



BUDGET OVERVIEW

The budget adopted during the 2012 General Session reflects Utah's continued economic recovery and ability to address growing needs in critical operations including education and Medicaid. Reflected in the FY 2013 budget are the key goals of Governor Herbert's budget recommendations:

- Increase funding for public and higher education
- Fund critical state services
- Eliminate the structural imbalance
- Balance the budget without tax increases

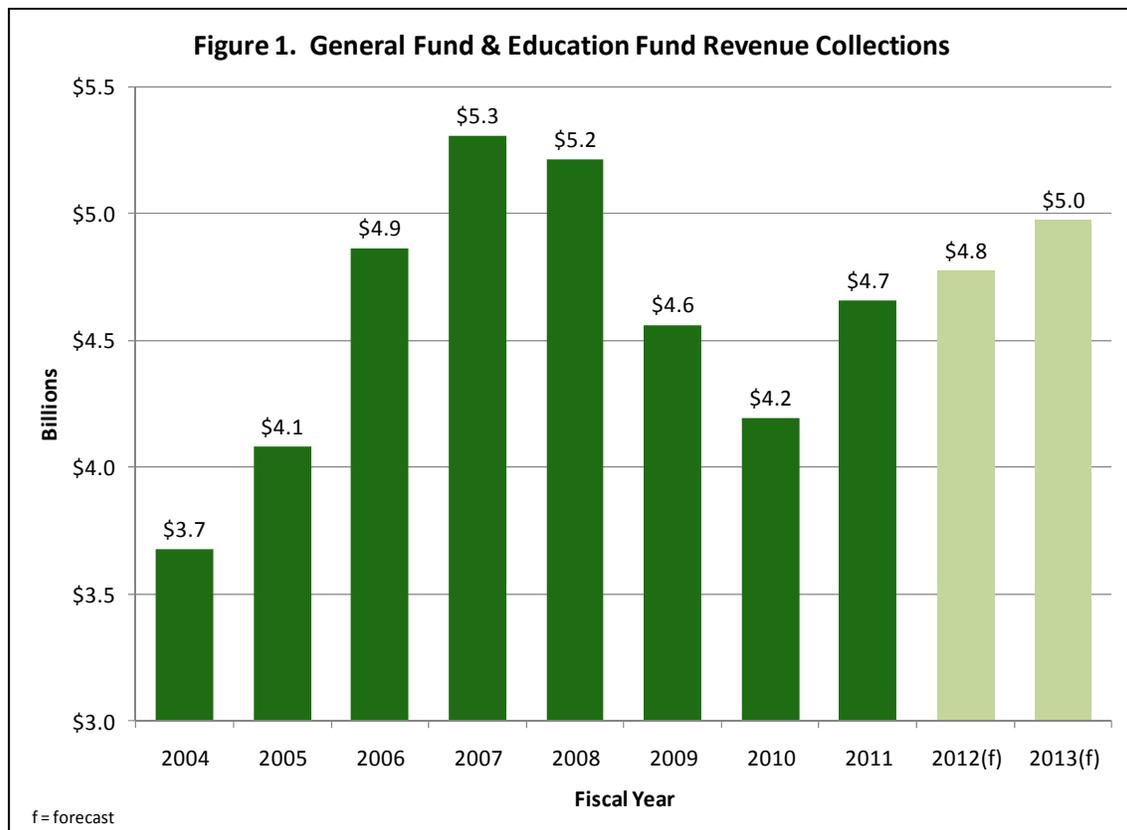
Revenue Forecast

The Governor's Office of Planning and Budget, the Office of the Legislative Fiscal Analyst, and the Utah State Tax Commission develop the consensus revenue forecast used for appropriations. The consensus forecast anticipates

combined General Fund and Education Fund revenue growth of 2.5 percent in FY 2012 and 4.2 percent in FY 2013. The long-term average annual revenue growth rate, adjusted for inflation, is approximately 4.3 percent. The consensus forecast made approximately \$422 million in new revenue (\$133 million one-time and \$289 million ongoing) available for appropriation during the 2012 General Session.

Structural Imbalance

A structural imbalance in the budget occurs when ongoing revenues are not sufficient to cover ongoing expenses. The budget is then balanced using one-time revenue sources, such as Rainy Day and federal stimulus funds. The FY 2013 budget eliminated the final portion of the structural imbalance of \$52 million in the FY 2012 budget.



Budget Reserve (Rainy Day) Funds

Utah law requires the deposit of 25 percent of any General Fund revenue surplus into the General Fund Budget Reserve Account and 25 percent of any Education Fund revenue surplus into the Education Fund Budget Reserve Account. An additional 25 percent of any surplus is deposited into each account when the funds are being replenished to previous levels.

Statutory transfers from the FY 2011 revenue surplus into the budget reserve accounts totaled \$28.5 million. The legislature appropriated an additional \$11 million to the accounts in FY 2013, split evenly between the Education Fund and General Fund. With these deposits, the combined FY 2013 balance is anticipated to total \$243.5 million, 4.8% of the combined General Fund and Education Fund FY 2013 budgets.

Education Funding

The FY 2013 budget includes an additional \$117 million in state funds (including transfers) for Public Education. New revenue and program reallocations will fund 12,500 new students and will increase the weighted pupil unit (WPU) value from \$2,816 in FY 2012 to \$2,842 in FY 2013. The budget also includes an additional \$55 million in state funds (including transfers) for institutions of higher education.

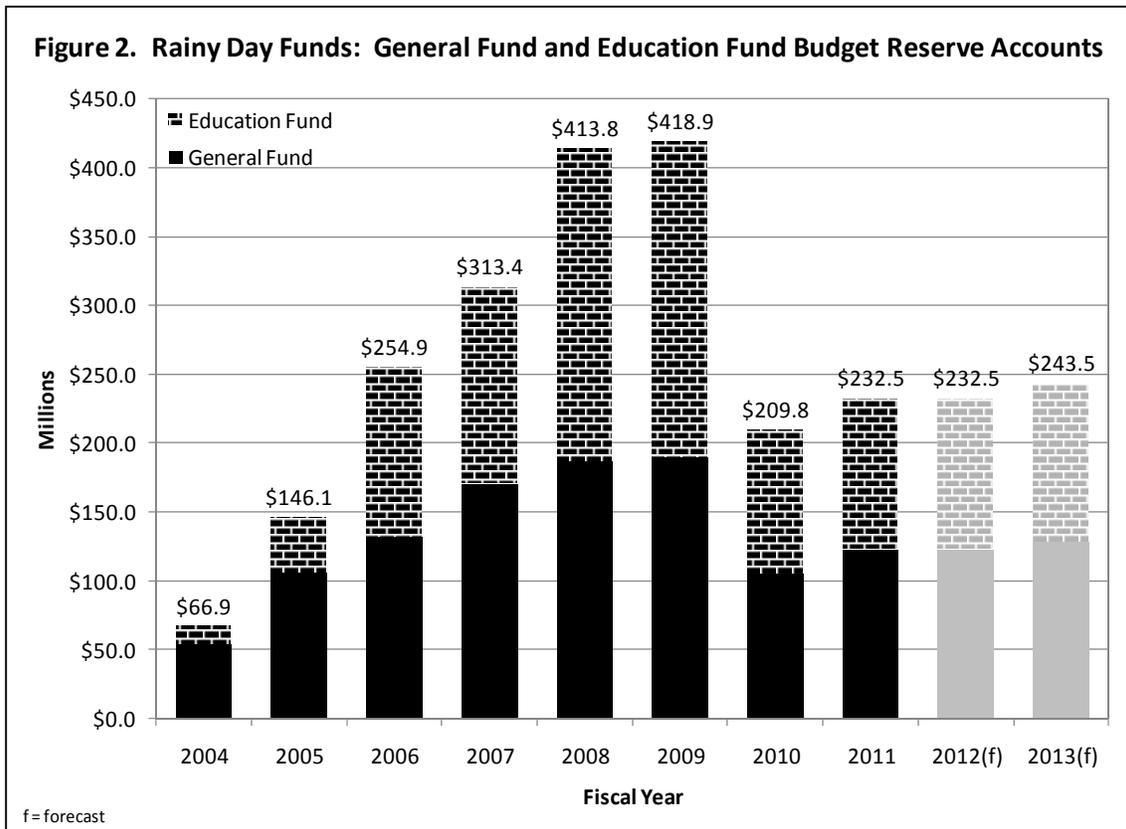
Key education items funded include:

• Enrollment growth in public education	\$40.9 million
• Per pupil funding (WPU)	\$24.6 million
• Kindergarten	\$7.5 million
• New early intervention programs	\$2.5 million
• Pupil transportation	\$6.3 million
• Grants for online testing	\$7.6 million
• Computer adaptive testing	\$6.7 million
• Charter school startup and financing	\$5.5 million
• Teacher supplies	\$5.0 million
• Higher education equity and priorities	\$8.0 million
• Higher education compensation	\$7.1 million
• USTAR	\$6.0 million
• UCAT student waiting list	\$2.5 million
• Engineering program initiative	\$2.5 million

Social Services

Approximately \$153 million in additional funding was provided for wide range of social service programs. Federally mandated programs such as Medicaid continue to grow more rapidly than other programs. Key items funded include:

• Medicaid caseload and matching	\$116.6 million
• Accountable Care organizations	\$8.0 million
• Children’s Health Insurance (CHIP)	\$6.5 million
• Autism services	\$4.0 million
• Services to people with disabilities	\$9.4 million



- Mental health early intervention \$3.5 million
- Utah State Hospital \$1.1 million

Other General Government

A number of other significant items were funded this year, including:

- Legal settlements \$13.5 million
- Parole Violator Center \$11.0 million
- Industrial Assistance Fund \$11.0 million
- Tourism Marketing Performance \$9.0 million
- Jail reimbursement \$3.0 million
- Mortgage Fraud Prevention \$2.0 million
- Navajo Water Rights Settlement \$2.0 million
- Jury, witness and interpreter fees \$1.7 million
- Work camp custody probation \$1.2 million
- Additional highway patrol troopers \$1.2 million
- Combating invasive plant species \$1.0 million

Employee Compensation

The budget includes funding for a 1% salary increase and increases in retirement contribution and unemployment insurance rates.

- 1% Salary Increase \$6.2 million
- Retirement benefit adjustments \$10.3 million
- Unemployment Insurance adjustments \$1.1 million

Infrastructure

FY 2013 funding for infrastructure includes:

- Capital improvements \$30.0 million
- U of U infrastructure \$22.0 million
- Dixie ATC land purchase \$2.5 million
- UVU classroom building planning \$2.2 million
- Ogden Juvenile Courts planning \$1.6 million

Revenue bonds authorized include:

- U of U S.J. Quinney College of Law \$60.5 million
- U of U parking structures \$41.7 million
- U of U Dental School \$37.4 million
- Sevier County Courts Building \$30.0 million
- U of U Orthopedic Center \$9.6 million
- Weber State Stromberg Center \$8.0 million
- USU San Juan Campus \$4.0 million
- Uintah Basin ATC \$1.0 million

Appropriations Limit

Utah law limits appropriations from unrestricted General Fund sources and income tax revenue allocated to higher education based on a formula that factors changes in population and inflation. Qualified appropriations for FY 2012 are \$806.2 million below the limit and, for FY 2013, are \$840.3 million below the limit.

Governor’s Vetoes

Governor Herbert vetoed two bills from the 2012 Legislative General Session.

House Bill 363, *Health Education Amendments* (Wright), would have prohibited school districts and charter schools from presenting anything other than abstinence-only material for human sexuality instruction. The Governor vetoed the bill stating it went too far in restricting parents’ options and that existing law provides more choices regarding whether and how their children can receive classroom human sexuality instruction.

House Bill 414, *School Bonding for Seismic Purposes* (Froerer), would have required school districts to use a portion of general obligation bond proceeds to conduct seismic safety evaluations of schools built before 1975. The Governor vetoed the bill stating that the requirement to use bond proceeds to fund seismic studies of existing buildings would impede a school district’s ability to issue tax-exempt bonds. The Governor supports efforts to ensure seismic safety of older school buildings and would support this bill if amended to correct technical issues.

Figure 3. Source of State Funds
General Fund & Education Fund: FY 2013

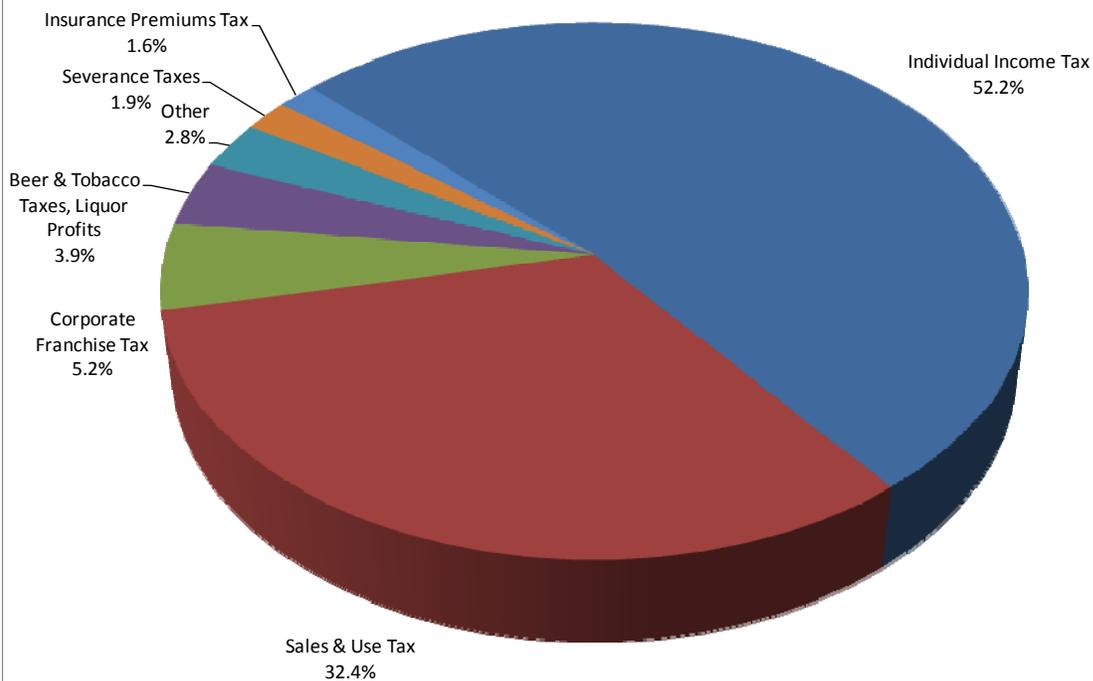


Figure 4. Uses of State Funds
General Fund and Education Fund: FY 2013

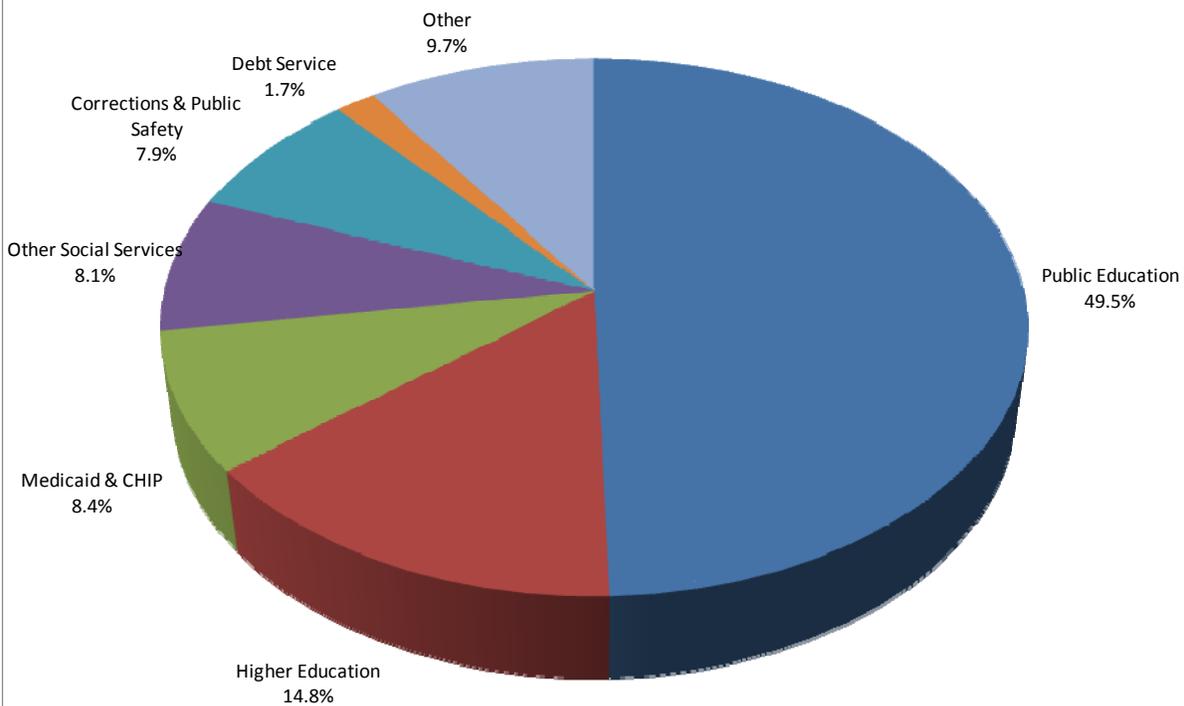


Figure 5. Source of All Funds
All Sources of Funding: FY 2013

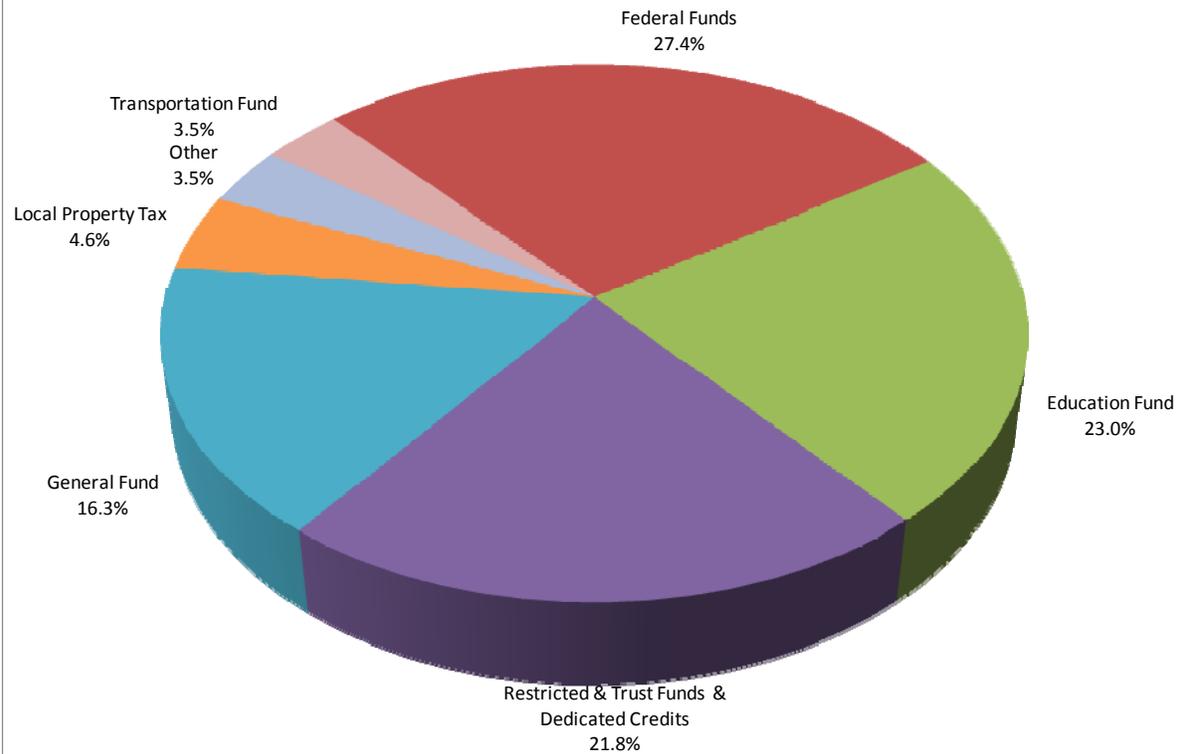
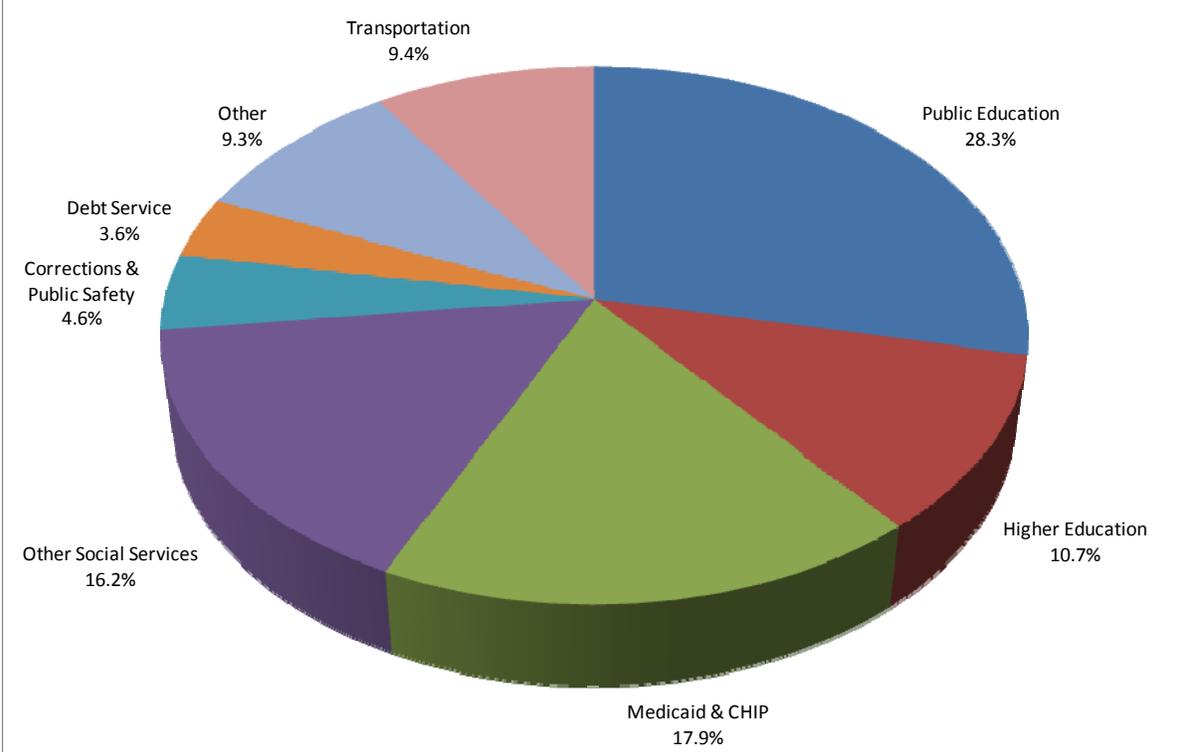


Figure 6. Uses of All Funds
All Sources of Funding: FY 2013





Personnel Services Summary

Overview

Article VII, Section 18, of the Utah Constitution requires that compensation for the Governor, Lieutenant Governor, State Auditor, State Treasurer, and Attorney General be set by law.

Judges and board and commission executives also receive compensation set by law. Utah Code Annotated (UCA) Section 67-8-5 requires the Legislature to consider the recommendations of the Elected Official and Judicial Compensation Commission when determining compensation for elected officials and judicial branch officials.

Compensation for executive branch appointees is determined by the Governor within a range calculated by the Department of Human Resource Management, as set forth by law.

UCA Section 36-2-3 prescribes the salaries paid to members of the Legislature based on recommendations of the Legislative Compensation Commission.

Public education, higher education, and other state employee compensation are determined by legislative intent and are limited by appropriation.

Elected Officials (excluding legislators)

UCA Section 67-22-1 fixes the salaries for constitutional offices. The Governor's salary is fixed at \$109,900 and all other constitutional officials receive a salary equal to 95 percent of that amount.

Senate Bill 156, *Elected Official Retirement Benefits Amendments* (Valentine), eliminates post-retirement health care benefits for new governors and establishes the Elected Official Post-Retirement Benefits Trust Fund for investing funds for post-retirement health benefits for new governors.

Due to these changes in retirement benefits, new governors entering office on or after July 1, 2011 will only receive a defined contribution retirement benefit.

Executive and Appointed Officials

Each year the Department of Human Resource Management (DHRM) recommends to the Governor a compensation plan for appointed executives and board and commission executives based on market salary studies conducted by DHRM.

Per UCA Section 67-22-2, DHRM determines the salary range for an appointed executive by identifying the salary

ELECTED STATE OFFICIALS' SALARIES

	Current Salary	FY 2013	Percent Adjustment
Governor	\$109,900	\$109,900	0.0%
Lieutenant Governor	104,400	104,400	0.0
Attorney General	104,400	104,400	0.0
State Auditor	104,400	104,400	0.0
State Treasurer	104,400	104,400	0.0

range assigned to the appointed executive's deputy. The lowest minimum salary in the deputy's range is designated as the minimum salary in the appointed executive's salary range, and 105 percent of the maximum salary in the deputy's range is the maximum salary in the appointed executives' range.

The Governor determines, within that range, the salary for each appointed executive. If the deputy is a medical doctor, DHRM may not consider that deputy's salary range in determining the salary range for appointed executives. If the executive director of the Department of Health is a physician, the Governor shall establish a salary within the highest physician salary range established by DHRM. The salary range maximum for board and commission executives is 90 percent of the salary for district judges.

The salary range for appointed executives did not change. The salary range for board and commission executives changed as a result of the increase in the district judges' salary.

State Employees

House Bill 9, *State Agency and Higher Education Compensation Appropriations* (Brown), provided a one percent salary increase for state agency employees.

House Joint Resolution 21, *Joint Resolution on State Health Insurance* (Dee), directs the Public Employees Health Program (PEHP) to maintain in FY 2013 the same combined employer/employee premiums for medical coverage as in FY 2012. The increase in medical insurance premiums for FY 2013 is to be funded one-time with excess reserves in the state's medical risk pool.

PEHP will change the standard coinsurance level for medical benefits under the traditional and high deductible health plans (HDHP) from a 90/10 split to an 80/20 split. This change will make the traditional plans more equivalent to the HDHP plans. The co-pay amounts will remain the same, but other items will be adjusted to comply with these changes.

Other directives include PEHP taking additional steps to stay within existing revenue; establishing a second federally qualified HDHP with a 70 percent coinsurance level for medical benefits; developing a program differentiating premiums, benefits, or both on the basis of health and wellness outcomes; and changing the state's contribution for dental coverage to a 90 percent employer and 10 percent employee premium share.

Public Education and Higher Education

Employees of public schools and higher education institutions participate in state benefits programs, but compensation is set by school districts and higher education institutions. Actual salaries are negotiated in the individual school districts and may vary significantly. Local factors, such as voted leeways, may also affect compensation.

House Bill 206, *Curriculum Options for Secondary School Students* (Ipson), changed the value of the weighted pupil unit (WPU) in FY 2013 to \$2,607 for Special Education Add-on and Career and Technical Education District Add-on. The value of the WPU was changed to \$2,842 for all other programs.

House Bill 9, *State Agency and Higher Education Compensation Appropriations* (Brown), provided a one percent salary increase for higher education institutions, Office of the Board of Regents, Utah College of Applied Technology, and Utah Education Network.

Legislators

The salary for members of the Legislature is automatically set beginning January 1st of each odd-numbered year at the amount recommended by the Legislative Compensation Commission (LCC) in the last report issued by the commission in the preceding even-numbered year. The Legislature may reject or lower the LCC's salary recommendations, but may not increase the salary recommendations. If the Legislature does not act, they have by law accepted the LCC's recommendations.

APPOINTED OFFICIALS' SALARIES

FY 2013 Range

Appointed Executives	\$67,642 - \$160,222
Board and Commission Executives	\$0 - \$120,105

The salary for legislators will remain at \$117 for each calendar day that the legislator attends the annual general session, a veto-override session, a special session, or an authorized legislative meeting.

The President of the Senate and Speaker of the House each receive an additional \$3,000 per year, while the majority leaders and minority leaders of each house receive an additional \$2,000 per year. Also, the chairs of the Executive Appropriations Committee receive an additional \$2,000 per year. A fourth leadership position in both the Senate and House, the Minority Caucus Manager, has been added to those leadership positions receiving additional compensation of \$2,000 per year.

Legislators receive benefits similar to those of state employees, and may choose to participate in individual, two-party, or family coverage. The State pays 90 percent of the medical insurance premium and 90 percent of the dental insurance premium, and offers optical insurance at the legislator's expense. In addition, the State pays the full

premium for basic life insurance coverage of \$25,000 for each legislator who enrolls in the program.

Senate Bill 156, *Elected Official Retirement Benefits Amendments* (Valentine), eliminates post-retirement health care benefits for new legislators and establishes the Elected Official Post-Retirement Benefits Trust Fund for investing funds for post-retirement health benefits for legislators.

Due to these changes in retirement benefits, new legislators entering office on or after July 1, 2011 will only receive a defined contribution retirement benefit.

Judicial Officials

UCA Section 67-8-2 establishes judicial officials' salaries in accordance with a statutory formula. The Legislature provided a one percent salary increase for judicial officials. The approved salaries for FY 2013 are rounded to the nearest \$50 in the table below.

LEGISLATORS' SALARIES

FY 2013

Legislator \$117 per day

JUDICIAL OFFICIALS' SALARY

	Current Salary	FY 2013	Percent Adjustment
Chief Justice	\$147,350	\$148,800	1.0%
Associate Justice	145,350	146,800	1.0
Appeals Court Justice	138,750	140,100	1.0
District Court Judge	132,150	133,450	1.0
Juvenile Court Judge	132,150	133,450	1.0