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## BUDGET OVERVIEW

### Summary

Unprecedented increases in jobs and population have led to unprecedented growth in revenues. Estimated new state revenues available for appropriation by the Legislature in the 2007 General Session exceeded \$1.6 billion. This included \$770 million of ongoing revenue and \$843 million of one-time revenue. Projections for sales tax revenue were up 4.4 percent, or \$232 million, and individual and corporate income tax revenue projections were up 5.8 percent, or \$480 million, compared to FY 2007 revenues adopted during the 2006 General Session. Overall, state funds were projected to increase 5.8 percent, or \$768 million, more than the adopted FY 2007 revenues.

Funding for education was a major legislative priority this year. The Legislature appropriated significant amounts of new, ongoing money to public and higher education. Other areas that received significant increases in funding were roads, substance abuse prevention and treatment, and employee compensation and benefits.

Continuing Governor Huntsman's focus on comprehensive tax reform, 28.6 percent of projected revenue growth, or \$220 million, was cut from ongoing state revenues through the passage of Senate Bill 223, *Tax Amendments* (Niederhauser).

An additional 11.7 percent, or \$90 million, was set aside for ongoing transportation projects.

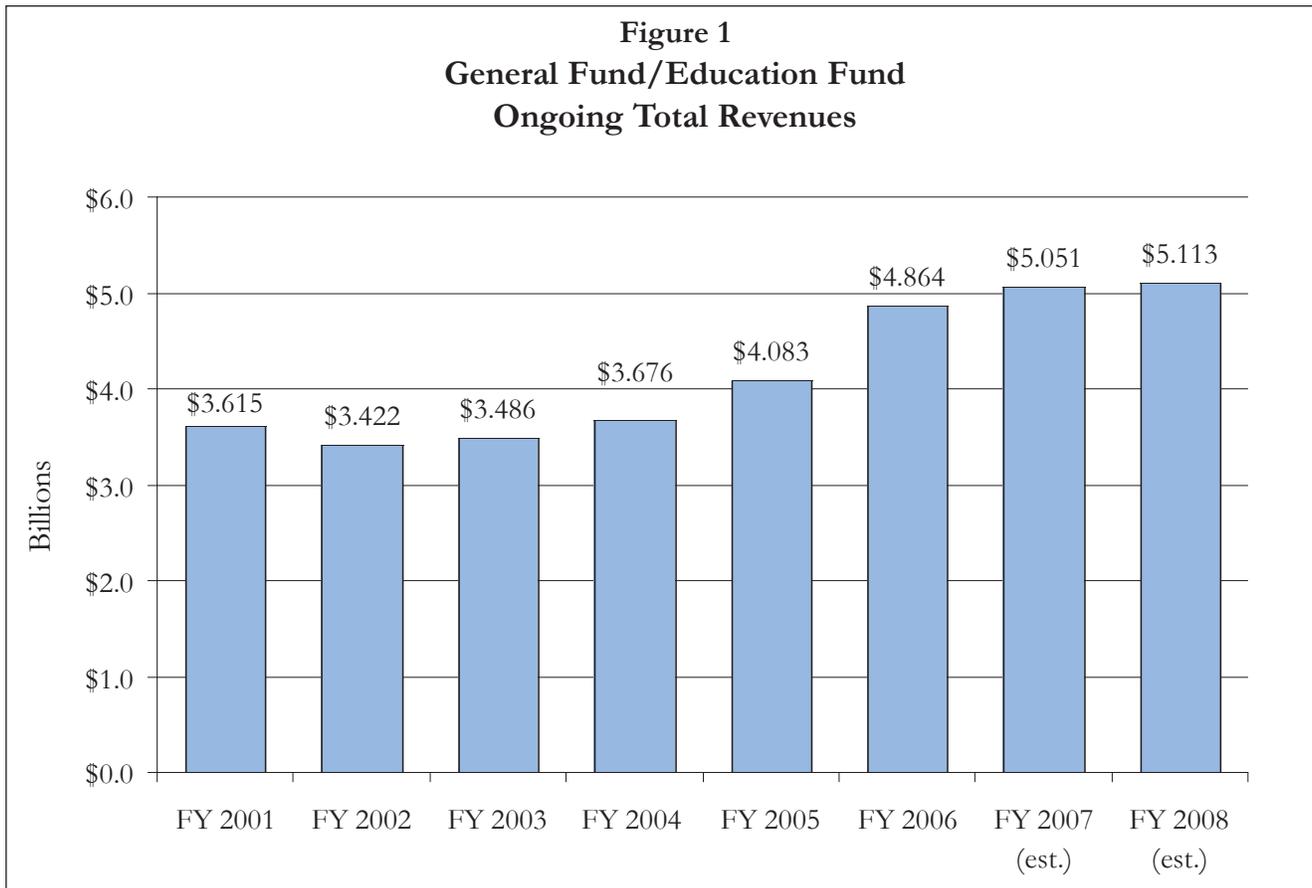
Substantial one-time monies were appropriated for construction of new buildings throughout the State as well as for transportation projects. The Legislature also approved a \$1.1 billion bond to address long-term critical transportation needs.

The following is a brief summary of some of the critical or mandated budget increases for FY 2008 in each of the Governor's areas of focus. Greater detail may be found in the Operating and Capital Budgets by Department section of this book.

### Education

#### *Public Education*

State funding for Public Education increased by \$490 million for FY 2008, representing an increase of 23 percent over the base budget. The value of the Weighted Pupil Unit (WPU) was increased by \$97, or 4.0 percent, to \$2,514 (\$88 million). Local school districts will use the monies to fund increases in teacher salaries and benefits as well as increased operating costs. Additionally, the Legislature appropriated \$68.7



million in ongoing money for educator compensation to provide an estimated \$2,500 increase in each teacher's base salary and \$40 million to provide a one-time bonus of approximately \$1,000 for each educator. Funding of \$65.9 million for new student enrollment will pay for 14,853 projected students for the 2007-2008 school year.

Senate Bill 49, *Optional Extended-Day Kindergarten* (Hillyard), provided \$30 million one time for an optional extended-day kindergarten program which will allow students across the State to enhance their academic preparedness.

House Bill 148, *Education Vouchers* (Urquhart), and House Bill 174, *Education Voucher Amendments* (Last), created a Parent Choice in Education pro-

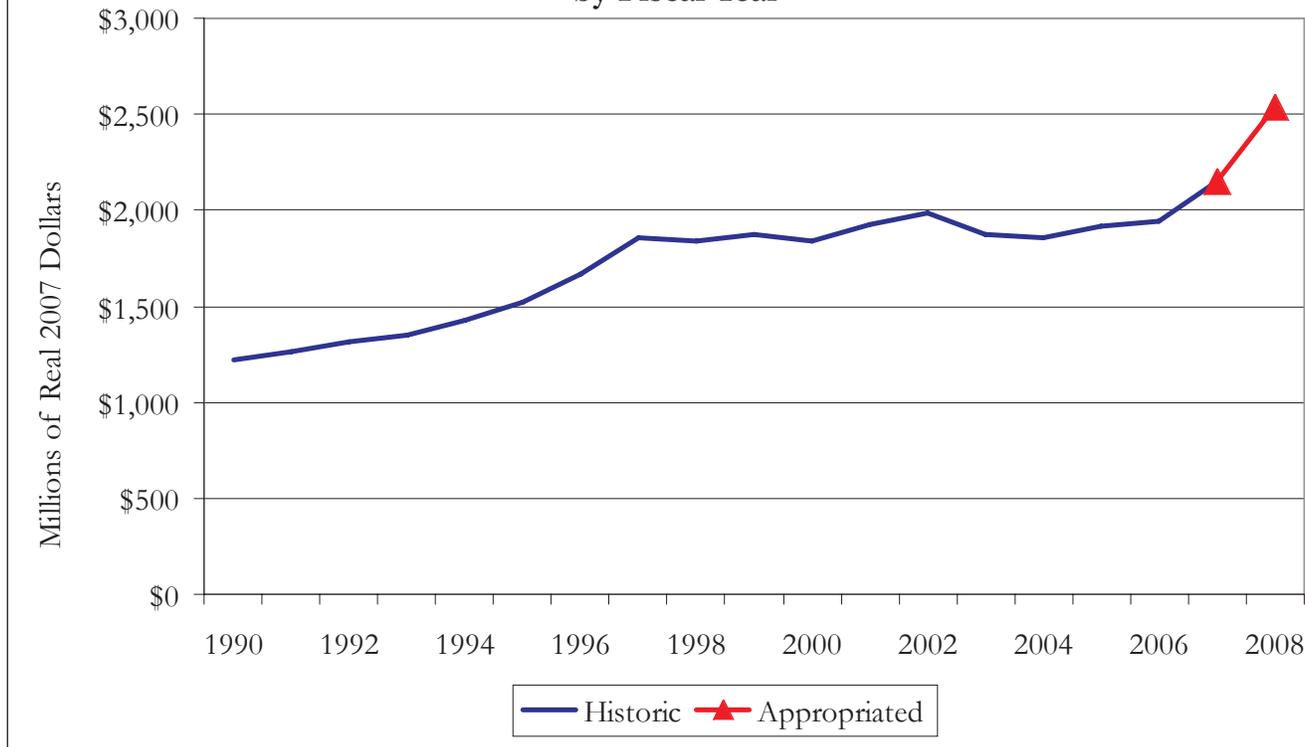
gram and appropriated \$9.4 million ongoing and \$3.0 million one-time General Fund to that program.

House Bill 164, *Charter School Amendments* (Bigelow), significantly revised the existing charter school program and provided \$14.2 million ongoing and \$9.5 million one-time General Fund to support these changes. In addition, \$6.0 million was put into a revolving account for charter school facilities.

*Higher Education*

For FY 2008, the Legislature appropriated \$90.5 million in new ongoing state funds to Higher Education. This included: \$18.5 million

**Figure 2**  
**Real State Public Education Funding**  
**by Fiscal Year**



for a 3.5 percent cost-of-living adjustment (COLA) increase and \$14.1 million in other salary and health benefits increases; \$7.4 million to enhance four-year degree opportunities in rural areas through partnerships among institutions; \$16.8 million for institutional priorities; \$3.8 million for student financial aid; \$3.5 million for the engineering, technology, and nursing initiatives; and other amounts to mitigate tuition increases.

## Economic Revitalization

### *Tax Reform*

Senate Bill 223, *Tax Amendments* (Niederhauser), was an omnibus tax reform pack-

age that provided a new individual income tax system, a reduction in the general sales tax, and a further reduction of the sales tax on food, combined with several business tax changes to promote economic efficiency and equity. Most of the provisions in the bill become effective in January 2008, half-way through the budget year. In the first full budget year of implementation (FY 2009), the total revenue reduction is estimated to be \$220 million.

The traditional bracket system with graduated rates was replaced with a single-rate income tax of 5.0 percent. A credit was designed to equitably distribute the tax burden across income earners. This credit was based on a percent of federal exemptions and deductions that phases out as

income increases, with an additional credit for retirement income.

The bill further reduces the sales tax rate levied by the State on unprepared foods from 2.75 percent to 1.75 percent and the general sales tax rate from 4.75 percent to 4.65 percent. Businesses will benefit from general sales tax reduction, expanded credits for research and development, and reduction of certain gross receipt taxes.

These significant reforms reduce the tax burden on Utah residents and businesses, improving the economic environment in which businesses and individuals thrive and grow.

**Economic Development**

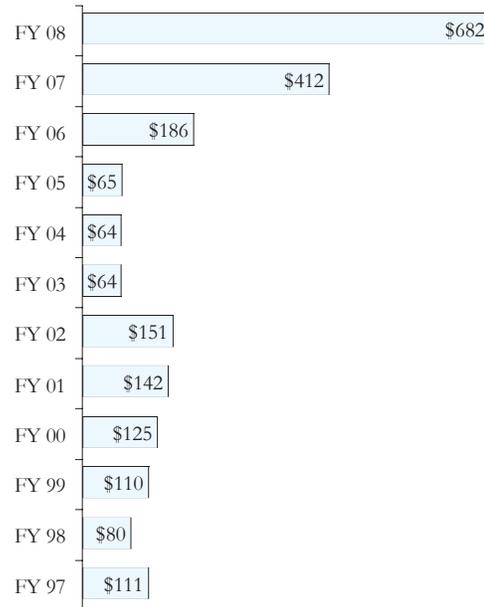
The Motion Picture Incentive Fund received an additional \$3.5 million for FY 2008 to remain competitive in attracting movie production to Utah. Similarly, \$11 million was appropriated to the Tourism Marketing Performance Fund to promote tourism.

**Transportation**

Transportation funding was a priority for both the Governor and the Legislature. Transportation received more than \$489 million in new General Fund and earmarked sales tax to enhance infrastructure. The Centennial Highway Fund (CHF) was appropriated \$249 million of one-time General Fund to allow substantial progress toward completion of all CHF projects.

House Bill 314, *Transportation Funding Revisions* (Lockhart), set aside \$90 million in sales and use tax to be used for road projects and authorized \$1.0 billion in bonding to fund additional critical highway needs.

**Figure 3**  
**General Fund and Sales and Use Taxes**  
**for State Highway Construction**  
 (in Millions)



*Includes General Fund and sales tax revenue for Centennial Highway Fund, Transportation Investment Fund of 2005, and the Critical Highway Needs Fund.*

**Environment**

The Legislature appropriated money for several programs to improve the State's natural resources. State Parks received \$2.2 million for capital improvements in several parks throughout the State.

Through House Bill 102, *Land and Water Reinvestment* (Clark, D.), the Department of Natural Resources and Department of Agriculture and Food each received \$2.0 million ongoing General Fund for watershed restoration and grazing improvements and the LeRay McAllister Critical Land Conservation Fund received \$2.0 million one-time General Fund for the conservation of critical lands.

**Governance**

*Substance Abuse*

New funding appropriated by the 2007 Legislature for substance abuse issues includes: \$2.5 million to expand treatment for women and children involved with the Division of Child and Family Services, including establishing two new centers where women and children can enter treatment; \$2.0 million for the statewide expansion of drug courts; \$2.0 million for a methamphetamine public awareness campaign; and \$1.7 million to continue Utah's successful Underage Drinking Prevention Media Campaign.

The 2007 Legislature also passed several key bills to address methamphetamine and other substance abuse issues. The most significant of these bills is Senate Bill 50, *Drug Offenders Reform Act* (DORA) (Buttars), which appropriates \$8.0 million

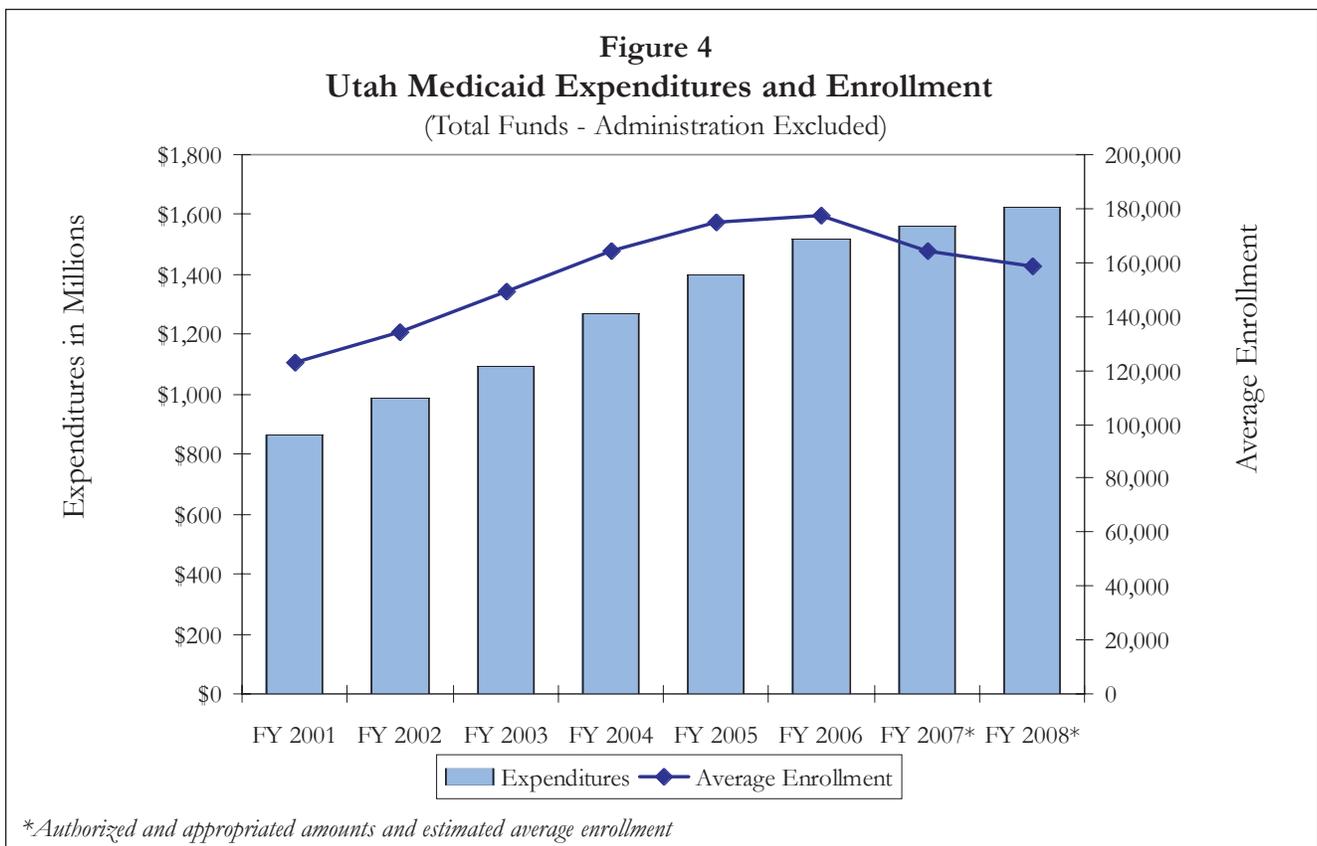
to provide substance abuse treatment for convicted felony offenders with drug addictions throughout Utah.

*Medicaid*

Between March 2006 and December 2006, enrollment in Medicaid had declined 8.5 percent. However, in spite of the overall Medicaid enrollment decline, Utah Medicaid has experienced an underlying growth in the disabled and aged populations. Since these populations require more services, the overall costs of Medicaid have continued to rise. The Legislature also funded Medicaid adult dental and vision services with \$2.2 million of one-time General Fund.

*Uninsured in Utah*

In an effort to make health insurance available to uninsured children in Utah, the Legislature



appropriated \$2.0 million ongoing General Fund and \$2.0 million one-time restricted funds (which will leverage an additional \$15.9 million in federal funds) to the Children's Health Insurance Program (CHIP). This funding will cover an additional 12,000 children.

To address the uninsured adult population, the Legislature appropriated \$350,000 in one-time General Fund to start research on a health insurance exchange, making affordable health insurance available to small businesses and individuals.

**Buildings**

The Legislature appropriated \$30 million in ongoing funds for capital development projects. In addition, ongoing funding for capital improvement projects increased by \$10.1 million for a total annual expenditure of \$73.1 million. This represents the statutorily required funding level of 1.1 percent of the value of state buildings.

Several building projects, including the State Capitol renovation and a health laboratory, were funded with cash using \$159.4 million of one-time money in addition to the \$30 million of ongoing funds. The Legislature also appropriated \$8.9 million of one-time funds to pay for building bonds and leases at state universities and reimburse the planning costs of the Public Safety training center. For a complete list of projects, please see Table 36 (page 190).

**Bonding**

The Legislature authorized \$1.1 billion of bonds for transportation projects to be issued over multiple years. In addition, Senate Bill 236, *Revenue Bond and Capital Facilities Authorizations and General Obligation Bond Authorization Amendments* (Hickman), authorized the State Building

**Figure 5**  
**Infrastructure Funded with Cash**  
 2007 General Session  
 (Includes FY 2007 Supplementals)

<b>Higher Education Buildings</b>	
WSU classroom building and chiller	22,950,000
U of U School of Nursing renovation/central plant	13,500,000
Snow library and classroom building	17,651,000
DATC technology and manufacturing building	14,240,000
MATC building planning	1,000,000
USU Agriculture building planning	2,500,000
	<b>\$71,841,000</b>
<b>Other State Buildings</b>	
State Capitol restoration	50,842,200
Health laboratory	30,852,000
St. George courthouse	29,000,000
DPS and Tax joint Driver License and DMV	5,342,000
Heber Wells Downtown Parking (YWCA)	1,500,000
	<b>\$117,536,200</b>
<b>Capital improvement projects</b>	<b>\$73,059,900</b>
<b>Highway construction</b>	<b>\$489,000,000</b>

Ownership Authority to issue \$7.1 million of lease revenue bonds to fund certain capital projects.

Senate Bill 236 also authorizes higher education institutions to use non-state funds to construct \$90.8 million of building projects including a \$42.5 million University of Utah Student Life Center.

**Compensation**

The Legislature appropriated funds for a 3.5 percent COLA for state employees, along with a similar appropriation for higher education faculty and staff. In addition, the Legislature approved ongoing discretionary money for each department to be used by the executive directors to alleviate department-specific compensation problems. The departments of Corrections, Public Safety, Human Services, Natural Resources, the Attorney General,

and the Board of Pardons and Parole also received a market comparability increase for designated employees. The employer's share of increased costs for health insurance was also appropriated by the Legislature.

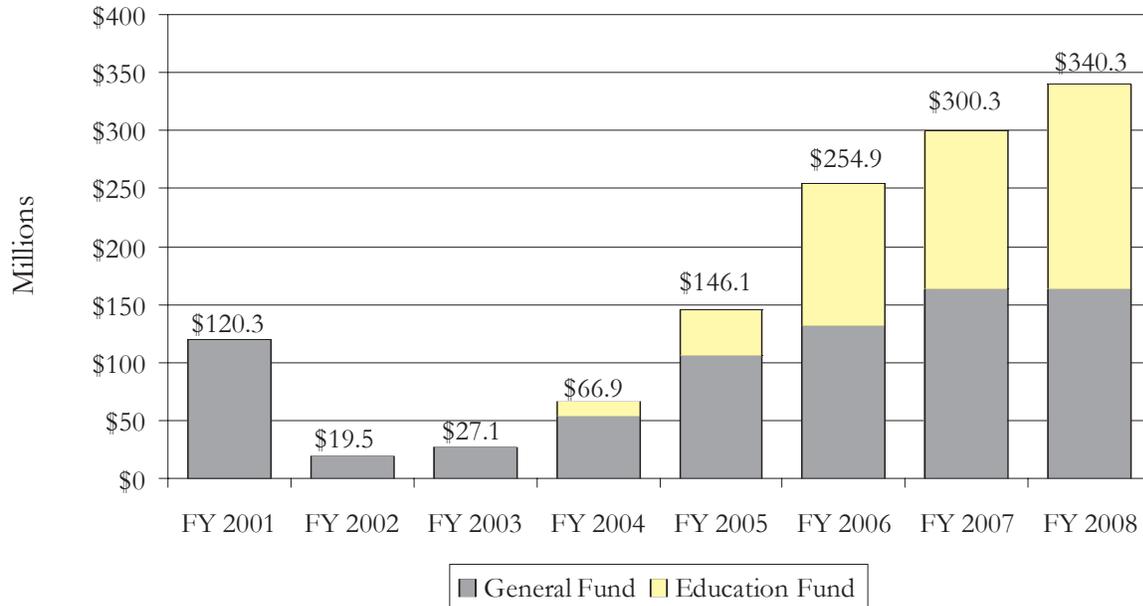
only be used to cover operating deficits, retroactive tax refunds, and settlement agreements approved by the Legislature. The Education Rainy Day Fund was established during the 2003 General Session to cover shortfalls in education funding.

**Budget Reserve Fund and Education Budget Reserve Fund**

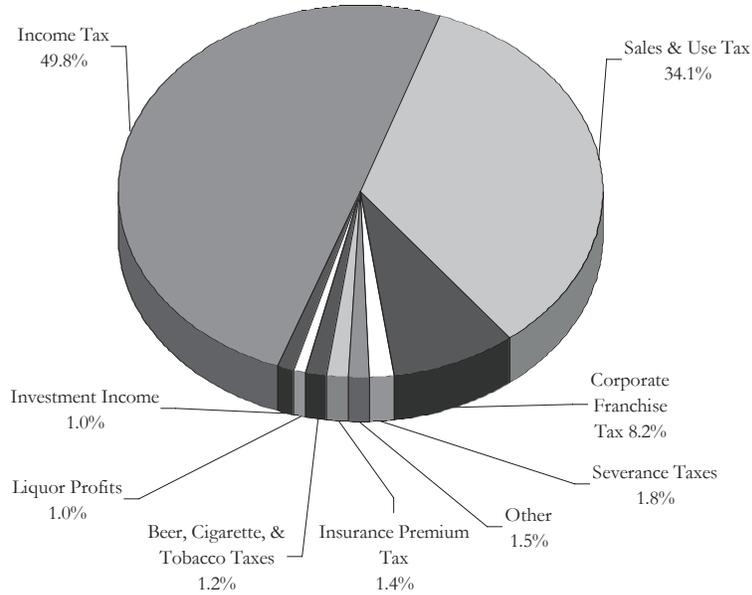
For additional budget stabilization, the State maintains the Budget Reserve Fund (Rainy Day Fund) and Education Budget Reserve Fund (Education Rainy Day Fund). These funds can

The Legislature appropriated an additional \$32 million of General Fund and \$13.4 million of Education Fund in FY 2007 and an additional \$40 million of Education Fund for FY 2008. The above appropriations brings the combined total balance to \$340.3 million.

**Figure 6**  
**State of Utah Reserve Funds - Historic Balances**  
 General Fund and Education Fund

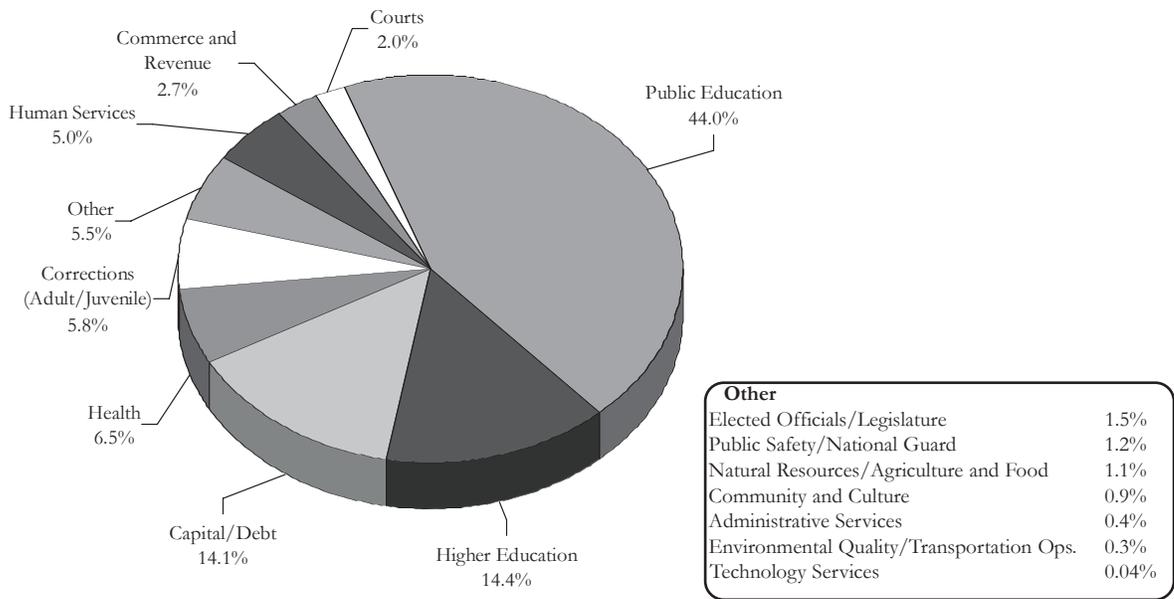


**Figure 7**  
**WHERE STATE DOLLARS COME FROM**  
FY 2008



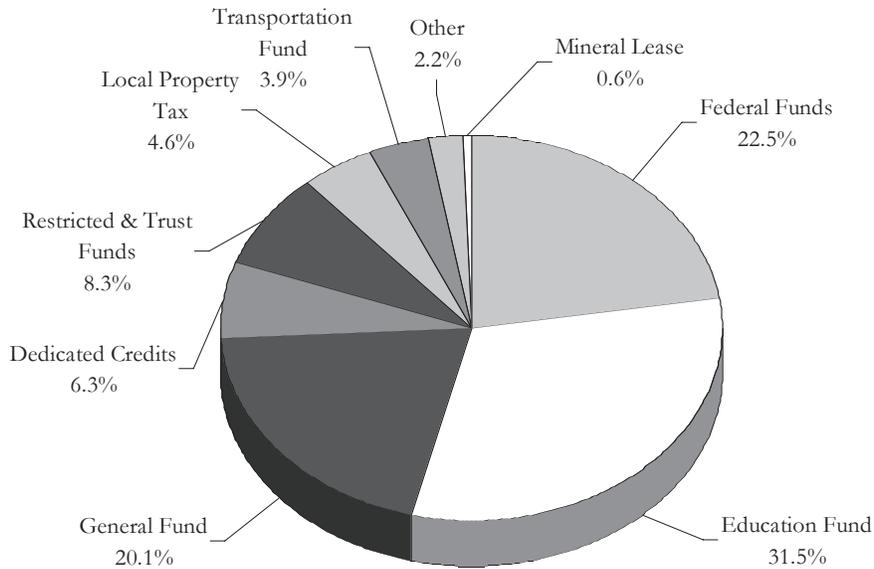
*This figure shows the estimated sources of state revenue (General Fund and Education Fund) for FY 2008.*

**Figure 8**  
**WHERE STATE DOLLARS GO**  
FY 2008



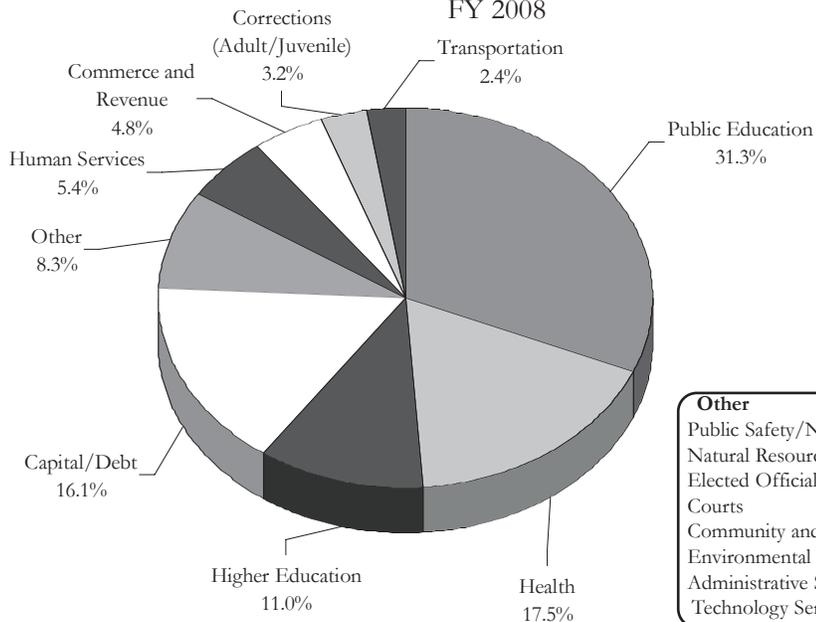
*This figure shows how state funds (General Fund and Education Fund) will be expended in FY 2008. The largest portion, amounting to 58.4 percent, goes to public and higher education.*

**Figure 9**  
**WHERE ALL DOLLARS COME FROM**  
FY 2008



*This figure shows the total estimated sources of revenue for FY 2008 budget. The General Fund and Education Fund, consisting primarily of sales and income taxes respectively, generate just over one-half (51.6 percent) of the total state budget.*

**Figure 10**  
**WHERE ALL DOLLARS GO**  
FY 2008



Other	
Public Safety/National Guard	2.2%
Natural Resources/Agriculture and Food	1.7%
Elected Officials/Legislature	1.3%
Courts	1.2%
Community and Culture	0.9%
Environmental Quality	0.5%
Administrative Services	0.4%
Technology Services	0.1%

*This figure shows total state budget expenditures for FY 2008 from all sources of funding.*