,548 births led to a strong natural increase of 40,763. Deaths within the state totaled 13,785 in 2009. Net in-migration totaled 1,547—less than 10% of last year’s number.

Reflecting the relative strength of Utah’s economy, only one of Utah’s 29 counties experienced a population decline (Carbon: -0.4%), while the counties experiencing the greatest gain (2.6% to 3.6%) were two suburban counties immediately east of the Wasatch Front and three energy resource counties in eastern Utah. The demographics of a young population and large family size influence the economy

and its unique characteristics, such as the differences in ranking of family vs. personal income.

The Economy

The recession hit Utah later, and less, than most states. Even so, labeling it “The Great Recession” does not exaggerate the impact on Utah’s private and public sectors. Utah’s relatively balanced economy probably slowed the impact, and probably assured that the impact would none-the-less be substantial. As with Utah’s population, previous editions of this report describe Utah’s economic characteristics and trends. The Economic Report to the Governor (GOPB 2010a, “Excerpts”) summarizes the situation and trends of the past year as:

Like the nation, Utah’s economy contracted during 2009. Employment, which increased slightly during 2008, declined 4.9% in 2009. Further, the unemployment rate almost doubled, from 3.4% in 2008 to 6.5% in 2009. The housing collapse combined with business caution about building new plants, resulted in construction employment declining 22.6%, after a decline of 12.5% in 2008. Utah’s economy is expected to gradually strengthen during 2010.

	State Rank	Value	Year
Rate of Job Growth	27th	-3.8%	Oct. 2009
Unemployment Rate	5th	6.5%	Oct. 2009
Urban Status	9th	88.3%	2000
Median Household Income	10th	\$58,820	2006-2008
Average Annual Pay	37th	\$37,980	2008
Per Capita Personal Income	49th	\$31,944	2008

¹ Rankings are based on the most current national data available for all states, and may differ from other data.

² Rank is most favorable to least favorable.

Looking to 2010, the report showed optimism:

Employment is forecast to decline 1.8% for the year as a whole, but subdued job increases should begin by the second quarter. Construction employment is forecast to decline 13.6%, a third year of contraction. Housing permits are forecast to remain near historic lows throughout 2010. Strengthening consumer confidence, the end of the housing downturn, increasing credit, and higher stock prices will support the economy in 2010. Though economic activity will uptick, slack hiring will drive a slight increase in the unemployment rate from 6.5% in 2009 to 6.8% in 2010.

This reflected the national expectations of a rebounding economy in 2010. It could also be justified by the economic engine of Utah’s high rate of natural increase. There is still further support in a remarkably ambitious reworking of downtown Salt Lake City, led by the Church of Jesus Christ of Latter-day Saints (Mormon

Church), whose investments of perhaps \$1.5 billion is stimulating other investments for a total that some estimate to be \$5 billion, committed over the period of 2005–2012, expenditures showing little retrenchment for the recession (Raymond 2010).

Even so, Utah's economy plays out with serious stress on the finances of government. The state's stress, in its broad terms, shows up in the expenditures reported in the summary table above. While the state grows in size and while the recession demands more services, the expenditures do not keep up; they fall. Going into the 2010 legislative session, a common theme was that the FY 2011 "Utah state budget likely will be worst in decades" (Springmeyer 2010). Other governments share the stress. Sales taxes provide the largest source of funding for nearly all Utah municipalities and these revenues are reported to have declined in 2009 by at least 10 percent in over half of the municipalities (Abercrombie 2010).

The recession seriously stresses family financing (Rowland 2010), as shown in the *Economic Report* summary. By some measures, such as unemployment, the stress is less in Utah than nationally, but still real. Other measures are more mixed, as in individual and family income. Some conditions raise concerns that will outlast the recession. For example, the Utah Foundation reports (2010a):

While the amount of income inequality that exists in Utah seems to be fairly low, at least when compared with other states, data . . . show Utah has been experiencing growing inequality since the 1980s.

The recession aggravated this trend. In the year between 2008 and 2009, Utah's poverty rate rose from 9.6% to 11.%, with children particularly affected as their poverty rate increased from 10.5 to 12.% (Collins 2010).

Utah's political rhetoric attributes the state's economic strength to efficient state government and business-friendly policies. The Governor's Office of Economic Development (GOED) (GOED 2010) and others often celebrate Utah's frequent high rankings in assessments of efficiency, frugality, and business friendliness:

ALEC – Laffer State Economic Competitiveness Index; for Economic Outlook: Utah #1 (though for Economic Performance: #18). Of the 15 indicators used for the Outlook, Utah is ranked highest (#1 or 2) on low inheritance tax, low minimum wage, right-to-work, and low tax progressivity. (Laffer, Moore, & Williams 2010).

Center for Digital Government, twice (2003 & 2007) naming Utah's web portal national first place for state and local governments. The Center has given top rankings to Utah's web portal <http://www.utah.gov> in its government-to-business and government-to-citizen categories. Utah is reported to be the state with the highest percentage of its population going online to access government information and services. (Utah Chief Information Officer 2010).

Information Technology & Innovation Foundation and Kauffman Foundation (ITIF&KF 2010). high rankings of 1- 6 in 4 (of 27) indicators are cited by the state, though Utah's overall ranking is 12.

Milken Institute, technology concentration and dynamism composite index: Utah #1 (Milken Institute 2008).

Pew Center on the States, with *Governing* magazine: government performance: Along with Virginia and Washington receiving A-, the highest grade given (Pew Center on the States 2008). This ranking is frequently cited by the state, as was reported in our Utah report of last year. Pew also grades states on Campaign Finance Disclosure: Utah D-, Educational Opportunities using a Chance-for-Success Index: Utah B-, and for Preschool Access and Funding: Utah reported as having no program (Pew Center on the States 2010).

Small Business & Entrepreneurship Council, favorable entrepreneurial environment: Utah 14th (Keating 2009).

Political leadership uses these rankings as evidence of its own capability and service and as arguments for policy positions. There is justification for pride in these assessments and for presuming that, at least in the reputation that they establish, they contribute to Utah's image and, though less certainly, to its economic success.

Utah's progress and image, however, reflect more characteristics and are more controversial than these assessments (as is the attribution of responsibilities for high or low rankings: e.g. consider political leadership vs. administrative management, as is investigated by Krueger and Walker (2010) using data of the Pugh/*Governing* ranking above, in which Utah is the lone "A" in "financial *management*"). New searches for broader assessments give increasing attention to other measures and grades of public services. This attention provokes analyses of the breadth and balance of indicators, as well as questioning of the attribution of responsibilities for program successes and failures. Examples of new, broader, and more challenging uses of indicators include (1) an analysis released by Voices for Utah Children (2009) reviewing the strategy and claims of Utah's economic development program, (2) a new strategy by the United Way of Salt Lake (2010) using multiple indicators to allocate and assess its grants and (3) the organization of a not-for-profit Utah Population and Environment Coalition (2010) preparing a Genuine Progress Indicator to be released in early 2011. Whether these developments mean the politics of Utah government, as well as its administration, will be better by being more quantitative and analytic, remains to be seen.

The Politics

Utah's partisan politics remain Republican, as reported in recent editions of this report. Present national uncertainties may incrementally affect further conservatism in Utah, while dissatisfactions with state and national politics may threaten

elected leadership and consensus within the Republican Party. Utah Republicans sometimes claim a two-party state, with both parties Republican: one relatively conservative and the other more so.

Public opinion, measured by the pollster Dan Jones just before the legislative session (Robinson 2010), was coherent enough to suggest that the public was paying attention to the state's financial stress. If forced to choose between tax increases or service cuts, services lost 30% to 46%, but 54% favored drawing from rainy day funds if given that choice. When asked to choose their cut, the least favored cut was public education (71% opposed, with 57% "strongly" opposed) while the most favored cuts were transportation, energy and natural resources, and parks and recreation. When asked to choose their tax increase, the most favored was the tobacco tax (75%, with 62% "strongly" favoring) and the least favored was the property tax; generally the less favored increases were to the basic general taxes (property, income, and sale) and the more favored were user fees, including those for highway users.

Governor-Legislative Relationships, Political Issues, and Centrality of the Budget

The significant change from 2009 is the resignation last year of Governor Jon Huntsman, to become ambassador to China, and his replacement by Lt. Governor Gary R. Herbert. An immensely popular governor was thus replaced by a likable but untested leader who would face election in his own right in November of 2010 and, if successful then, would face reelection challengers, quite possibly from members of both parties, two years later. A governor who was showing increasing policy and political space between himself and the legislature was replaced by a governor working to close that space. Appropriations and, more especially, taxes would be the levers to close that space and the standards to frame the gubernatorial races.

Going into a legislative session facing an especially difficult budget, an argument for pragmatism over ideology was editorialized on the Mormon Church owned KSL Channel 5 (Cardall 1009):

With the state's budget picture getting bleaker by the day, now is not the time for the governor and lawmakers to draw lines in the sand and become entrenched in positions that preclude realistic solutions. . . .

For politicians such as the governor and key legislative leaders to adamantly say they're opposed to any tax hikes whatsoever suggests they're more concerned about ideological positioning than leading the state out of a budgeting quagmire.

Solving the state's fiscal nightmare, in KSL's view, will most certainly require a lot of painful belt-tightening throughout state government. But a few strategic tax hikes of the kind

that won't threaten an economic recovery may also be needed. The tobacco tax is one example.

What the state of Utah faces is a budgeting crisis that requires cooperation and statesmanship rather than partisan posturing. It is more a time for common sense than entrenched political idealism.

This reflected a broadening support for tax increases, not just by those, such as Voices for Utah Children, particularly concerned about state services, but by such historically conservative sources as the Salt Lake Chamber of Commerce (Gehrke 2009a).

As positions were developing, there appeared a fair amount of pragmatism concerned with the up-coming elections, the state government's financial stress, and the general economy. But differences in the pragmatic perspectives (e.g., Governor Herbert was expected to face a more serious challenge than would many members of the legislature) were showing up by the time the Deseret News headlined that "Gov. Herbert's budget oozes optimism" (Bernick and Roche 2009):

His first state budget, set to be released Friday morning, will paint a rosier picture of the state's budget woes than the up to \$1 billion revenue loss predicted by some lawmakers. . . the governor's proposed budget will anticipate the revenue shortfall closer to the low end of the \$650 million to \$850 million range forecast by legislative analysts. Also, the spending plan for the budget year that begins July 1, 2010, contains no tax or fee increases, as the governor promised earlier this year. "It's a very good budget," Herbert said Thursday.

Lawmakers, though, are more fearful about state finances. . . . "We hope (Herbert's) budget will be real," said House Majority Leader Kevin Garn, R-Layton. Garn said he believes the shortfall could reach \$1 billion. Senate Budget Chairman Lyle Hillyard, R-Logan, now says it may be closer to \$700 million or \$800 million. . . . "I was the House budget chairman in 1986-87 when we raised taxes just to stay even, saw the tax protest movement build up. This is the most difficult budget we've ever had to put together," Hillyard said. "There is no light at the end of the tunnel, although there's some hope that state revenues will stop dropping, and start rebounding, some time soon."

Senate President Michael Waddoups, R-Taylorsville, said even though conservative lawmakers are pledging not to raise taxes next session, they may not have a choice. "It's too soon to pledge no tax increases," he said. "We've got to have enough statesmen there to balance the budget and do what's right for the state." He said there are enough votes in the Senate to pass an increase in the tobacco tax to help fund health care needs and restore the sales tax on food. Waddoups said he'd even back a boost in the gas tax, to pay for roads up front rather than bonding for billions of dollars in construction costs. Garn said the GOP House caucus "is split into blocks, some wanting a tax increase, others against it."

Hillyard said the latest revenue estimates in Herbert's budget will show new cash shortfalls in the current year, perhaps in the \$150 million to \$200 million range. "That means we'll have to make

up some way or the other in just six months,” before the budget year ends July 1. “We may have to tap the Rainy Day fund some just for that,” he added.

Budget Process

Governor

The budgetary processes did not see major changes. The Governor’s Office of Planning and Budget (GOPB) guidelines (GOPB 2009a) again, as last year, established severely tight expectations.

Although we might see the economy begin to come out of recession, we are expecting Another difficult budget year with the potential of further reductions or reallocations. Given this likelihood, (we are) restricting this year’s FY 2010 supplemental and FY 2011 budget increase requests to mandatory items only. . . .

In addition . . . , we are asking that agencies consider how they might implement additional budget reductions. This may be required if there is a revenue shortfall in the FY 2010 budget and/or insufficient revenue in FY 2011 to cover the mandatory items that must be funded. Agencies should submit a prioritized 5% reduction scenario showing natural breaking points at 1% and 3%.

The guidelines added two minor revisions. One implements legislative intent from the 2009 General Session that agencies report how budget reductions have been implemented. The other requires agencies to submit schedules of all fees. The “Planning and Budget Calendar” included in the guidelines began with the July 6 release of the guidelines, and then moved to agency submittals of preliminary request September 8 and of final budget packages September 24, governor’s budget briefings October 20-31, release of *Governor’s Recommendations* mid-December, and legislative session January 25-March 11. The governor, with line-item veto power, has 21 days after the session to sign or veto bills.

Revenue estimates drive the budget. Utah has a relatively good record of revenue forecasts, based on a “consensus process” by which staffs of the GOPB, the Legislative Fiscal Analyst (LFA), and the Tax Commission agree upon estimates used in building the budget and amending it if necessary. The consensus process is now a tradition, of a decade and a half, patterned on an even longer consensus process (Utah Population Estimates Committee) making annual population estimates for the state and each of its counties (GOPB 2010a, 41). A recent review of the consensus process for revenue estimates (Walthers 2009) reports that:

Utah has been historically sound in making revenue forecasts—this is likely the result of the combination of conservative estimating and a less politicized process that reaches across branches of government and includes experts from the private sector and academia. Since 1970, Utah averages under forecasting revenue by 2.5%. This means that mid-year adjustments are most likely to add funds to agency budgets or allow funding for new construction

projects. During that same time the state has over forecast only four times (1974, 1996, 2001 and 2008). These years are memorable not only because two of them occurred in this decade, but because over forecasting requires policy makers to re-open discussions on budget priorities, leading to unanticipated and difficult cuts to state programs. Even in years where forecasts show a decline in revenue (e.g., FY 2010), an accurate forecast limits the angst generated by further rounds of budget cuts and additional estimates to ensure expenditures stay within constitutionally prescribed limits.

Still, the uncertainties of the estimates, and their adjustments toward the end of the session, add fuel to the political controversies of the budget. This year Governor Herbert optimistically estimated the future, some suggested as a means to promise no new taxes. Fourteen senators—enough to sustain a veto—also pledged no new taxes (Gehrke 2009b). An early warning of the difficulties of such pledges came just days before the governor released his budget recommendations, with news of need to adjust current fiscal year (FY 2010) expenditures downward, calling for 3% across-the-board expenditure cuts (Gehrke 2009c). The governor and legislature subsequently covered a shortfall for the FY 2010 budget by drawing \$86 million from rainy day funds and cutting \$70 million from appropriations, cutting “far less than legislators were initially targeting,” and with cuts unevenly distributed in order to largely spare public education (Gehrke 2010a).

Legislature

The stability in the budget processes is true for the legislative as well as the executive branch. While every member of the legislature has a seat on the appropriations committees, primary power resides in the Executive Appropriations Committee, dominated by the elected leadership of the Republican majorities of both houses. The Executive Appropriations Committee allocates the budget limits to each of nine appropriations subcommittees, which then generally make allocations within these limits. The Executive Appropriations Committee reports out the final appropriation bills. LFA staff provide analyses and are present at committee hearings and discussion (LFA 2010), having considerable influence through their expertise and participation. The web site for the LFA (<http://le.utah.gov/lfa/index.htm>) offers extensive staff analyses and tabulations.

Lobbyists

The unquestioned power of lobbyists gave primary motivation for the citizens petition for ethics reform. This was the first time in living memory that concerns about lobbyists, and legislators’ concern about imposition of external controls, raised the issue to a primary position on the legislative agenda. This, and federal

bashing, arguably pushed the budget to third place in political importance, in spite of the severity of the state's financial crisis —or perhaps because of it.

FY 2011 Appropriations

Governor's Recommendations

Governor Herbert's *Budget Recommendations* (2009) were driven by three objectives. Most loudly proclaimed was that there were to be no new taxes. Given the \$700 million spending gap produced by declining state revenues, this recommendation determined his proposed total. Second was to hold public education harmless: to not reduce the budget for public schools though enrollment growth would mean reduced spending per pupil, already the nation's lowest. Third was to support economic growth with the no-new-tax rule and with education programs. Appendix Table I shows proposed expenditures, comparing them to the past two fiscal years. The *Budget Recommendations* set forth:

Budget Principles

Governor Herbert has relied on four key principles in making his budget recommendations:

- Protect public and higher education by fully restoring backfill for FY 2011 to maintain the systems' budgets at FY 2010 levels*
- Avoid exacerbating the budget's structural imbalance*
- Retain a healthy balance in the State's Rainy Day funds*
- Balance the budget without tax increases*

Budget Recommendation Summary

Creating a budget consistent with these principles required using a balanced, focused approach in using resources available to the State. These include:

Reducing agency expenditures

- Drawing on the State's Rainy Day funds and the Growth in Student Population Account*
- Employing the State's AAA credit rating to finance road projects*
- Altering the method by which the State collects some sales and income taxes*
- Utilizing other one-time resources in various State accounts*

This approach reflects a long-term perspective of the budget stated in the "Overview":

The American Recovery and Reinvestment Act of 2009 (ARRA) helped Utah supplement critical programs by contributing one-time money to the State's budget. When this funding and other one-time State funds are no longer available, the State will need to bring its budget back into structural balance, where ongoing revenues match ongoing expenditures. . . .

The Governor's FY 2011 budget recommendations are built upon a long-term economic plan, looking beyond the current budget cycle to determine what is best for Utah and its citizens right now and into the future. . . .

The new FY 2010 revenue estimate is \$157 million lower than the February FY 2009 revenue estimate, while projections for FY 2011 indicate revenue growth of \$191 million. With a projected \$34 million in new money for this budget cycle, the revenue the State anticipates losing in FY 2010 will be replenished in FY 2011. This is encouraging news for the State's future, and indicates that the FY 2010 budget gap can be bridged with one-time sources rather than reducing the State's ongoing base budget.

Legislative Action

The legislature and governor more easily agreed this year on the budget's total and its allocations, and received general approval for their efforts (*Deseret News* 2010a; *Salt Lake Tribune* 2010a). The legislature adopted only one tax increase, a \$1 a pack increase for tobacco, which Governor Herbert allowed to take effect without his signature. The remaining budget gap was closed by using half the Rainy Day Fund and by cuts in appropriations. While the cuts were painful, for some programs producing cuts over a two-year period of more than 20%, they tended to be less than some had feared and generally were accepted with relief. Both public education and higher education were given some protection from cuts, without help for enrollment increases.

Table II details the allocations of the \$4.8 billion appropriated from the General and Education funds for FY 2011 and compares them to those for FY 2010. Table III compares the appropriations for FY 2011 with Governor Herbert's recommendation for the General and Education funds and for the \$11.9 billion total appropriations that include federal and all other sources. Federal funds constitute 27% of the total appropriations, more than either the 17% from the General Fund (sales tax) or the 23% from the Education Fund (income tax) (LFA 2010b, 3). The figures in these tables are drawn from the summary tables of the 285-page LFA *Appropriation Report* (2010b) and the 292 page GOPB *Budget Summary* (2010b). A 10-year summary of sources and allocations is included in the LFA *Appropriation Report* (2010b, 14-15).

The summary's first paragraph of the LFA *Appropriation Report* (2010b, 3-4) emphasizes that tough times were managed by expenditure reductions and the prudence of past savings—rather than by tax increases, and points out positioning for future stress:

The 2010 Utah Legislature fixed a potential \$850 million budget gap [as estimated by the legislature before the session, subsequently reduced by adjusted estimates to \$690 million on which the appropriations was based] with a balance of budget reductions, one-time reserves, and modest [\$43 million] revenue increases. It did so while holding Public Education essentially harmless from budget cuts and without raising sales, income, or motor fuel taxes.

Legislators kept in store half of the state's rainy day funds (\$210 million) as well as an option to accelerate income tax payments [requiring tax payers not subject to withholding to periodically pay estimated tax that would produce a one year revenue increase] (\$109 million). These amounts are more than enough to cover in FY 2012 the \$313 million in ongoing appropriations covered by one-time revenue in the FY 2011 budget.

The summary also explains priorities of the allocations (LFA 2010,3):

Among the Legislature's spending priorities were public education, higher education, law enforcement, and health and human services. Each of these areas faced built-in reductions from FY 2010 to FY 2011 of as much as 15 percent (General and Education Funds plus flexible grants from the American Recovery and Reinvestment Act – ARRA). Instead, higher education was reduced by only 4 percent, health and human services by 2 percent, public education by less than 1 percent, and law enforcement spending increased by 2 percent.

The appropriations gave more than dollars, especially for public and higher education, by replacing one-time funding of FY 2010 with base budget funding for FY 2011. This reduced the program worry and the legislative burden of whether and how one-time funds would be covered in the next fiscal year. This was balanced/complemented with tight control over the use of one time federal funds, by repeatedly inserting in statements of legislative intent a requirement that use of federal stimulus funds beyond the amounts specified in the appropriations act requires new legislative authorization (GOPB 2010b):

(Agency) is not authorized to expend more than the amount appropriated from the American Recovery and Reinvestment Act of 2009 (ARRA). (Agency) will receive a General Fund budget reduction equal to the amount expended beyond the ARRA appropriation.

Revenues

Revenue projections remained relatively constant during the session. This not only suggested that the recession was bottoming out, but eased the politics by avoiding the crisis of a second gap often surfacing during sessions in years of declining revenues. Except for the tobacco tax, significant revenue enhancements failed. They included proposals to restore the sales tax on food, supported by even some liberal organizations that a few years ago won the exemption. These organizations were now more concerned with supporting public services, though they hoped part of the new revenue would be used for a refundable earned-income tax credit to hold the poor harmless. The appropriations act did not take the opportunity to reduce tax expenditures as a source of revenue. Legislative acts did add tax expenditures for energy efficiency and economic development (GOPB 2010b, 3-4).

Capital Budget, Budget Reserve Funds, and Employee Benefits

The capital budget and the reserve funds showed more importance and were given more attention than usual. The most severe problem was the shortfall in the state retirement pool because of losses experienced through the recession.

In its reserves and annual costs for pensions and health insurance, Utah fared no worse than most states, yet still faced unsustainable increases in health insurance costs and realized losses in its pension fund of \$6.5 billion, an amount that exceeds the annual total of the sales and income tax revenues. The estimated 10% increase for FY2011 in health insurance costs was dealt with by a 5% increase in funding and benefit package adjustments for the other 5%. The state's liabilities for employee retirement benefits were reduced by limiting the retirement benefits for future employees, partly by giving defined contributions a larger role (LFA 2010b, 5). Sen. Dan Liljenquist, who "was instrumental in crafting the legislation for the state's pension changes" was quoted in the *Wall Street Journal* as saying, the "fact is somebody bears the risk. Ultimately, the state is bearing more risk than it can" (Neumann 2010). The appropriations act provided no salary increases for state employees.

Also of primary significance to the budget was the spending of more than half the Rainy Day reserves. Last year these funds were preserved for the future by covering much of the budget gap with federal stimulus funds. This year two reserve funds were available: the Rainy Day Fund with \$419 million and a special fund set aside for public education with a balance of \$103 million. The entire \$103 million fund and half of the \$418 million were applied to the budget, leaving a "healthy balance" of \$209 million for the future—a conservative allocation for future contingencies, given the GOPB's (2010b) introduction to its *Budget Summary*:

The State of Utah has, like the rest of the nation, faced serious economic challenges over the past several years. This budget is a response to these challenges, as well as a recognition that most of the indicators of economic activity have begun to stabilize and recovery is beginning to take hold.

Since this assessment was written, there are indications of recovery, including of state revenues, although perhaps not as strong as the assessment hoped.

Another stimulus funding was bonding for infrastructure. Using previous authorizations and those of this session, Utah this fall issued a record \$1.25 billion general obligation bonds (Oberbeck 2010). While most bonding continues to be for transportation, this year authorizations for new buildings, primarily for higher education, diverted \$116 million from previously scheduled road construction (Hancock 2010). This was in addition to the authorization of \$220 million in revenue bonds to finance other building projects, again nearly entirely for higher education.

(GOPB 2010b, 174) The emphasis on building construction was partly justified as better matching the portions of the construction industry facing the greatest stress. While a significant commitment, this stimulus of building construction is small compared to that occurring through private development in downtown Salt Lake City.

The recent willingness, but still reluctance, to use bonding for capital facilities marks a significant development in Utah fiscal policy. It must face the seemingly sacred obligation of preserving the state's standing as one of the few states with a AAA bond rating. This "obligation" has been used to oppose bonding that even slightly enhances the risk of a downgrade, though there may be little risk in significant increases in bonding. Even a reduced rating might be beneficial given present interest rates and construction costs.

Public Education

As proposed by Governor Herbert, the appropriation for public schools saw little change in total expenditures. With enrollment increasing 11,000, to a total of 574,000, per-pupil spending falls roughly 2%. The appropriation replaced nearly all the one-time funding of public education, which "backfilled" the FY 2010 budget, with permanent funding to support expenditure levels in future years.

Financing of education, always Utah's fundamental budget issue, begins debate long before a legislative session, often before the last legislative session ends. Such was the case this year. Public education appropriations for FY 2010 were troubled by the one-time spending used in that difficult budget year to limit the damage done the schools. Speculation and debate running up to the 2010 legislative session dealt with the further uncertainty of a new governor. Governor Herbert made early commitments to favor educational expenditures while also committing to no new taxes.

While legislators showed less commitment on both points, an emerging consensus eliminated sharp conflict as Governor Herbert and legislators framed the question of educational support as a matter of holding education harmless by doing so in dollars appropriated rather than support per student. This difference was not lost in reports of the session; the *Salt Lake Tribune* (2010) editorialized:

Republican legislative leaders like to say that they've "held public education harmless" in the state budget for the upcoming fiscal year. That means, we assume, that they feel they have done no harm to the public schools, that, for the time being, all is well and quality education has been preserved.

That view, it seems to us, is like looking at a glass that's three-quarters empty and being steadily depleted and calling it half-full.

Wrangling of the final days concerned symbolism (Bernick & Roche 2010):

House Republicans originally didn't want the largest segment of state spending—public schools—to take any cuts. . . .

But Republican senators were adamant that schools should at least take a small hit, considering that they have more or less been held harmless this year and next, while some other state agencies and programs have been cut 10 percent to 15 percent. . . .

[The tobacco] tax increase, expected to raise \$44 million annually, would add more than \$7 million to state coffers in May and June. While the governor had threatened to veto the tax, Monday's deal all but ensures he'll sign the bill.

So Herbert actually takes budget hits in two areas—he didn't want an increase in the cigarette tax and he didn't want public education cut. . . .

"It looks like we have an agreement on the budget that has addressed the governor's key issues," Herbert's chief of staff, Jason Perry, said. . . .

[But why] "send a message that we cut public education?" Rep. James Dunnigan, R-Taylorsville, said. . . . Whether that cut is 1 percent, as originally sought, . . . the message is still sent to residents who put public education funding as their top priority. . . . [He said] "We have other sources of money."

The differences in the final days were small enough to be lost in technical accounting categories. Tables III and IV show the governor's office and the legislature ultimately reporting a small increase from the state general and educational funds.

Previous Utah reports in this series, e.g., of 2007 and 2008 (Huefner 2007; 2008), describe Utah's unique burden of educational finance, which reflects demographics, educational cultures, and state economics. In the last half century, Utah, with high educational demands and low economic means, generally ranked near the bottom in financing per pupil while near the top in effort. Now the state sees reductions in demand, in terms of educational level attained, but its reductions in efforts have been greater.

A related measure of Utah public schools, that of outcomes, also has been considered in previous Utah reports in this series, e.g., of 2006 and 2008 (Huefner 2006, 2008). For these measures, the problem is that they are commonly misread, in Utah and the nation. Utah students, on average, typically score slightly above the national averages, leading to conclusions that Utah does as well as other states at much lower cost. The problem with the measures and such conclusions is that they do not consider demographic differences. If Utah schools were as good as schools in other states, student outcomes should be considerably higher given the historic homogeneity of Utah's population, Utah's relatively low rate of poverty, and the relatively high level of educational achievement by Utah parents. Utah schools may be remarkably efficient and effective with the financing provided, but outcome measures do not show that the schools are not handicapped by the low level of financial support.

Recently declining graduation rates and less favorable interpretations of other achievement statistics are increasing concerns about both educational quality and tax burdens. The Utah Foundation, for more than 60 years the "good government"

research not-for-profit organization, shows on its web page more reports for education than for any other topic. Leading up to the 2010 session it financed a survey of public attitudes re major policy issues (2010b), produced an analysis of comparative test scores (2010c), and reported on a two-year effort with the United Way of Salt Lake City to assess community needs (United Way 2010). These prompted a *Deseret News* editorial headlined “Is education still a priority?” that began “Utah used to be known for the educational level of its residents, but not anymore” (2009).

If the legislative session successfully subdued the conflict between taxes and education, that was not the case for a subsequent special session singularly focused on education. The special session met to accept \$101 million in federal support for the public schools. There were reservations that reflected, or were obligated by, the antifederal rhetoric of the regular session. They expressed concern that federal money today makes it more difficult to contain future educational expenditures. After the Utah attorney general said the state could not block the funding, a news report of the session said “Utah lawmakers gag, but accept fed education funds” (Gehrke 2010c).

Higher Education

Higher education saw a 5% reduction in total spending, a considerably smaller cut than originally expected. Just as for public education, the appropriations provide permanent funding to replace much of the one-time funding of FY 2010, to strengthen the future budgetary base for higher education. Because of allocations to particular projects, the appropriation translates into a larger reduction in support per student, prompting expectations that institutions will increase tuition by 10 to 15% to partially make up for the decline. The appropriations include increased funding of \$4.35 million for two scholarship programs (LFA 2010,165).

Health

The Health Department also showed relief that cuts were not greater. The recession increased demands for Medicaid and sCHIP (State Children’s Health Insurance Program), the major portion of the department’s budget. The cuts force further retrenchments in coverage and prevent inflationary adjustments of reimbursements, reportedly decreasing provider willingness to serve Medicaid patients.

The department was not again challenged by threats to combine it with the Department of Human Services. But the department is under internal and external pressures to update the 35-year-old Medicaid Management Information System and to respond to an unfavorable audit by the legislative auditor general (May 2009).

While public schools are the major state expenditure, health-related expenditures are now the big threat to Utah’s budget, and hence to the financing of public

education. Health is the fourth largest expenditure of the general and education funds, and the second for all funds. It is the fastest growing of the major appropriations. Because of its significance, the appropriation for health must be looked at in terms of the long run. This requires understanding the present nature of health and health care in Utah and of the prospects of three initiatives, one involving cooperative efforts of private and public health institutions, a second the state health reforms led by House Speaker David Clark, and the third being the federal Affordable Care Act.

As in education, Utah's health program and health are somewhat atypical, for cultural, economic, and environmental reasons—and here too trends are cause for concern. Utah generally ranks among the top states in health and in the quality and cost-effectiveness of health care. Intermountain Health, responsible for about half the insurance coverage and hospital care in Utah, is one of the half dozen medical systems commonly cited for national leadership. Utah's population has long been seen as having one of the healthiest life styles in the nation. But *America's Health Rankings*, 2010 by the United Health Foundation this year dropped Utah from 2nd to 7th (United Health Foundation, et al. 2010). This report's 22 indicators rank Utah number 1 in low prevalence of smoking, 1 in low prevalence of binge drinking, 1 in low rate of cancer deaths, 2 in low rate of preventable hospitalizations, 3 in low rate of infant mortality, and 3 in low rate of cardiovascular deaths. Utah's rank is poorer than the national median in occupational fatalities (34), public health funding (33), immunization coverage (30), early prenatal care (30), ratio of primary care physicians to population (45) and geographic disparity in health care (44).

Thus successes and prospects of health care in Utah develop in an environment of a dominant player and of professional and cultural contributions to health and health care.

Successes relate to leadership in accounting and quality improvement by major hospitals and insurers, by educational leadership in medicine, informatics, and biomedical engineering, by Utah's federally financed quality improvement organization and the state health department collecting and applying health information, in other advances in health information technology, and in healthy lifestyles. Prospects relate to the continued innovation and collaboration in these efforts and the support of executives, funding organizations, professionals, and the public. The most limited support has been that for basic public health while the most certain has come from executives of both public and private institutions and from outside funding that recognizes Utah's leadership.

For the state, House Speaker Clark initiated and gives exceptional political attention for an ambitious program of state reform. It is grounded on a concern for the management of costs and a presumption that success comes through private sector incentives. He gives strong support for information systems to compare costs and

results of health care. His support for public health is more limited, perhaps reflecting the financial difficulties of the times, while he challenges the purposes and administration of state assistance for health care. Central to Speaker Clark's reform is expansion and competition of private health insurance, through Utah's "insurance exchange."

Insurance exchanges, also central to the federal reform, now are operational only in Massachusetts and Utah, both having difficulties and being of sharply contrasting presumptions re state/private controls and contrasting administration re public financing (Pear 2010).

Health reform in Utah—crucial for the state's economy, for financing public schools, and for the state's budget in general—has special opportunities, a double set (federal and state) of policy uncertainties, and a worn-thin cushion to absorb conflict and mistakes. The state budget will be both a determinant and a result of successes and failures of health care reform.

Transportation

The legislature made an interesting move:

This year, there were no tax or fee increases for (state road) projects. And no new roads with state money. . . . The only projects that were approved were ones that are funded mostly through a Salt Lake County bond to ensure no more of the state's bonding capacity is used, which can affect its credit rating . . . (SB 215) allows the county to bond for \$77 million. A portion of the county's sales tax and registration fees will repay the bond.

These are revenues previously committed to state transportation expenditures, and hence available to finance state bonds.

The Utah Transit Authority was empowered and given new discretionary authority to contract with private companies for developing transit-oriented housing and commerce around rail stations. These, however, authorize actions by local government and do not involve the allocation of state funds. In addition, they concern public transit rather than the highways, which remain the primary political and financial interest of the legislature.

The significance of bonding for highways, and a temporary diversion of funds from highways to building projects, discussed above, may seem the significant budgetary actions concerning highways. Highway appropriations constitute the primary concern of the Subcommittee on Transportation, Environmental Quality, National Guard, and Veterans' Affairs. The summary paragraph of the subcommittee's action in the *LFA Appropriation Report* (2010, 249), reports "the legislators approved the following (four) major funding initiatives:

- **H.B. 438, "Transportation Modifications"** decreased the amount of sales taxes dedicated

to the Centennial Highway Fund Restricted Account by \$113 million one-time in FY 2011. The Department of Transportation has agreed to delay construction of projects totaling \$113 million until 2015;

- Over \$3.5 billion in appropriations provides funding for highway projects in various stages of construction throughout the state. The larger projects include the rebuild of I-15 in Utah County . . . ;
- Internal service fund rate adjustments generated \$340,700 savings to programs of the Department of Transportation;
- **S.B. 89, “Legal Notice Amendments”** modifies an advertisement for bids publication requirement applicable to the Department of Transportation, creating a savings of \$68,000.

The appropriations shown in Tables II and III reveal little more about transportation, probably less than about any other major program. This is partly because major portions of the appropriations come from the Transportation Fund, which is not included in the tabulations of the two “controllable” funds (General and Education), and from federal funds. It also is because of separate reporting of appropriations for operating budgets and capital budgets. Further clouding transparency are various special funds and earmarks beyond those already mentioned and not clearly connected in the budget reports. One attempt to pull these appropriations together is in the GOPB’s *Budget Summary* (2010b, 167-68) wherein is included totals for operations and the capital budget:

Fiscal year	Millions of Dollars			
	General Fund	Trans.	Fund Federal funds	Total incl. other
FY 2009 actual	33	494	360	1,578
FY 2010 authorized	1	399	420	1,142
FY 2011 appropriated	2	407	202	857

These figures, simplifying two pages of numbers provided in the GOPB report, include funds for aeronautics and for construction of sidewalks and local streets as well as state highways. Another simplification is that the “other” funds in the last column are not itemized (the GOPB report provides details). They include, though are not limited to, some dedicated and restricted funds. While simplified, the figures above help illustrate difficulties of understanding and tracking transportation appropriations and expenditures.

The small General Fund appropriations are misleading if read as the only support of roads provided by Utah’s general sales and income taxes. Other sources, which may not be fully tabulated here, include significant diversions of sales tax revenues to highways, the largest of which (the Centennial Highway Fund) used over \$100 million of sales tax revenue in each of several years, and nearly \$200 million in FY 2007 (GOPB 2010b, 171). Finally, some expenditures are buried in debt service, again without being easily linked to expenditure totals for highways. Thus highway user fees and taxes (e.g., the gasoline tax) fall short of financing the

highway system, a fact not made clear in the official reports of Utah's budgets, in the figures of pages 167-68 of the GOPB report (2010b), or the budget debates. Previous Utah reports in this series have dealt with the question of who is paying for the highways and with the difficulties of determining total expenditures and their relative sources (Huefner 2000, 2006, 2007, 2008)

Additional confusion results from the high variation in the amounts drawn from the several funding sources, a variation even larger in the "other" sources not detailed above. This variation, to a large extent a shifting of sources from year to year, adds to the problem of identifying and measuring the actual contributors for a particular project or over time. It also raises a concern that the discretion to shift costs around, from one source to another, can undermine transparency and accountability.

Some months after the session, another form of discretion, that of the Utah Department of Transportation (UDOT) in contracting, became a political issue in the gubernatorial campaign. The \$1.7 billion rebuilding of I-15 in Utah County (Provo) was awarded a contractor on grounds other than the lowest bid, a contractor whose executive happened to have met with the governor and before that had made a \$50,000 contribution to the governor's political campaign. It became public that a competing and complaining bidder was compensated with \$13 million for preparation of an unaccepted bid, compensation that the governor claimed to not know about until questioned at a press conference. The governor denied any connection between the donation and the meeting and denied that the meeting included any discussion of the bid (Roche and Daley 2010a). The next day the press reported that the governor was calling for an audit of the UDOT and the contractor executive had admitted to a relationship with a UDOT employee (Roche and Daley 2010b). The personal nature in which the charges were raised by the challenging gubernatorial candidate may have hurt rather than helped his candidacy. But the issue, together with simultaneous reports of poor management of highway overpass construction further north (Davidson 2010) may give energy to the legislative ethics campaign and embarrass UDOT's public standing that will influence future appropriations.

Commerce and Workforce and Human Services

State policies of recent decades emphasize employment in dealing with persons traditionally served by human service programs. This increases, and sometimes strains, connections between the departments of Commerce and Workforce Services and of Human Services and increases the relative roles of the Department of Commerce and Workforce Services. These departments and their attempts at an unmarried civil union, offer unwelcome financial challenges to legislative budgeting. A legislative audit released before the session sparked conflicts that played out

in the press “Audit reveals Workforce Services inefficiencies” (Thalman 2009) and “Cost saving consolidation proves too costly” (Florez 2010).

In these departments a recession could bring expenditure reductions or workload increases. Appropriations from the general funds cut Commerce and Workforce Services while giving some increase to Human Services, a difference reflecting the relative impact of the recession on program expenditures. In terms of total appropriations, which include federal funds, both departments realized increased funds but less than the recession-induced jumps in service loads. Cuts included \$2 million in the state institution for the disabled, \$1 million in case workers for people with disabilities, \$1.7 million for mental health services, and \$1.9 million for the Division of Child and Family Services. Programs that were protected from cuts included the Division of Aging and the General Assistance Program.

Legislative intent statements delve into the administration of the Department of Human Services. For example, they ask the department to “streamline” its monitoring of local mental health programs by replacing site visits with electronic or other reports. They also ask for more exploration of privatization of operations (LFA 2010b, 137).

Environmental Quality

The budget for environmental quality, in its reductions in amount and limits on its use, is among the most significant substantive acts of the session’s attacks on federal programs. The attack upon the federal government was combined with an equally strident antipathy toward advocates of global warming, though in the end this was moderated to strike legislative wording condemning the “conspiracy” of global warming (Vanderhooft 2010). Still, several legislative acts support energy efficiency (GOPB 2010b, 3), not through appropriations but rather tax incentives and flexibility for local government and private energy contracts. The appropriations act, in its intent language (LFA 2010b, 250), requires the Department of Environmental Quality to do a “complete” review of the Division of Air Quality. The intent language shows, among other concerns, dissatisfaction with its “service to stakeholders,” its response to federal mandates, and its ability to maintain program primacy.

Courts and Corrections

The courts, like the Health Department, may have been as relieved with what the legislature did not do as with what it did. The question for the courts went beyond the budget, to whether the governor would decide which supreme court justice would be its chief justice, rather than staying with the choice being made by the justices themselves. Independence in appointment of the chief justice was sa-

ved, but dependence for funding remained clear, as Chief Justice Christine Durham had limited success in pleading the case of a heavily burdened court system. Courts were among the least favored in the appropriations act. Corrections fared better, receiving an appropriation from general funds just slightly better than proportional to the budget in general. When considering all sources of funds, Corrections did not do as well, but still avoided a threatened reduction that would require early prisoner releases (*Salt Lake Tribune* 2010c).

Counter Cyclical And Long Term Strategies

States have an interest, but limited abilities, to pursue counter cyclical fiscal policies. States respond to recessions by cutting budgets and hence services. In severe recessions cuts are severe; the *New York Times* reports Hawaii even “furloughed its schoolchildren” (Cooper 2010). As discussed in this report last year, there are opportunities, often involving tradeoffs or risks, for state-level counter cyclical fiscal policy. And as reported there, Utah has discussed and to some extent implemented such policies (Huefner 2009, 21-23). Limited discussion and limited use of counter cyclical policies continued this year.

That a state as politically conservative as Utah can find a wide range of counter cyclical actions, often abetted by federal support, evidences the opportunity and responsibility for states to play in this field. Many applications of such opportunities have already been cited in this report. They include increased bonding, made more feasible and responsible by debt pay down and pay-as-we-go financing when the economy is strong. Utah this year justified a shift in purposes of bonding, from highway to buildings, to target stimulus to the type of construction most hurt by the recession. Postponing the use of rainy day funds represents conservatism more concerned for surviving a recession than dampening it. The countercyclical nature of social and medical services and of income supports is real. It is reduced by budget cuts limiting benefits or eligibility and is sustained or increased by federal participation in financing. Higher education takes up some slack in employment growth, as those without work extend their education. The state does little to fund and staff enrollment increases. It does support higher education in its technology and other programs expected to stimulate economic growth.

While exercising or avoiding such opportunities cannot escape political calculations, federally financed state stimulus that is temporary, substantial, and relatively flexible could, but may not, simplify these calculations. The ARRA provided crucial support for Utah’s FY 2010 budget, as reported last year. Without this support, cuts for FY 2011 would have been truly severe. With it, Utah’s budget, though considerably more frugal than usual and with still painful cuts, was a major belt tightening but not starvation. And with it the state’s economy received bracing that

may have prevented a more severe collapse. There was reluctance to use it, for fear: (a) that it simply postponed and perhaps increased the eventual and necessary retrenchment of government and (b) that taking the money sapped the credibility of antifederal rhetoric. In Utah the severity of the financial crisis quietly overcame political complaints, probably to the relief of most participants. The state's prudence provided the means to pick up the postponed shortfall for FY 2011, with a reasonable expectation that the worst of the crisis had been weathered. A recent review of the ARRA by the GOPB found it crucial for filling the revenue shortfalls of FY 2010 and FY 2011. Utah was positioned to make, and did make, early use of AARA funds, directing them to projects of high priority, because of advanced planning to identify and prepare for such projects. (Mower and Tennert 2010).

Programs for counter cyclical purposes present tough choices in how to use them. Questions include the size of the programs, as in bonding, representing tradeoffs between concerns about a recession's damage vs. concerns about future paybacks. They also include timing, as in rainy day funds, representing tradeoffs between limiting a recession vs. preserving capacity to deal with its results. The tax side of the balance sheet also deserves attention, especially for its questionable use. Utah's tax base is relatively broad and stable. But it is arguable that a structural deficit resulted from cuts in the tax base during fiscally strong years (Macdonald 2009). The misuse of taxes as stimulus is relevant to tax expenditures when they establish preferences that undermine the fairness of the market or have costs that exceed the benefits for Utah. Thus the challenges and risks of state economic stimulus efforts are in the tradeoffs affecting who gains political rewards or damage by shifting benefits and costs across interests and over time. Utah has a mixed record managing these political incentives.

Summary

Typical evaluations of the FY 2011 budget were that it was not as bad as it might have been. Prudent state management, relatively favorable economic determinants, and federal financial support kept Utah from suffering the financial disasters of many states. Utah is especially fortunate in weathering the storms suffered by Arizona, Nevada, and California, which by location and size always influence Utah.

Utah's FY 2011 budget, beyond its relief, offers questions for analyses and challenges to state budgeting:

- To what extent is Utah's condition the result of: skill; of whose skill; and of outside support, of morality, or of luck?
- What is the right tradeoff between the present year (short-term) and immediately following years (mid-term), in other words to attempt to manage a recession or to react to it?

- How does the choice between short-term and mid-term fiscal policy affect long-term interests?

- How much confidence can the budget place in the predictions of the future and of the ability to shape that future, and how can this confidence be increased?

- To what extent and with what results does financial ideology trump economic analysis?

- To what extent is Utah's conservative fiscal policy a matter of financial prudence or a means to rebalance public and private roles? How can the public interest be better protected in this game? If for financial prudence, should there be more consideration of various components such as the extent and timing of bonding, structural revenue deficits, the economic consequences of tax expenditures as well as of direct subsidies, the size and use of rainy day and state loan funds, etc.? If for rebalancing public and private roles, is it feasible to effect public and legislative dialogue considering the guidelines and distinctions to apply in deciding appropriate roles?

- To what extent and with what results does political interest trump economic analysis?

How can the public interest be better protected in this game?

- How does antifederal rhetoric play out, given Utah's dependence on federal programs and responsibilities? In what ways might such dependence be changed and in what ways might it be accommodated?

- Could skills of executive and legislative staffs be more effectively employed in minimizing and accommodating uncertainty?

- If the legislature is the watchdog of the executive branch, how is the public the watchdog of the legislative branch? What processes and resources (in their absolute and relative extent) are appropriate in order for the legislature and the public to play these roles?

Each of these questions faces a further question of the extent to which analyses might provide guidance and the extent to which these are necessarily political questions to be continuously repeated in debate and in new approaches. To add an additional political reality, it is more difficult to agree on fundamental program purposes than to agree/compromise on program content and support. Analysis may reduce this difference, but the inevitability of this difference is well established: in general and in budgeting (Wildavsky 1964).

A Reflection

The budget, to be a window on the state's programs, problems, politics, and personalities, must be more than accounting—but depends on accounting. Utah has made great strides in the completeness of the accounting records for its budgeting

and its economy. Their uses are made more complex by the completeness. Being complex, they also may obscure rather than show transparency in the politics they represent. Using the greater completeness of the accounting records to overcome the problems presented by complexity goes beyond the responsibilities of those providing the accounting.

We gain by independent and multiple analyses of matters fundamental to our purposes, cultures, and politics. There presently may be a flowering of independent analyses in Utah, of various levels of objectivity and professional skill. Some have long roots, such as those by the Utah Taxpayers Association, the Utah Foundation, the Utah League of Women Voters, and the United Way of Salt Lake City. Some are relatively new such as the Sutherland Institute, the Utah Health Policy Project, and Voices for Utah's Children. Some come from within institutions, such as the political reports in major newspapers. Some come from individuals working alone or nearly so, such as Doug Macdonald and others analyzing taxes. As the quality of budget and financial records progresses, only a commensurate increase in the quality of independent analyses will make full use of this progress. Quality and independent analyses also provide the feedback and purpose for further progress in budgeting processes and of its records.

Appendices

**Table I. Governor Herbert’s Budget Recommendations (millions of dollars)
General and School Funds, Except as Noted as All Sources, FY 2011**

	FY 2009 Actual	FY 2010 Authorized	FY 2010 Adj for Supple- ments & Cuts	FY 2011 Base (a)	FY 2011 Recom- mended	Annual %change (b)	FY 2011 All sources Rec- mended	Annual % change All sources (c)
Plan of Financing								
General Fund								
(sales tax)	2,098	1,865	-10	1,833	1,859	-0.4		
School Fund								
(income tax)	2,719	2,633	-1	2,529	2,930	11.3		
Programs								
Admin Services	22	27	- •	20	40	46.8	78	18.3
Comm & Wk Force	80	89	-2	86	89	-0.8	797	5.9
Corrections	331.3	317	-7	319	341	7.3	361	0.8
Courts	109	108	-2	108	110	1.6	132	-0.7
Econ Dev & Revenue	112	99	-7	93	97	-2.1	275	-2.6
Elected Officials	41	42	-1	38	40	-5.3	98	-1.4
Environ. Quality	13	11	- •	11	11	-1.7	52	-8.6
Health	307	275	17	325	334	21.6	2,173	1.6
Higher Education	757	694	1	703	755	8.8	1,253	-2.1
Human Services	270	253	-4	264	281	11.1	579	-2.9
Legislature	19	20	- •	17	17	-12.2	17	-12.1
Nat Guard & V A	7	7	- •	6	7	0.0	38	-16.5
Natural Resources	63	51	-1	51	51	-0.1	226	0.6
Public Education	2,315	2,290	-1	2,107	2,402	4.9	3,441	-0.7
Public Safety	68	63	-2	63	62	-0.8	174	-9.1
Technology Serv.	2	2	- •	2	2	1.2	5	11.5
Transportation	1	•	0	0	0	-100.0	279	-1.0
Capital Budget	251	80	0	81	81	1.3	929	-5.6
Debt Service	49	69	0	69	69	0.0	351	27.4
Total	4,817	4,498	-11	4,362	4,789	6.5	11,289	-0.3

• Less than half a million dollars.

(a) FY 2010 removing one-time appropriations and transfers.

(b) Percent change calculated (using detail to thousands of \$ rather than rounded millions of \$) as increases from authorized FY 2010 to Governor Herbert’s recommendations for FY 2011.

(c) Percent change calculated (using detail to thousands of \$ rather than rounded millions of \$) as increases from authorized FY 2010 to Governor Herbert’s recommendations for FY 2011.

Source: Herbert 2010, tables 6 & 7.

Table II. Appropriations: General and School Funds plus Adjustments Used to Balance the Budget (millions of dollars), FY 2011

	FY 2010 Ongoing	FY 2010 One Time	FY 2010 Total	FY 2011 Ongoing	FY 2011 One Time	FY 2011 Total	%Change Totals
Financing							
General Fund	1,839	- 7	1,832	2,006	66	2,072	13.1
Education Funds a	2,529	101	2,660	2,695	17	2,711	3.1
Programs							
Elected Officials	38	4	41	41	1	42	1.6
Courts	108	- 2	106	108	•	108	1.8
Corrections	319	- 13	307	318	12	330	7.5
Public Safety	63	- 3	60	62		62	2.2
Adm & Tech Serv	17	8	26	23	4	27	3.9
Hum Res Mgmt	3	- •	3	3	•	3	13.1
Debt Serv	69		69	69		69	
Capital Facilities	56	- 5	51	51	113	164	223.1
Health	325	- 58	267	362	-58	305	14.3
Human Serv	264	- 18	245	270	6	275	12.3
Public Educ	2,111	182	2,293	2,372	13	2,385	4.0
Higher Educ	705	-12	693	740	- 20	721	4.0
Natural Resources	53	5	58	51	- 1	50	- 13.7
Comm & WkForce Serv	104	•	104	100	- •	100	- 4.0
Ec Dev & Revenue	98	4	103	95	11	106	3.3
Nat Guard & Vet Affrs	6	1	7	6	1	7	- 3.9
Env Quality	11	- •	10	11		11	2.1
Transportation	2	- 1	1	2		2	39.7
Legislature	17	2	19	18	1	19	1.8
Total	4,368	94	4,462	4,700	83	4,783	7.2

^a Includes the Uniform School Fund and the Education Fund.

• less than half a million \$

Sources: (LFA 2010b, 7, 8). All figures from Table 2, p. 7, except the percentage calculations, which come from Table 3, p. 8.

Table III. Appropriations: General and School Funds, Except as Noted as “All Sources” (millions of dollars), FY 2011
Reported by Governor’s Office of Planning and Budget

	FY2009 Actual	FY 2010 Current Author.	FY 2001 Approp.	% Change Initial Approp.	FY 2011 Gov. Rec.	FY 2011 Approp. \$ Differ from Gov.	FY 2010 Current Author. All Sources	FY 2011 Approp. All Sources	% Changes All Sources Initial Approp. FY 2010 FY 2011
Financing									
General Fund (sales tax)	2,098	1,810	2,058	10.3	1,859	199			
School Fund (income tax)	2,719	2,630	2,711	3.0	2,930	- 219			
Programs									
Admin Services	22	27	28	2.2	40	- 12	54	56	- 13.8
Comm & Wk F	101	104	100	- 7.1	89	11	1,102	1,392	28.0
Corrections	331	306	329	3.7	341	- 11	347	350	1.1
Courts	109	106	108	- 0.1	110	- 2	131	130	0.9
Econ Dev & Rev	112	90	93	- 5.6	97	- 3	277	279	0.5
Elected Officials	41	41	42	- 1.2	40	2	112	101	4.7
Environ. Quality	13	10	11	- 2.2	11	- •	56	51	4.4
Health	307	267	305	11.0	334	- 29	2,216	2,165	9.2
Higher Education	757	693	721	3.9	755	- 34	1,262	1,231	- 10.3
Human Services	270	245	275	8.7	281	- 6	592	604	1.0
Legislature	19	19	20	- 0.7	17	2	19	20	- 3.6
Nat Guard & V A	7	7	7	- 5.8	7	- •	46	37	- 5.9
Natural Resource	63	49	48	- 7.0	51	- 4	228	236	16.6
Public Education	2,293	2,271	2,370	4.3	2,402	- 31	3,489	3,360	- 1.0
Public Safety	68	60	62	2.0	62	- 1	189	180	- 1.8
Technology Serv.	2	2	2	- 3.2	2	- •	5	5	10.6
Transportation	1	•	0	- 100.0	0	0	281	279	7.1
Capital Budget	251	75	181	126.3	81	100	971	782	4.5
Debt Service	49	69	69	0.0	69	0	291	367	23.2
Total	4,817	4,441	4,769	6.0	4,789	- 20	11,559	11,625	4.2

• Less than half a million dollars.

Current Appropriations and Authorizations for FY 2010 include initial appropriations and authorization and subsequent changes made by the end of the 2010 session. Percent changes from FY 2010 to FY 2011 are from the initial appropriation for FY 2010 rather than these appropriations combined with the supplemental appropriations and current authorizations that are here reported in the previous column. They thus show the percentage change at comparable points of the appropriations process. The percent change from the final available funding including supplementals, etc. for FY 2010 to the new appropriations/authorizations for FY 2011, are not shown here but can be calculated from the figures in the table. Percentage changes for other stages of the budget process are calculated in the GOPB’s Budget Summary. The differences between the Governor’s recommendations and the final appropriations are calculated using detail to thousands of dollars rather than rounded to millions of dollars.

Sources: Huntsman (2009), table 6; GOPB (2009a), tables 6 & 7.

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