



# GOVERNOR'S BUDGET OVERVIEW

## Overview

Governor Huntsman's Fiscal Year (FY) 2010 budget recommendation takes a balanced approach in managing through the current economic climate. Utah has not been immune to the deterioration of the national economy as shown by many of the key economic indicators that have been dramatically revised downward for both FY 2009 and FY 2010. This has negatively impacted the state revenues, and reductions in spending have been necessary. In September, Governor Huntsman called the Legislature into a special session to balance the FY 2009 budget. Since then, economic indicators have continued to decline, and subsequently this year's budget includes further reductions and recommends funding increases only in the most critical areas, including public education enrollment growth and caseload growth in vital human services.

In spite of the current situation, Utah remains in an enviable position compared to other states. Over the past several years of record economic growth, the State has taken the opportunity to not only address many of our critical needs, but has also carefully invested in areas like roads and infrastructure, and the Budget Reserve Fund (Rainy Day Fund), which allows Utah to mitigate the impacts of economic change.

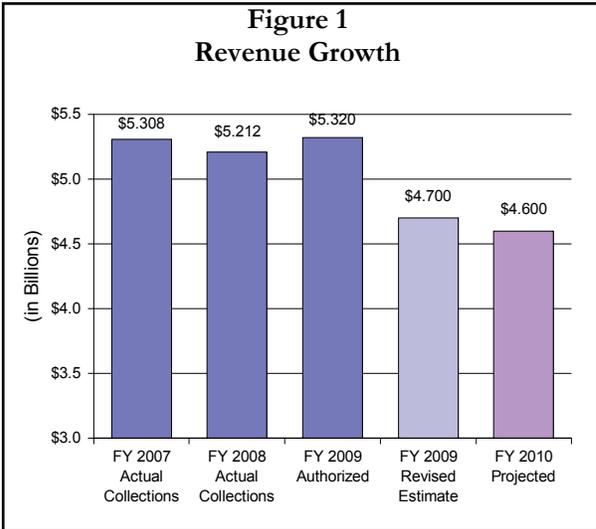
Budget adjustments recommended for FY 2010, including FY 2009 supplemental funds, are found in the following sections: 1) Table 1 in summary form, 2) Tables 6 through 10 by department, and 3) the itemized tables in the department sections which include a listing of all detailed budget items.

## Revenue Forecast

The Governor's Office of Planning and Budget (GOPB), the Utah Tax Commission, and the Office of the Legislative Fiscal Analyst (LFA) have reached consensus on the revised revenue estimates used for FY 2009 and the new revenues for FY 2010 contained within the Governor's budget.

Revised revenue forecasts for the General Fund and Education Fund for FY 2009 are \$620 million less than authorized during the 2008 Legislative Session. Revenue estimates for the FY 2010 budget are \$720.6 million less than the FY 2009 authorized amount.

**Figure 1**  
**Revenue Growth**



## **Budget and Policy Priorities**

The recommendations contained in this budget reflect a balanced approach by Governor Huntsman, who continues his commitment to four key policy areas:

- Economic Revitalization
- Education
- Quality of Life
- Governance

### **Economic Revitalization**

#### *Economic Kick-Start Plan*

Governor Huntsman is committed to ensuring that Utah's economy rebounds as quickly as possible. To begin this effort, he is proposing an Economic Kick-Start Package, which would allow the State to join forces with the Utah Housing Finance Corporation and the Federal Government to secure several hundred million dollars for infusion into Utah's housing market, making credit available to those who are qualified. In his budget, the Governor has set aside \$5.0 million to support this effort.

The Governor also proposes an increase in the Motor Vehicle registration fee in order to continue funding critical transportation projects. Given its AAA national credit rating, one of only a few, Utah is in a unique position to leverage its bonding capabilities in order to continue several major road projects. These projects will help stabilize a critical employment segment of our economy, while continuing to develop our transportation infrastructure.

Finally, the Governor recommends beginning several new building projects in cooperation with private donors and other public/private partnerships. With the dramatic drop in construction jobs in the State, these building projects will reduce the impact on the construction industry, and help Utah maintain its competitive edge in infrastructure.

### **Education**

Governor Huntsman continues his strong commitment to Utah's public education system. Over the past four years, Utah has made great strides in teacher compensation while keeping up with enrollment growth and investing record funding into our

public schools. Governor Huntsman is confident our economy will recover quickly and grow to be stronger than ever before. Consequently, his budget holds the realized decrease in public education's budget to less than four percent. This reduction comes with a strong recommendation that classrooms are protected during this downturn and that our children will continue to receive the best education possible.

The education budget also includes \$62.6 million to fund the projected student enrollment growth of approximately 13,500 children in FY 2010. This balanced funding approach will address current critical issues and provide educational and economic benefits for the future of all Utahns.

### **Quality of Life**

#### *Air Quality*

Improving air quality in Utah is a priority to Governor Huntsman's administration. The state is in a unique position to affect air quality by changing the schedules of more than 25,000 state employees. In August of 2008, the Governor directed all state agencies to implement Working 4 Utah, a four-day/ten-hour work week. This is designed to lessen the State's energy consumption and employees' weekly gasoline consumption. Studies have shown that a four/ten schedule also greatly increases productivity and employee morale.

State agencies have also been directed to implement policies to limit vehicle idle time, encourage car-pooling, use telecommuting and teleconferencing when possible, maintain vehicles to increase efficiencies, and many other energy-saving, cost-effective policies. The Governor has directed the Department of Administrative Services to reduce energy consumption by 20 percent before 2015 through construction, lighting and maintenance efficiencies in all State buildings. Additionally, the Department of Environmental Quality has implemented a public outreach campaign including a website with current air quality information and educational materials for citizens. The Department of Transportation has also launched a web site aimed at encouraging employers to use proactive travel and traffic management options for their employees to reduce time and energy wasted in commuting, [www.travelwise.utah.gov](http://www.travelwise.utah.gov).

Energy Security

Governor Huntsman has been a leader in promoting a movement in the arena of energy, aimed at ensuring affordability, independence and sustainability through several policy initiatives. As Chairman of the Western Governors' Association, he delivered a letter on Energy Security to the incoming Obama Administration. This letter outlines WGA's bi-partisan policy priorities reflecting the climate in the most relevant region in the world in terms of energy development. Governor Huntsman continues to be a strong advocate of the development of innovative new technologies, like the work being done by USTAR to develop technology for clean coal and carbon sequestration.

Moreover, the Governor is directing the Division of Fleet Operations to prioritize the purchase of hybrid and natural gas vehicles over conventional models, and has directed the purchase of natural gas conversion kits for vehicles already in the fleet. The State Energy Advisor and Administrative Services have begun a feasibility study to designate Interstate 15 as natural gas transportation corridor.

Health System Reform

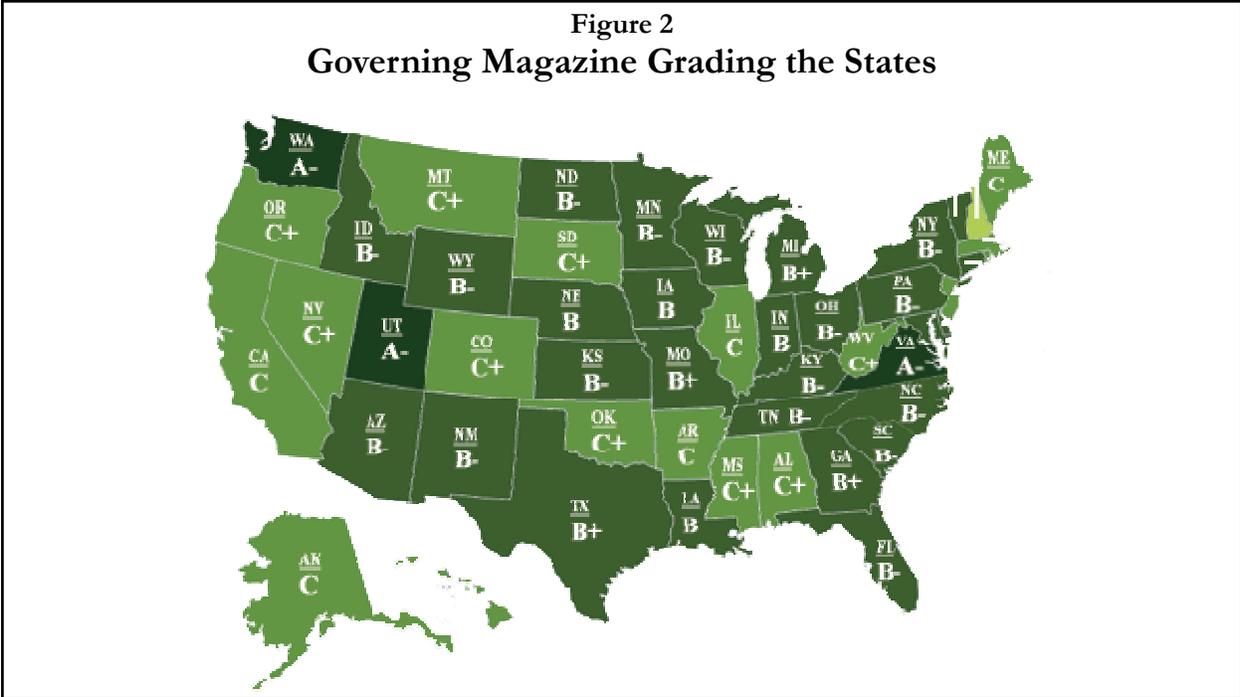
For the past year, the Governor's Office has been coordinating with the Legislature and other stake-

holders to develop comprehensive reform of Utah's health systems. This undertaking includes increasing access to affordable, quality healthcare; encouraging wellness among Utahns; and creating an internet portal which would compare and contrast health insurance products, enabling consumers to make informed, market-based choices about their own coverage. This reform plan encourages more transparency between healthcare providers and the public, and creates more competition in both the health insurance and health care industries, thus driving down costs and empowering individual consumers. Furthermore, the Utah Department of Health is currently working with the Federal Government to secure a three-to-one funding match for health insurance premium subsidies. Pending federal approval, this subsidy will be provided to all qualifying individuals for the purchase of either individual or employer-based health insurance policies.

Governance

Best Managed State

This past year, Utah was named the "Best Managed State" by the Pew Center in *Governing Magazine*. Overall, Utah received an "A-" grade and was the only state to get an "A" in money management and an "A" in infrastructure.



Source: Governing Magazine, *The State Management Report Card*

Utah also received an “A” in information and a “B+” in managing people. This recognition is a result of Utah’s proactive fiscal management and Governor Huntsman’s Performance Elevated initiatives, which include accountability and open and transparent government.

*Balancing the State’s Budget*

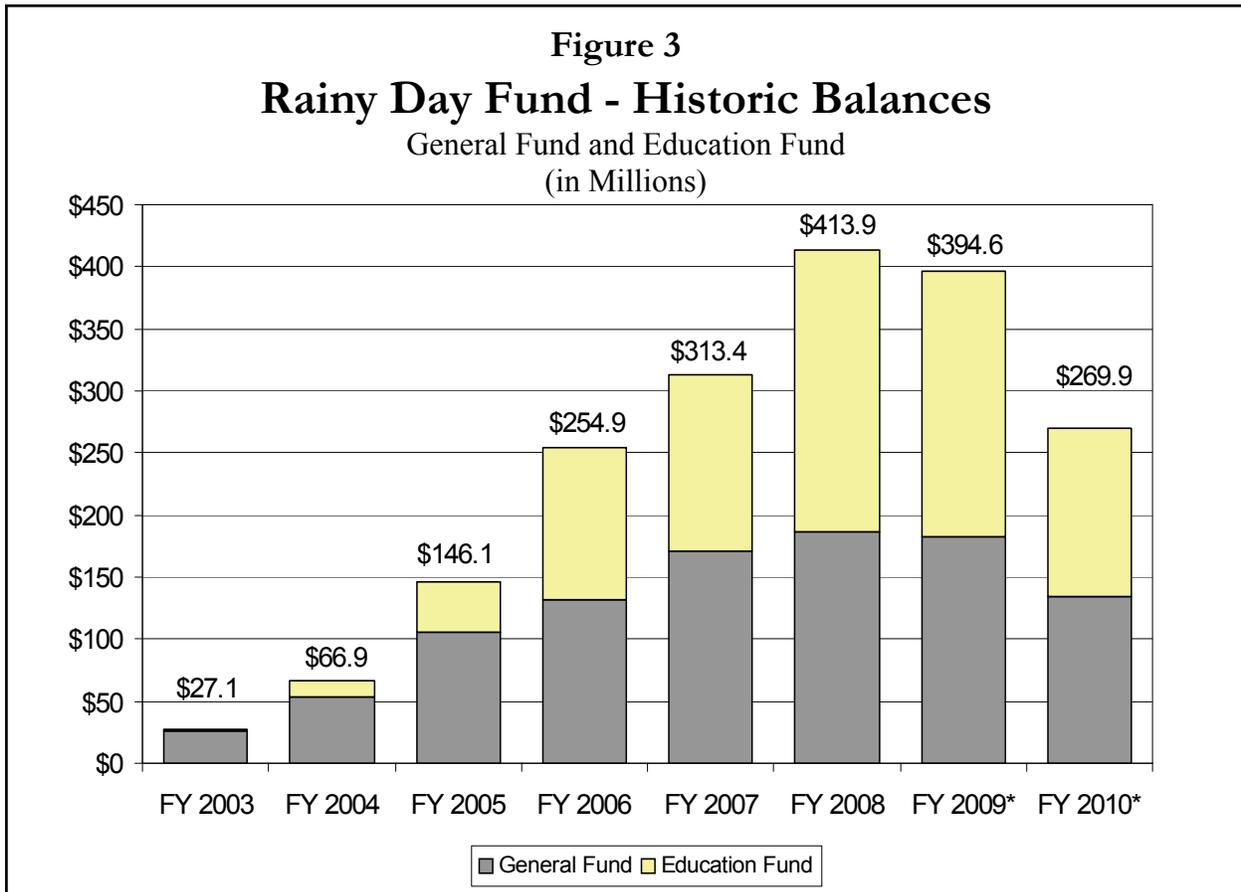
For additional budget stabilization, the State maintains the Budget Reserve Fund (Rainy Day Fund). The Rainy Day Fund was created within the General Fund by the 1986 Legislature, pursuant to House Bill 13, *Surplus Revenue Trusts Fund* (Walker, O.). These funds can only be used to cover operating deficits, retroactive tax funds, and settlement agreements approved by the Legislature.

During the past four years Utah’s finances have been placed in a very strong position.

Large investments have increased the State’s Rainy Day Fund to a record 7.4 percent of the State’s appropriated budget. The combined balance of the Rainy Day Fund and the Education Budget Reserve Fund, incorporating these recommendations is \$269.9 million.

Additionally, several hundred million dollars were invested on many one-time capital projects. This acts as a revolving savings account, which becomes available during economic deterioration.

To ensure structural balance in the State’s FY 2010 budget, Governor Huntsman recommends utilizing these two resources, in addition to agency operating reductions of four to seven percent with use of the Rainy Day Fund to backfill some of the most critical areas. This approach helps each agency manage its budget reduction in the most efficient and effective manner possible.



*Reflects the Governor’s recommendation to use \$18.1 million in FY 2009 and \$87.2 million in FY 2010.*

Compensation

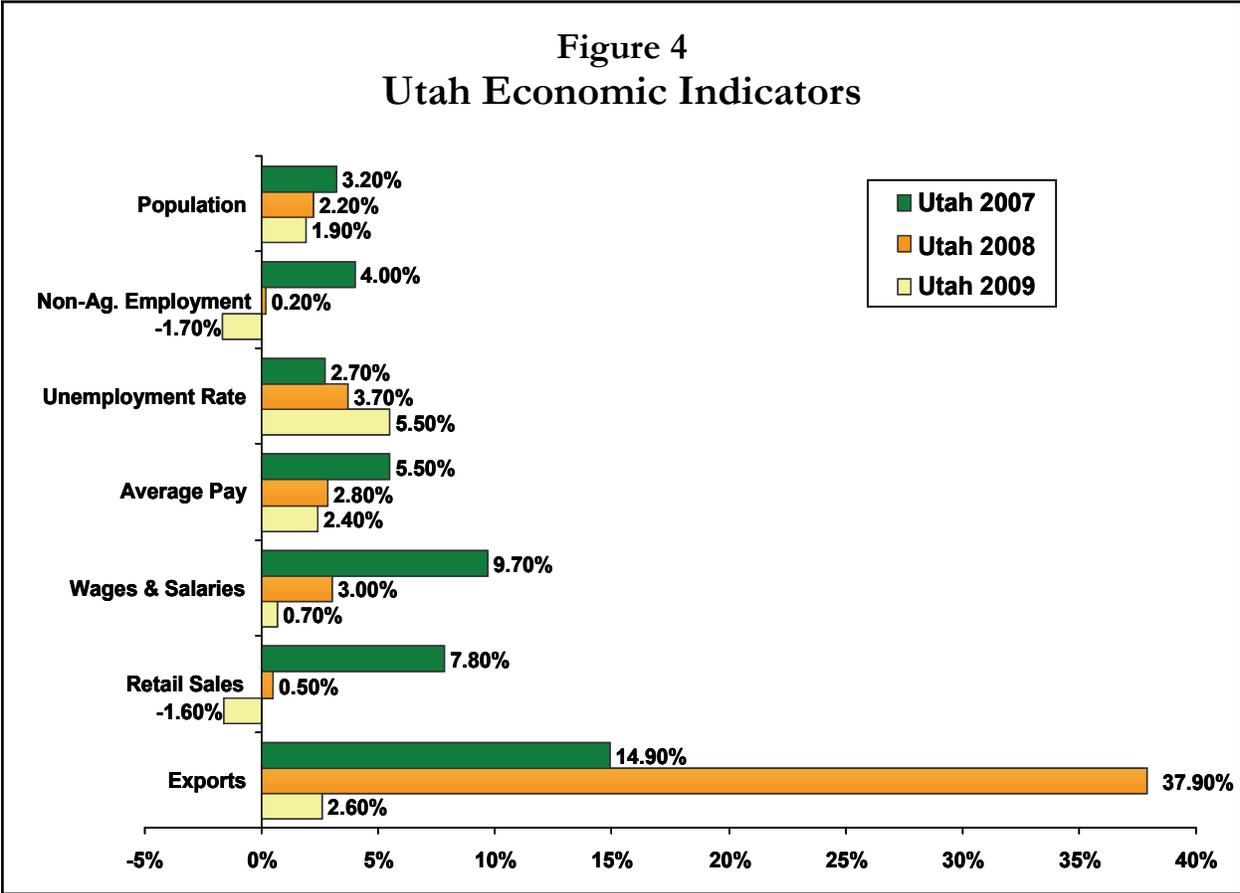
The role of public servants in the State of Utah is invaluable, and Governor Huntsman recommends funding the rising cost of benefits for state employees with a \$27.6 million benefit package. Compensation increases for Higher Education are comparable to that of state employees.

Economic Forecasts

The Revenue Assumptions Committee determines the basic assumptions that lead to the Governor's revenue forecasts. Members of the council represent GOPB, LFA, the Tax Commission, the University of Utah, private consultants, and various State agencies. Detailed information concerning Utah's economy and its outlook may be found in the 2009 Economic Report to the Governor (available January 2009).

National pressures related to housing and financial market turmoil led to significant deceleration in the Utah economy in 2008, which is expected to continue through 2009 and the first half of 2010. Still, the significant economic expansion of the past several years has helped Utah to be well-positioned during this contraction, which will be less severe than in many other states.

Figure 4 shows projected growth in economic indicators for Utah. The figure also shows estimated unemployment rates.



**Population**

According to the Utah Population Estimates Committee, Utah’s population grew 2.2 percent to 2.76 million in 2008 and is forecasted to increase by 1.9 percent in 2009. Comparatively, the national population will grow 1.0 percent in 2009. Utah experienced net in-migration of approximately 17,000 people in 2008; and demographers project net in-migration of 10,000 in 2009.

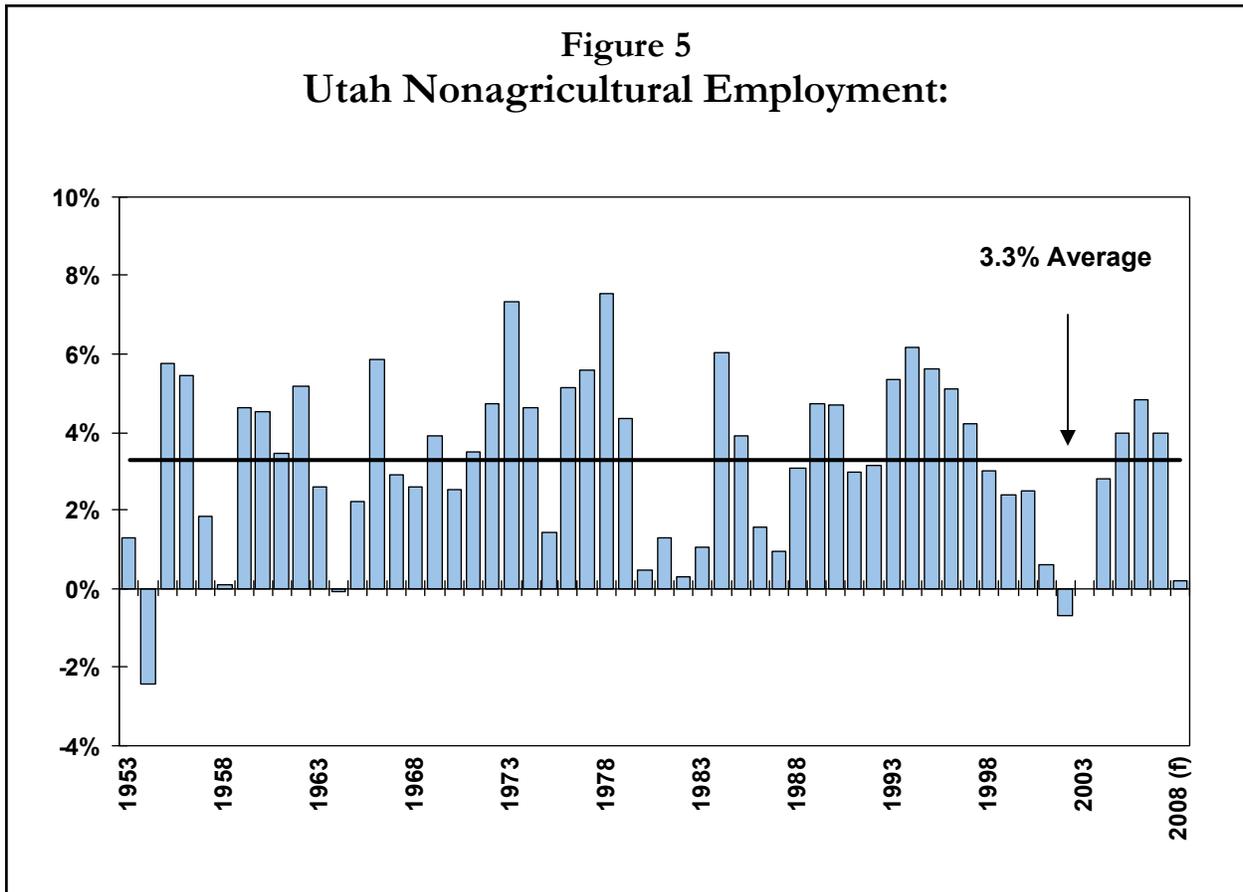
**Employment**

Utah nonagricultural employment grew only 0.2 percent in 2008 and is expected to decline 1.5 percent in 2009 and then grow 0.6 percent in 2010. Nationally, employment declined 0.1 percent in 2008 and is expected to drop another 1.5 percent in 2009 and then grow 0.1 percent in 2010.

Economists believe that the State unemployment rate will rise 1.8 percentage points to 5.5 percent in 2009, when the national rate is expected to be 7.7 percent. The 2010 State unemployment rate forecast is 5.1 percent; the national forecast is 8.2 percent.

**Personal Income**

The annual personal income of Utah citizens is forecasted to grow by 0.5 percent in 2009. By comparison, national annual personal income will increase 2.1 percent in 2009. Utah’s estimated aggregate annual personal income for 2008 was \$83.2 billion, up from \$79.6 billion in 2007.



*Reflects the Governor’s recommendation to use \$18.1 million in FY 2009 and \$87.2 million in FY 2010.*

**Retail Sales**

Utah's taxable retail sales were \$27.6 billion in 2008, up 0.5 percent over the previous year. Economists project a 1.6 percent decline in taxable retail sales in 2009 and a 3.0 percent increase in 2010. Nationally, retail sales increased 0.6 percent in 2008 and are expected to decrease 1.9 percent in 2009 and then grow 5.1 percent in 2010.

**Appropriations Limit**

Section 63-38c-201 through 205, UCA, limits how much the State can spend from unrestricted General Fund sources and from non-Uniform School Fund income tax revenues. The limit allows state spending to increase relative to population and inflation increases. The budget recommendations for both FY 2009 and FY 2010 are within the limit.

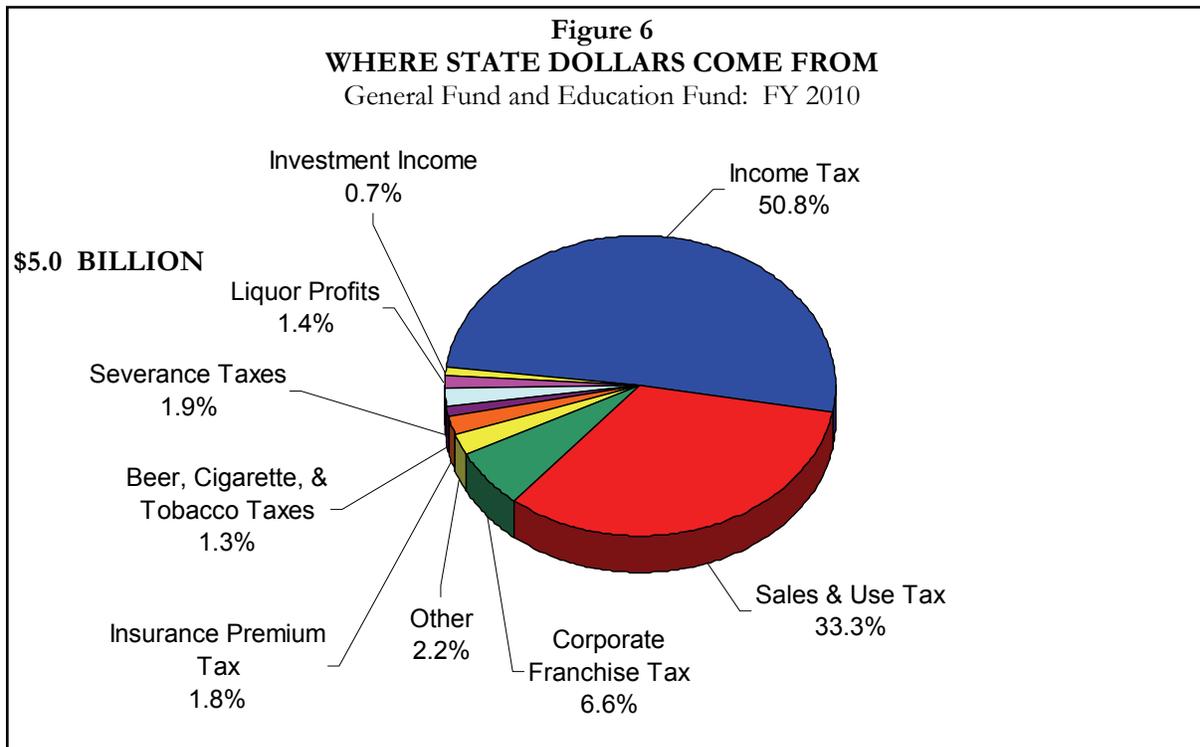


Figure 6 shows the estimated sources of state revenue (General Fund and Education Fund) for FY 2010.

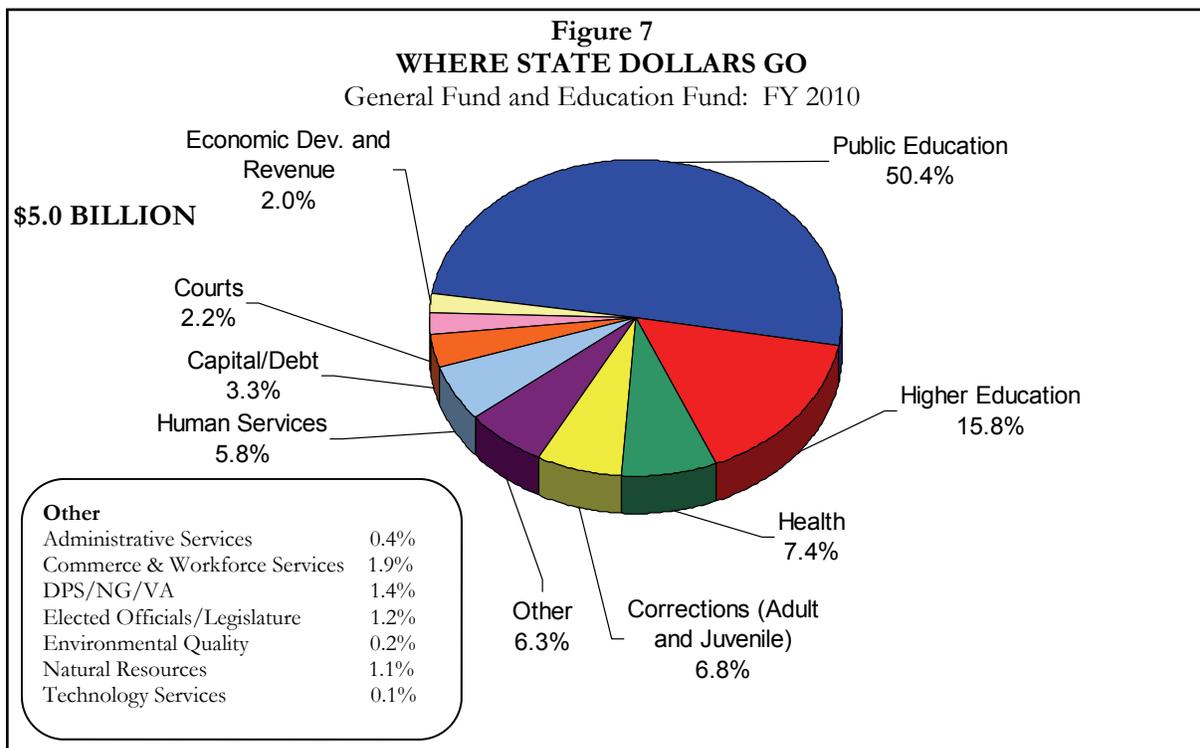


Figure 7 shows how state funds (General Fund and Education Fund) will be expended in FY 2010. The largest portion, amounting to 66.2 percent, goes to Public and Higher Education.

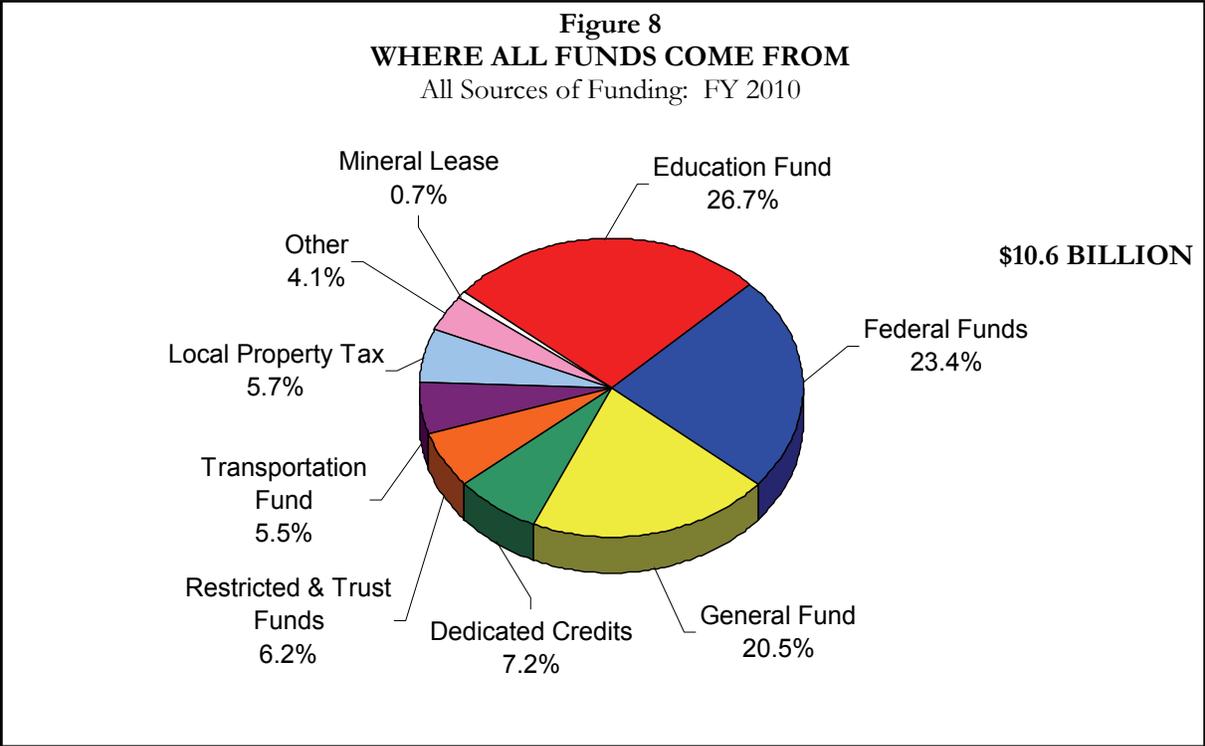


Figure 8 shows the total estimated sources of revenue for the FY 2010 budget. The General Fund and Education Fund, consisting primarily of sales and income taxes respectively, generate just less than one-half (47.2 percent) of the total state budget.

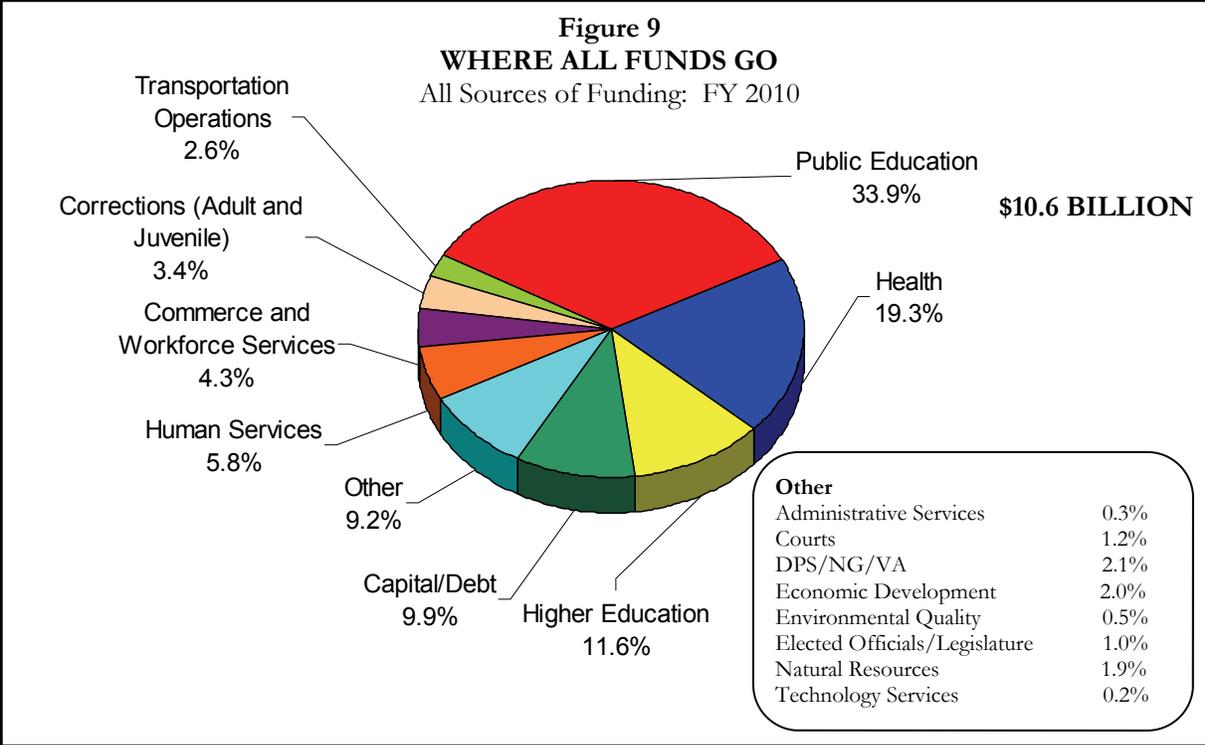


Figure 9 shows the total budget expenditures for FY 2010 from all sources of funding.