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Utah State Budget Report for FY 14— A Subdued 2013 Legislative Session

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Introduction

In Utah, as throughout the country, the 2013 legislative session was marked by a healthier budget thanks to a recovering economy. While Utah was faring better than most states—with lower unemployment and rebounding revenue levels—the fragile recovery and federal legislative gridlock on financial issues created an air of uncertainty that likely contributed to the year’s relatively uneventful 45-day general legislative session.

Utah’s budget increased by about 2% over FY 2013 to \$12.9 billion in FY 2014. Of the \$425 million in new revenues, allocations were heavily weighted toward education (32% to public education and 23% to higher education) with significant allocations to infrastructure and general government (22%) and smaller amounts to several other categories.

Education funding is the largest portion of the state budget and is ever present as the top policy issue for constituents. It is not surprising that it was a primary focus of the session. The legislature increased the education budget 4.6% to \$3.8 billion for FY 2014. Legislators passed bills to increase per pupil funding (by 2%)¹ and cover projected growth in enrollment. In addition, legislators funded new STEM education initiatives² and wider administration of college prep tests with an online pretest prep program for high school students.³

Also worthy of note is legislation to fund an elementary arts program,⁴ provide for supplies in classrooms,⁵ and request reports on how school districts use existing class size reduction

¹ Utah State Legislature, *Public Education Budget Amendments*, General Session, 2013, HB2 (accessed October 7, 2014), available from <<http://le.utah.gov/~2013/bills/static/HB0002.html>>.

² Utah State Legislature, *Fifth Substitute Science, Technology, Engineering, and Mathematics Action Center*, General Session, 2013, HB139 (accessed March 27, 2014); available from <<http://le.utah.gov/~2013/bills/static/HB0139.html>>.

³ Utah State Legislature, *Assessment of College Readiness*, General Session, 2013, SB175 (accessed March 27, 2014); available from <<http://le.utah.gov/~2013/bills/static/SB0175.html>>.

⁴ Utah State Legislature, *Public Education Budget Amendments*.

⁵ *Ibid.*

funds.⁶ Dual language immersion programs previously funded by one-time funding were converted to an ongoing appropriation of equal amount (\$800,000) with added funds for expansion (\$240,000). Finally, building on Utah's previous support of competency-based higher education (Western Governors University), legislators approved a bill to allow a school district or charter school to establish competency-based education for public school students.⁷

Legislative activity focused on preK-12 education programs, but higher education funding saw notable increases. This included \$18 million in mission-based funding to allow each institution to focus on its specific mission within the system and correct inequities in funding levels across institutions. Campus capacity at Utah's applied technology campuses will be expanded by \$5 million and \$1.5 million was allocated for Dixie State College's transition to university status.⁸ A \$6.5 million appropriation (increasing to \$10 million in the following years) will allow for expansion of the University of Utah medical school program, allowing 40 new seats in each cohort.⁹ Utah State University will receive \$3 million in one-time funding to expand graduate education, and the Huntsman Cancer Institute at the University of Utah will get \$2.5 million in one-time funding for cancer research.

The 2013 session addressed a number of other issues including several related to health and safety. Responding to concerns about air quality, legislators provided funding to facilitate greater use of natural gas vehicles by government entities and private citizens.¹⁰ Health concerns also prompted a bill to ban smoking in cars with children under age 15.¹¹ Legislators also banned all cell phone use while driving for 16- and 17-year old drivers, though the penalties are mild compared to other infractions (officers will issue citations that bring a \$25 fine and no points added to the driver's license).¹² Finally, seeking to expand protections for children, new legislation now requires applicants for child care licenses to be subject to an FBI fingerprint check in addition to the state criminal background check already required.¹³

The legislature and Governor Herbert delayed decisions regarding Medicaid expansion despite a looming deadline from the federal government. However, the legislature did engage on the issue through a bill restricting executive action by making expansion conditional on the governor completing an analysis of the options and impacts of Medicaid expansion.¹⁴ Legislators also amended the insurance code, largely affecting health insurance markets that would soon be-

⁶ Utah State Legislature, *Substitute Classroom Size Revisions*, General Session, 2013, HB318 (accessed March 27, 2014); available from <<http://le.utah.gov/~2013/bills/static/HB0318.html>>.

⁷ Utah State Legislature, *Competency-Based Education Amendments*, General Session, 2013, HB393 (accessed October 7, 2014); available from <<http://le.utah.gov/~2013/bills/hbillenr/HB0393.html>>.

⁸ Utah State Legislature, *Dixie State College – University Status*, General Session, 2013, HB61 (accessed October 7, 2014); available from <<http://le.utah.gov/~2013/bills/static/HB0061.html>>.

⁹ Utah State Legislature, *Substitute Medical School Admissions Funding*, General Session, 2013, SB42 (accessed March 27, 2014); available from <<http://le.utah.gov/~2013/bills/static/SB0042.html>>.

¹⁰ Utah State Legislature, *Energy Amendments*, 2013, SB275 (accessed January 7, 2015); available from <<http://le.utah.gov/~2013/bills/static/SB0275.html>>.

¹¹ Utah State Legislature, *Protection of Children Riding in Motor Vehicles*, General Session, 2013, HB13 (accessed March 27, 2014); available from <<http://le.utah.gov/~2013/bills/static/HB0013.html>>.

¹² Utah State Legislature, *Wireless Telephone Use Restrictions*, General Session, 2013, HB103 (accessed March 27, 2014); available from <<http://le.utah.gov/~2013/bills/static/HB0103.html>>.

¹³ Utah State Legislature, *Background Checks for Child Care Workers*, General Session, 2013, HB165 (accessed March 27, 2014); available from <<http://le.utah.gov/~2013/bills/static/HB0165.html>>.

¹⁴ Utah State Legislature, *Fifth Substitute Prohibition of Medicaid Expansion*, General Session, 2013, HB391 (accessed March 27, 2014); available from: <<http://le.utah.gov/~2013/bills/static/HB0391.html>>.

come more active in the state due to changes on the federal level through the Affordable Care Act.¹⁵

The 2013 session was marked by concerns from some legislators and citizens regarding protections for 2nd Amendment rights. In the wake of the Sandy Hook shooting in December 2012, federal deliberations of current gun laws were met with concern by some Utahns and resulted the passage of two gun-related bills. One bill amended the conceal carry provisions of the state code to allow anyone over age 21 to carry an unloaded firearm; the bill passed both houses, but was vetoed by the governor.¹⁶ Another bill modified state law to prohibit the sharing of information on concealed firearm permits with the federal government and restrict state and local government officials from compelling individuals to divulge whether they have a permit or are carrying a concealed firearm.¹⁷

With the economy in recovery and commercial development in Utah returning, the debate over relocating the state prison gained momentum. A bill passed in the 2013 session requires further study of the economic impact of moving the prison and opening up the 690 acres where the prison is currently located for real estate development.¹⁸ Legislators called for a study analyzing the economic and fiscal impact of transferring public lands from federal to state management.¹⁹

In January 2013, at the start of the legislative session, the FBI launched an investigation of Attorney General John Swallow on allegations of soliciting bribes, accepting gifts, and other illegal conduct. The investigation and allegations continued throughout 2013 and led to Swallow's resignation in November 2013 after less than a year in office. His arrest would follow in mid-2014, and a trial is currently underway.²⁰

Amid this swirl of investigation into Utah's chief lawmaker, legislators filed and passed a number of bills to modify state laws regarding investigations of government officials, ethical violations, and regulations governing elections. One bill closed a loophole that would have allowed the attorney general to investigate himself. Another created an ethics commission to investigate complaints against the executive branch.²¹ Lawmakers passed legislation modifying grievance procedures for public employee whistleblowers²² and amended the laws governing financial re-

¹⁵ Utah State Legislature, *Health System Reform Amendments*, General Session, 2013, HB160 (accessed March 27, 2014); available from <<http://le.utah.gov/~2013/bills/static/HB0160.html>>.

¹⁶ Utah State Legislature, *Substitute Concealed Weapon Carry Amendments*, General Session, 2013, HB76 (accessed March 27, 2014); available from <<http://le.utah.gov/~2013/bills/static/HB0076.html>>.

¹⁷ Utah State Legislature, *Substitute Protection of Concealed Firearm Permit Information*, General Session, 2013, HB317 (accessed March 27, 2014); available from: <<http://le.utah.gov/~2013/bills/hbillenr/HB0317.htm>>.

¹⁸ Utah State Legislature, *Eighth Substitute Prison Relocation and Development Amendments*, General Session, 2013, SB72 (accessed March 27, 2014); available from: <<http://le.utah.gov/~2013/bills/static/SB0072.html>>.

¹⁹ Utah State Legislature, *Public Lands Coordinating Office Amendments*, General Session, 2013, HB142 (accessed October 8, 2014); available from <<http://le.utah.gov/~2013/bills/static/HB0142.html>>.

²⁰ Robert Gehrke et al., "Swallow, Shurtleff Arrested, Face 23 Counts, up to 30 Years Prison," *Salt Lake Tribune*, July 19, 2014, accessed February 12, 2015, <<http://www.sltrib.com/sltrib/news/58185969-78/swallow-shurtleff-utah-general.html.csp>>.

²¹ Utah State Legislature, *Independent Executive Branch Ethics Commission*, General Session, 2013, SB86 (accessed March 27, 2014); available from <<http://le.utah.gov/~2013/bills/static/SB0086.html>>.

²² Utah State Legislature, *Whistleblower Amendments*, General Session, 2013, SB95 (accessed February 12, 2015); available from <<http://le.utah.gov/~2013/bills/sbillenr/SB0095.htm>>.

porting for political candidates,²³ campaign finance reporting penalties,²⁴ and criminal provisions in the election code.²⁵

The session was marked by passage of the state budget as required by the Utah Constitution and legislation covering a wide array of issues. Legislators introduced 748 bills and passed 524 of them, but few were marked by the dramatic high stakes political battles seen in past years. Rather, it was a session considered by many to be largely uneventful.

State of the Economy

In January 2013, just as the Legislative General Session began, Utah was in the second year of recovery from the Great Recession. Having been among states hit the hardest by that downturn, Utah was expected to recover more quickly than other states. Unlike the prior year, housing and construction were expected to lead Utah's continued economic growth in 2013 and 2014.

Measured by employment growth, Utah's economy was expected to grow by more than twice the rate of the United States as a whole. For 2013, experts predicted Utah employment would increase 3.4% compared with a national rate of 1.4%.²⁶ The actual increase in employment of 3.3% essentially met the forecast.²⁷ For 2014, economists forecast Utah employment would grow by 3.5% compared to 1.7% for the U.S.²⁸

Utah's projected unemployment rate for 2013 also compared favorably with the nation at 5.4% versus 7.6%.²⁹ Utah's actual unemployment rate for 2013 was 4.8%, more than half a point lower than the forecast.³⁰ For 2014, Utah's unemployment rate was expected to hit 4.2%.³¹ Both years were marked improvements from 2012's estimated rates of 5.9% in Utah and 8.2% in the U.S.³²

Residential construction began to turn around in the 2013–2014 period. In 2013 the number of residential permits was expected to grow by 25%, and their values increase by 20%.³³ Actual

²³ Utah State Legislature, *Election Code – Financial Reporting Requirement Amendments*, General Session, 2013, SB65 (accessed February 12, 2015) available from <<http://le.utah.gov/~2013/bills/sbillenr/SB0065.htm>>.

²⁴ Utah State Legislature, *Campaign Finance Reporting Penalties*, General Session, 2013, HB18 (accessed February 12, 2015) available from <<http://le.utah.gov/~2013/bills/static/HB0018.html>>.

²⁵ Utah State Legislature, *Election Code Criminal Provisions*, General Session 2013, HB19 (accessed February 12, 2015) available from <<http://le.utah.gov/~2013/bills/static/HB0019.html>>.

²⁶ Governor's Office of Management and Budget, *Economic Outlook 2013*, January, 2013, p. xiii, (accessed November 3, 2014); available from <<http://www.doleta.gov/performance/results/AnnualReports/PY2012/2013EconomicOutlook.pdf>>.

²⁷ Governor's Office of Management and Budget, *Economic Outlook 2014*, January, 2014, p. 14, (accessed February 12, 2015); available from <<http://business.utah.gov/wp-content/uploads/2014UtahEconomicOutlook.pdf>>.

²⁸ Governor's Office of Management and Budget, *Economic Indicators for Utah and the U.S.: February 2013*, February 2013, p. 1.

²⁹ Governor's Office of Management and Budget, *Economic Outlook 2013*, p. xiii.

³⁰ Governor's Office of Management and Budget, *Economic Outlook 2014*, p. 14.

³¹ Ibid.

³² Governor's Office of Management and Budget, *2012 Economic Report to the Governor*, November 29, 2012, p. xv, (accessed online November 4, 2014); available from: <http://gomb.utah.gov/wp-content/uploads/sites/7/2013/08/2012_ERG_11_20_2012.pdf>.

³³ Governor's Office of Management and Budget, *Economic Outlook 2013*, p. 32.

increases in residential construction in 2013 were more modest, with residential values increasing by 7% rather than the forecast of 20%.³⁴ For 2014, economists predicted the number of residential permits would grow by another 16% while values would increase by 21%.³⁵ Nonresidential construction lagged residential and was expected to require another year before truly blossoming.

This economic expansion resulted in new revenue for the state. At the end of FY 2012 (June 30, 2012), Utah enjoyed a budget surplus of \$46 million (about 1%).³⁶ Policymakers expected about 2.5% more one-time revenue in FY 2013—\$8 million for the General Fund and \$109 million for the state’s income tax-based Education Fund. For FY 2014, economists predicted general fund revenue would grow by another \$83 million while the Education Fund would expand by \$183 million—an increase of 5.4% compared with previous FY 2013 estimates.³⁷

Politics in Utah

Across the nation, the state of Utah is well known as being politically conservative. It is not surprising then to see the conservative values of Utah voters reflected in public opinion polling or the composition of the legislature.

2012 Election Brings Changes

In the 2012 election several conservative incumbents failed to win re-election, and several legislators chose not to seek re-election in 2013. As a result, 23 freshman legislators were introduced in the 2013 session. Utah has a relatively small legislature, so this translated to almost a fourth of House members serving as freshman becoming acquainted with the inner workings of the political process. Utah is also notable for having very few women in its legislature, just 12 of 75 members of the House and five of 29 senators, roughly 16% of the legislature.

Republican Party Domination

Republicans continue to dominate state politics in Utah. In the 2013 legislature, 24 of the 29 senators (83%) are Republicans and five are Democrats. The House had 14 Democrats and 61 Republicans in the 2013 session, giving Republicans a controlling majority of 81%.

The governor and other statewide elected officials are also Republicans. In fact, Utah has not had a Democratic governor since Gov. Scott Matheson, who served from 1977 to 1985. Utah did recently have one Democratic representative in the U.S. Congress, Jim Matheson, the son of former Gov. Matheson. Congressman Matheson first won election in 2000. He chose not to seek re-election in 2014 and Republican Mia Love won the seat.

³⁴ Governor’s Office of Management and Budget, *Economic Outlook 2014*, p. 25.

³⁵ Governor’s Office of Management and Budget, *Economic Indicators for Utah and the U.S.: February 2013*, February 2013, p. 1.

³⁶ Utah Division of Finance, *State of Utah Financial Highlights*, October, 2012, p. 1 (accessed online 11/3/2012); available from: <<http://finance.utah.gov/reporting/documents/12%20Final%20Financial%20Highlights%20October%20Issue.pdf>>.

³⁷ Executive Appropriations Committee of the Utah Legislature, *Revenue Estimates – February 2013*, February 27, 2013, (accessed online November 3, 2014); available from: <<http://le.utah.gov/interim/2013/pdf/00001541.pdf>>.

Values of Utah Voters

Utahns clearly view education as the number one priority for the state and pushed legislators to address its funding during the 2013 session. A January 2013 survey of more than 500 Utahns found that other public policy issues, while important, are secondary to education.³⁸

Asked to rate the importance of a number of issues, including transportation, health care reform, education, economic development, and immigration policy, the priority for Utahns was education (see Figure 1). The results show that 87% of Utahns believe education is important or very important. The next closest issue is health care reform with 66 percent.

To gauge personal priorities, individuals were asked “Where on your priority list are the following issues; at the top of your priority list, near the top, in the middle, near the bottom, or at the bottom of your list of priorities?” Respondents ranked education concerns near the top of their priority lists: investing in K-12 education (80% at or near the top), making sure kids can read by end of 3rd grade (87% at or near the top), career readiness of high school students (70% at or near the top), and investing in smaller class sizes (66% at or near the top). Public safety, air quality, energy development, and cultural/recreational investment all rated lower than education (see Figure 2).

Respondents were then asked to rate the favorability of increases to several different taxes. The questions briefly outlined the type of activities funded by each tax and asked whether voters would favor or oppose an increase in that tax. Voters stated a willingness to increase the state’s income tax, knowing that the revenue would be devoted to public education. There also appeared to be a willingness to increase the state’s sale tax (54% favored, 45% opposed). However, voters were reluctant to increase taxes on gasoline or food (see Figure 3).

The Utah Budget

Utah’s Budget Process

A hallmark of Utah’s prudent fiscal policy is its collaborative approach to budgeting. As with most states, Utah’s constitution provides for budgeting checks and balances. By statute and through practical implementation, budgetary teamwork among Utah’s branches of government, and within the legislative branch itself, transcends the archetypal separation of powers.

Under the Utah Constitution, collection and appropriation of public resources is a plenary power of the legislative branch. The legislature must levy a tax sufficient to fund the operation of state government. Except in times of war or insurrection, the legislature must not make appropriations that exceed revenue from such taxes.³⁹ The state must balance its budget.

The constitution grants the governor the power to line-item veto any appropriation by the legislature without vetoing other portions of a bill.⁴⁰ The legislature has delegated even further budgeting responsibility to the executive branch via statute. Under the Budgetary Procedures Act, the governor recommends to the legislature “a proposed budget for the ensuing fiscal year”⁴¹ and

³⁸ The survey was conducted by Dan Jones and Associates between January 1, 2013 and January 15, 2013. A total of 537 interviews of registered Utah voters were completed. The error rate was $\pm 4.5\%$.

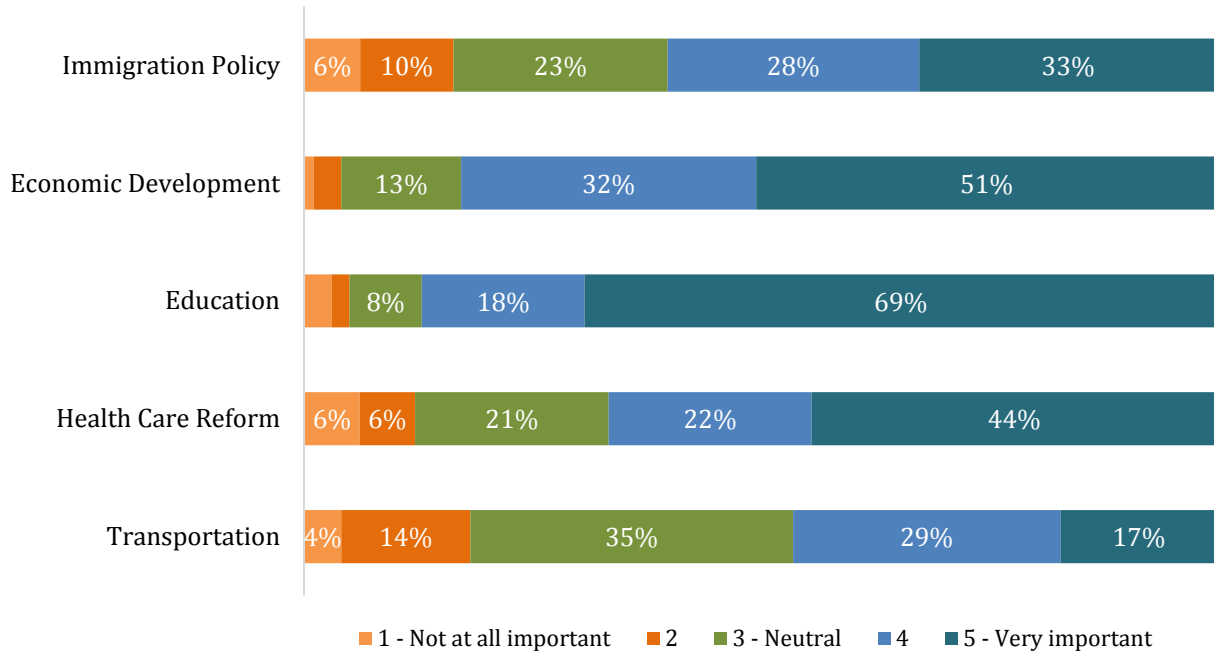
³⁹ Utah Const. art XIII, § 5.

⁴⁰ Utah Const. art VII, § 8.

⁴¹ Utah Code § 63J 1-201.

Figure 1. Utah Public Opinion—Importance by Policy Issue

Thinking about Utah’s future . . . In your opinion, how important do you feel it is for the state to focus on the following issues using a 1–5 scale with one meaning “Not at all important” and five meaning “Very important.”



Source: Legislative Summit Survey, January 2013.

any changes to the budget for the current or next fiscal year. The legislature then considers those recommendations in making final appropriations.

The judicial branch submits its budget to the governor who recommends it to the legislature “as certified to the governor by the state court administrator.”⁴² The state court administrator works with a body of judges and courts officials known as the Judicial Council to develop that budget.

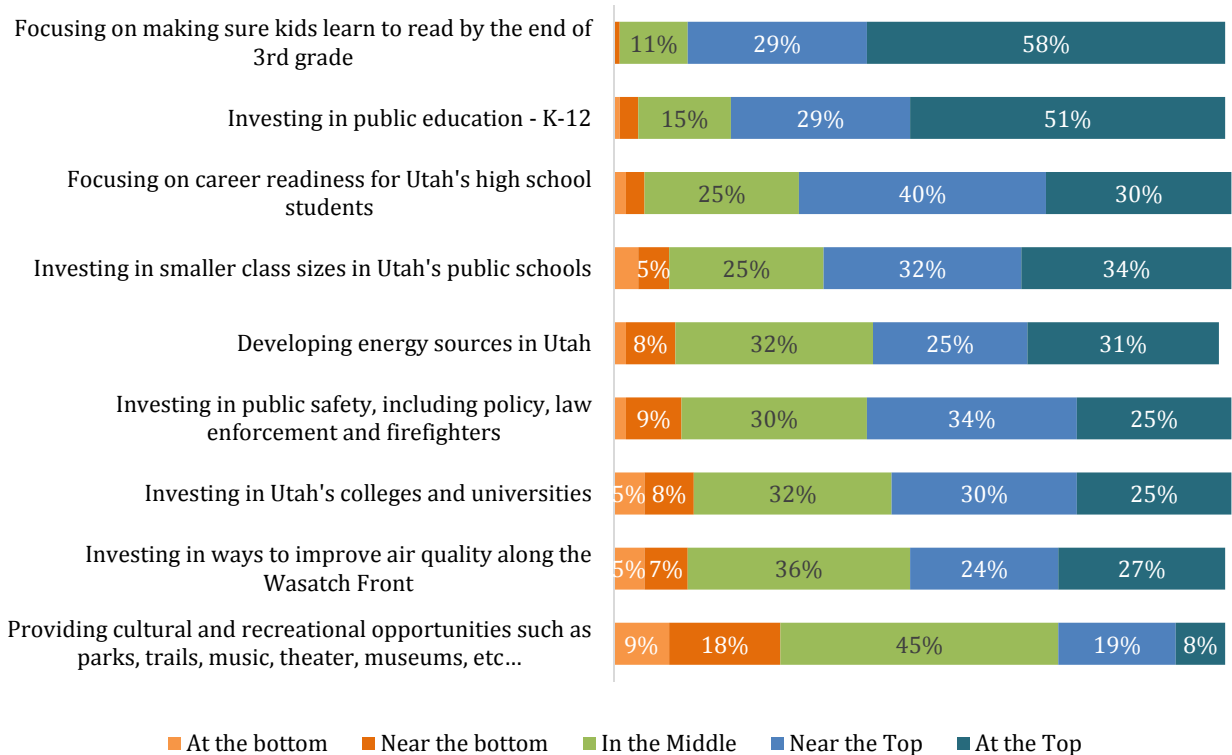
Practically speaking, the branches work closely together to craft a final budget. Doing so involves collaboration on revenue estimates and negotiation on spending. A depoliticized revenue estimating process is the first step.

In October or November of each year, a group of staff-level experts, unofficially called the Revenue Estimating Committee, collaborate to set the revenue target for the governor and the legislature. They do so for the sales tax based General Fund, the income tax based Education Fund, and the gas tax based Transportation Fund. These funds make up about 45 percent of

⁴² *Ibid.*

Figure 2. Utah Public Opinion – Policy Prioritization

Thinking about all of the pressing issues and needs that lawmakers will face this upcoming session . . . Where on your priority list are the following issues; at the TOP of your priority list, NEAR the top, in the MIDDLE, NEAR the bottom, or AT the bottom of your list of priorities?



Source: Legislative Summit Survey, January 2013.

Utah's total annual budget.⁴³ Economists make these estimates for the current fiscal year—in this case FY 2013—as well as for the next fiscal year—FY 2014.

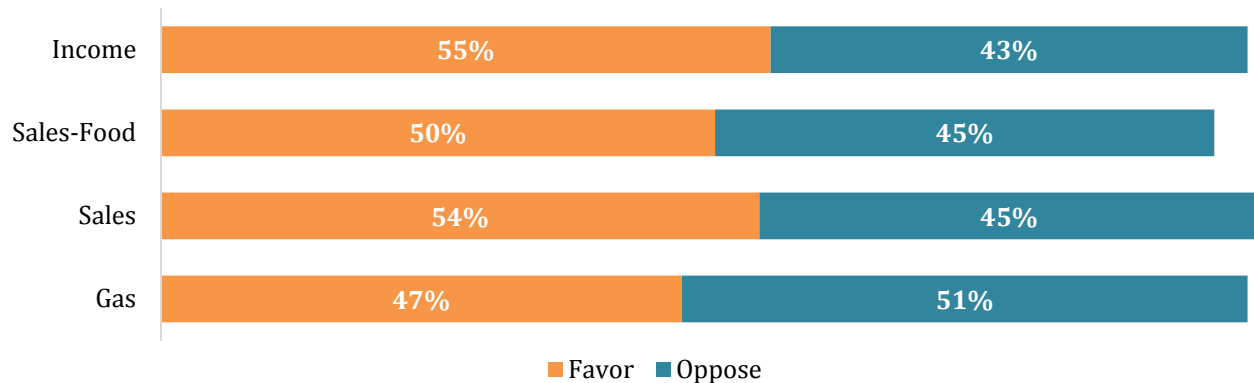
Economists from the Office of the Legislative Fiscal Analyst, Governor's Office of Planning and Budget, and Utah State Tax Commission agree on economic indicators that serve as inputs to revenue models. They then run independent analyses and reconvene to agree on a single set of revenue estimates.⁴⁴ These consensus estimates serve as the resource level to which spending must be balanced.

The process is repeated in February—half way through the annual Legislative General Session. The same group updates their fall estimates for use by the legislature in setting the final budget.

⁴³ Office of the Legislative Fiscal Analyst, *2013 – 2014 Appropriations Report*, May 2013, p. 4 (accessed January 7, 2014) available from: <<http://le.utah.gov/interim/2014/pdf/00001069.pdf>>.

⁴⁴ *Ibid*, pg. 3.

Figure 3. Comparison of Public Support for Tax Increases, by Type of Tax



Source: Legislative Summit Survey, January 2013.

In December 2012, the previous FY 2013 estimate was revised upward to \$5.05 billion (+\$78 million/1.6%). They predicted \$5.28 billion in revenue for FY 2014—plus \$302 million (6.1 percent) compared to previous estimates for FY 2013.⁴⁵ They revised those estimates slightly again in February to \$5.09 billion for FY 2013 and \$5.24 billion for FY 2014.⁴⁶

Using these consensus revenue estimates, policymakers then decide spending priorities. The governor asks his cabinet agencies, public and higher education officials, the judiciary, and oddly enough, the legislature itself for input on which he makes his recommendations to the legislature.⁴⁷

The legislature begins its appropriations process where it left off—with last year’s ongoing appropriations. It establishes a “base budget” within the first 10 days of the annual Legislative General Session and proceeds to modify that level—up or down—through subsequent appropriations bills.⁴⁸ The governor’s budget recommendations inform that process, but they are neither the baseline nor the goal.

Utah is unique in that all legislators play a role in budgeting. Legislative Rule establishes a Joint Appropriations Committee made-up of all members of the House of Representative and state Senate.⁴⁹ That committee is divided into eight issue-based subcommittees—upon at least one of which all legislators serve.⁵⁰ Subcommittees scrutinize base budgets and recommend budget changes to the Executive Appropriations Committee, which crafts a balanced budget package for consideration of the Joint Appropriations Committee before the final week of General Session.⁵¹

⁴⁵ Utah Executive Appropriations Committee, *Revenue Estimates – November 2013*, December 3, 2012 (accessed January 7, 2014) available from: <<http://le.utah.gov/interim/2012/pdf/00002988.pdf>>.

⁴⁶ Utah Executive Appropriations Committee, *Revenue Estimates – February 2013*.

⁴⁷ Utah Code § 63J 1-201.

⁴⁸ Utah Legislative Rules § JR3-2-402.

⁴⁹ Utah Legislative Rules § JR3-2-301.

⁵⁰ Utah Legislative Rules § JR3-2-302.

⁵¹ Utah Legislative Rules § JR3-2-402

Through subcommittee meetings, Executive Appropriations Committee meetings, deliberation of various legislative caucuses, and negotiations between the legislature and governor's office, a final budget is developed. That budget is capped by what is commonly known as the "Bill of Bills"—a final appropriations measure that pays the cost of legislation passed in the General Session and makes any final budget adjustments.⁵² The Bill of Bills typically passes late on the last night of Session.

Governor Herbert's Budget Recommendation

The governor's FY 2014 budget recommendations totaled \$12.8 billion, with \$5.4 billion from state funds. Of the \$5.4 billion almost half (\$2.6 billion) was allocated to public education. The governor's proposed funding levels for Medicaid/social services and higher education were quite similar at 15.7% (\$854.7 million) and 14.9% (\$812.1 million) respectively. Additionally 7.7% (\$416 million) was recommended for corrections and public safety expenditures.⁵³

Governor Herbert has sought to make education funding a key aspect of his governorship. A longtime goal of his administration is to ensure that 66% of Utah's population has a post-secondary degree or certification by the year 2020. He recommended an additional \$298 million to achieve that goal, following the recommendations of his Education Excellence Commission. In addition to the annual pressure to fund growth in public education, including 13,254 new students, the governor's budget proposed increasing the weighted pupil unit, funding early intervention programs, investing in education technology, an increased focus on STEM education for 4th-8th graders, more funding for classroom supplies, and dedicated monies for elementary arts. While the bulk of the education funds were focused on K-12 programs, Governor Herbert proposed STEM funding for the state's technology campuses, expansion of medical school enrollment, and additional funding for mission and equity at the state's higher-ed campuses.⁵⁴

The governor's budget proposed added funding for several social service programs. He proposed transferring one-time savings in CHIP and Medicaid to cover ACA expansion costs and other one-time needs, but did not propose full Medicaid expansion. He also prioritized funding for individuals with disabilities and the state homeless programs.

The governor allotted increased spending on public safety and corrections with the bulk of the money directed toward a new juvenile courts building and increasing capacity for inmates at an existing facility. The proposed budget also allocated funds for economic development, approved bonding for infrastructure, and funded smaller miscellaneous items.

FY 2014 Budget Overview

The final FY 2014 budget passed by legislators and signed by the governor included \$12.7 billion in spending for fiscal year 2013 and \$12.9 billion for fiscal year 2014. The FY 2013 supplemental amount was a nearly 2% increase over original FY 2013 appropriations. FY 2014 rose another 1.2% over FY 2013 revised amounts.⁵⁵

⁵² Utah State Legislature, *Appropriations Adjustments*, General Session, 2013, SB3 (accessed January 6, 2015); available from <<http://le.utah.gov/~2013/bills/static/SB0003.html>>.

⁵³ Governor Gary R. Herbert, *Budget Recommendations Fiscal Year 2014*, December 12, 2012 (accessed October 14, 2014) available from <http://governor.utah.gov/Budget/Budget/Budget%20Recommendations/FY2014_RecBk.pdf>.

⁵⁴ *Ibid.*, p. 2.

⁵⁵ Office of the Legislative Fiscal Analyst, *2013 – 2014 Appropriations Report*, p. 3.

About 42% of the total budget from all sources was from discretionary General Fund (GE) and Education Fund (EF). For FY 2013 appropriators allocated \$5.1 billion—a slight decrease from the original FY 2013 GF/EF appropriation due to lower than expected growth in the Medicaid program. Legislators authorized \$5.5 billion in spending from the General and Education funds in FY 2014—an increase of almost 7% over FY 2013 revised amounts.⁵⁶

Policymakers added to the General Fund and Education Fund revenue growth mentioned above \$46 million in one-time surpluses and various account balances and transfers to add nearly \$475 million to General and Education fund budgets statewide across both years. The vast majority of that new money (55%) went to public and higher education. Next in line was funding for new building construction and maintenance, which received 22% of new available revenue. Economic development and criminal justice followed with 9% and 8% of the new money.⁵⁷

As usual, increasing enrollments drove public education funding increases. Legislators provided \$68.5 million in new money to accommodate an anticipated 13,000 new students. They also increased the amount of money allocated to each student—known as the Weighted Pupil Unit Value—by 2% at a cost of nearly \$48 million. Other significant public education initiatives included: \$10 million for early intervention enhanced kindergarten and technology programs; \$6.6 million to build statewide adaptive testing infrastructure; \$5 million for teacher supplies and materials; and \$4 million to continue an expiring elementary arts program.⁵⁸

Higher education budgets rose due to several grant-like allocations to be managed by university presidents and boards of trustees. Appropriators provided \$9 million to more equitably allocate state support per student at higher education institutions. Another \$9 million went to pay for distinctive institutional priorities. Legislators authorized \$5 million to increase capacity at Utah's career and technical colleges. Other significant higher education initiatives included: \$3 million for post-graduate level education at Utah State University; \$2.5 million to expand the Huntsman Cancer Institute at the University of Utah; and \$1.5 million to complete Dixie State College's transition to Dixie State University.⁵⁹

New investments in buildings and related infrastructure included \$95 million in General Fund and Education Fund projects, the largest of which are a new classroom building at Utah Valley University (\$54 million) and a new juvenile courts facility in Ogden (\$29.3 million). Legislators approved an additional \$82.5 million in nonstate-funded projects, mostly financed through donations and user fees, like Utah State University's Aggie Life and Wellness Center (\$30 million) and Space Dynamics Laboratory (\$20.5 million) as well as a new Basketball Training Center at the University of Utah (\$23.6 million).⁶⁰ Transportation construction funding from sales tax earmarks grew by nearly \$36 million (9%) to \$440 million in FY 2014.⁶¹

General and Education Fund appropriations for Economic Development increased by nearly 20% from FY 2013 to FY 2014. Many of the funding initiatives were one-time. The largest of these initiatives included \$10 million for the Science, Technology, Engineering, and Math (STEM) Action Center, \$5 million for the Utah Science Technology and Research (USTAR) program, \$3 million for tourism promotion, \$2.3 million for development of former Department

⁵⁶ *Ibid*, p. 4.

⁵⁷ *Ibid*, p. 3.

⁵⁸ *Ibid*, pps. 229- 234.

⁵⁹ *Ibid*, pps. 119-121.

⁶⁰ *Ibid*, p. 155.

⁶¹ *Ibid*, P. 16.

of Defense property at Falcon Hill, and \$2 million for the Utah Shakespearean Festival.⁶² Earmarks for economic development rebate payments increased 4% to \$8.6 million in FY 2014.⁶³

In addition to the new prison wing at Gunnison mentioned earlier, legislators increased General and Education Fund appropriations for executive offices, criminal justice, and courts by more than 6%. Most of this increase was due to the final \$13.5 million one-time lawsuit settlement payment in the Pelt case—a lawsuit alleging mismanagement of a Navajo trust fund overseen by the state. Other large initiatives included \$2.8 million for growth in contracts with county jails, \$1.3 million for the Genesis Work Camp, \$1.2 million for continued operation of the Weber Valley Youth Detention Center, and \$1.1 million to beginning planning to relocate the state prison at Draper.⁶⁴

While resulting in a slight savings for FY 2013, Medicaid growth and anticipated Affordable Care Act costs drove a 7.1% increase in social services budgets from FY 2013 to FY 2014. Appropriators provided \$20.5 million in General and Education Fund spending authority for mandatory changes in coverage under the Affordable Care Act. At the same time, Medicaid growth was less than previously projected, resulting in an \$18.2 million offset for FY 2014. Numerous other social service initiatives came from the savings, including \$2 million for Baby Watch Early Intervention and \$6.3 million for additional services for people with disabilities.⁶⁵

Statewide budget increases included \$21.6 million General and Education Funds for state employee salaries (1% raise), health insurance, and retirement cost increases. Legislators provided another \$10.7 million for similar increases in Higher Education. As mentioned earlier, 2% general inflationary increases in Public Education cost \$47.8 million and could be used for compensation costs.⁶⁶

When all was said and done, Utah had a balanced budget for FY 2014 and only a slight structural imbalance of less than \$2 million (0.04%).⁶⁷ This small imbalance was due to a new defined contribution benefit program that replaced a defined benefit, the latter of which is more costly in the long run. Future savings from the new program are expected to more than offset the FY 2014 structural imbalance.⁶⁸

The 2014 budget is summarized in Figure 4.

Conclusion

As the 2013 legislative session began, the worst of the Great Recession was over. For the first time in several years, Utah was not facing a financial crisis and lawmakers could afford to debate subjects that did not revolve around averting disaster. With almost half a billion in new funding, legislators focused on the policy area most Utahns consistently identify as a high priority—education. In fact, legislators focused the majority of funds (55%) on education, with significant allocations for both K-12 and higher education. Beyond allocations through the education

⁶² *Ibid*, pps. 31 – 32.

⁶³ *Ibid*, p. 16.

⁶⁴ *Ibid*, p 109-111.

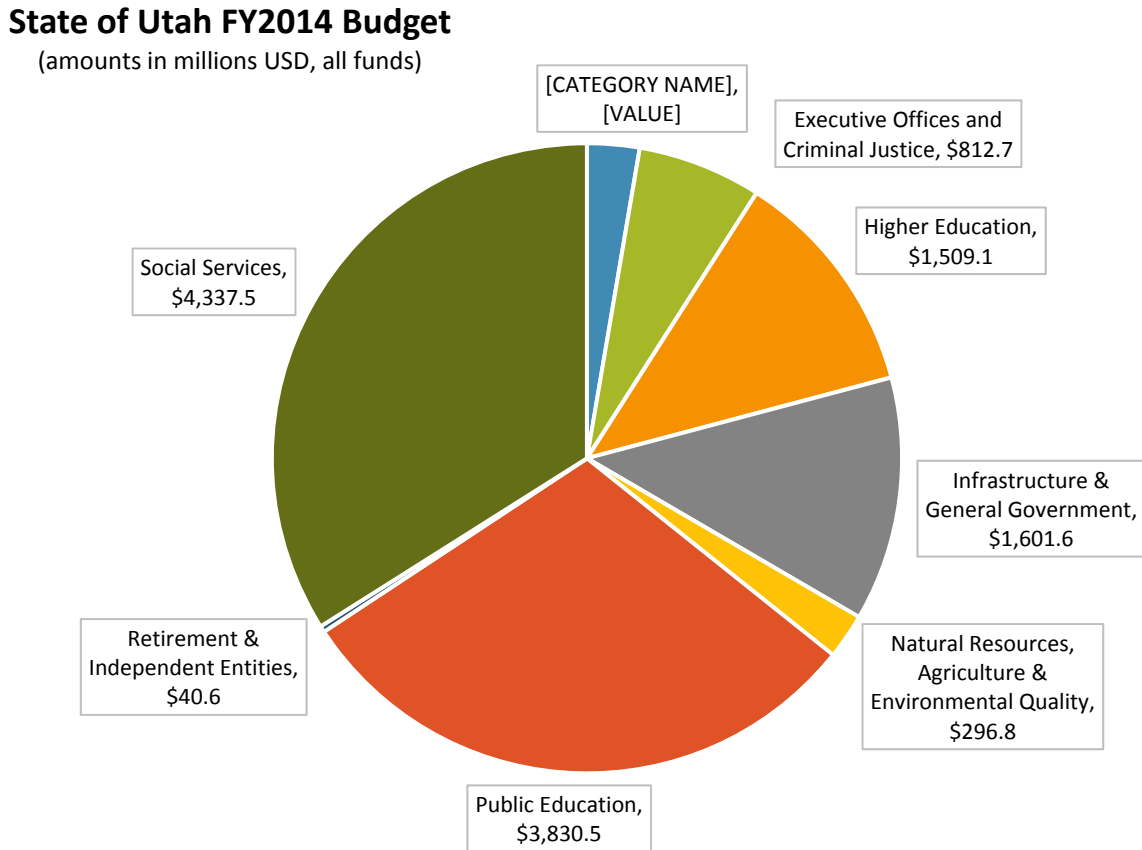
⁶⁵ *Ibid*, pps. 255-257.

⁶⁶ *Ibid*, p. 5.

⁶⁷ A structural imbalance means that ongoing spending commitments exceed ongoing revenue expectations.

⁶⁸ *Ibid*.

Figure 4. FY2014 Budget for the State of Utah



Source: Office of the Legislative Fiscal Analyst, *2013 – 2014 Appropriations Report*

subcommittee, other committees chose to direct funding to projects that benefitted schools—bringing the total portion of new funds directed at education to more than 70%.

Numerous media reports referred to the 2013 Session as uneventful or subdued. Many bills that could have proved controversial were shelved as lawmakers opted for interim studies rather than large appropriations. One of the most controversial subjects the legislature pursued was allocating funds for a study of a possible federal land transfer. Rather than pursue a lawsuit immediately as some members wanted, the decision was made to commission a study and then decide if a suit would be in order. Many subjects, including prison relocation and Medicaid expansion, were left to the status quo, with lawmakers opting to revisit them in the future.

While the session was considered largely subdued and boring, legislators were challenged with responding to the investigation of the state’s Attorney General. Utah is not typically a state marred by corruption and high profile investigations of elected leaders, so responding to the issue was a unique part of the session. Reacting to the potential indictment of the attorney general legislators acted swiftly to strengthen election law and reporting requirements and the rule of law governing the behavior of elected leaders. In July of 2013, Speaker of the House Becky Lockhart

called for a special session of the House rules committee, which voted 69–3 to investigate allegations against Swallow.⁶⁹

Attorney General Swallow resigned in November of 2013. The House investigative committee released their report in March of 2014 finding that Swallow, “compromised the principles and integrity of the office to benefit himself and his political supporters.”⁷⁰ He was arrested several months later, in July 2014, on a litany charges that include soliciting bribes, accepting gifts, and tampering with evidence. His trial is pending.

The 2013 session marked the beginning of a return to fiscal health in Utah. Legislators could once again focus on issues beyond managing the budgetary stress and fallout from the recession. Legislators utilized new funds to bolster allocations in education. Meanwhile, other important policy decisions were deferred including the potential federal lands lawsuit, prison relocation, and Medicaid expansion.

⁶⁹ Billy Hesterman, “House moves forward with investigation of AG John Swallow,” *Daily Herald*, July 4, 2013, accessed February 16, 2016, <http://www.heraldextra.com/news/local/house-moves-forward-with-investigation-of-ag-john-swallow/article_bfc2d854-898f-5db9-bcc7-403e571eb328.html>.

⁷⁰ Utah House of Representatives, *Report of the Special Investigative Committee*, March 11, 2014, accessed February 16 2015, <http://le.utah.gov/investigative/Final_Report_simple.pdf>.