

Budget Hold Backs

Overview

The State of Utah experienced a decade of strong economic growth over the 1990's. This growth greatly impacted the state's budget and tax policies. Strong revenue growth allowed Utah to commit substantial funding to public education, transportation, and infrastructure while at the same time providing \$1.4 billion in cumulative tax cuts.

Decade of Prosperity

Because of strong revenue growth over the 1990's the state was able to fund multiple major priorities simultaneously while implementing stringent spending guidelines. Over the last decade State funds committed to public education nearly doubled from \$777.2 million in FY 1990 to \$1.5 billion in FY 2000. Highway construction of \$1.67 billion in state funds will occur between FY 1998 and FY 2007. A pay-as-you go capital facilities spending policy was initiated in the 1990's while appropriating construction and operating funds for numerous new higher education buildings and other state facilities.

In addition to its strong commitment to education, transportation, and infrastructure during the 1990s, Utah also returned significant tax revenue to its citizens through a series of tax cuts. Cumulative tax cuts since 1994 saved taxpayers over \$1.4 billion.

Fiscal Year 2001 Budget Hold Backs

In March 2001 the growth rate of the state's income, corporate franchise, insurance premium, and motor fuel tax collections slowed faster than had been anticipated. The state revised its revenue forecasts downward for FY 2001 and FY 2002.

To address declining tax collections, the state initiated budget hold backs. For FY 2001 \$51.6 million in new building projects and \$5 million in state park renovations, for a total of \$56.6 million, were held back. These hold backs included construction funding for four new higher education buildings plus the purchase on another. Three-fourths of the fiscal year had already elapsed for ongoing state programs, therefore these particular projects were chosen because the funds had only recently been appropriated and the projects had not yet started. Significant funding cuts to ongoing programs in FY 2001 would have been difficult.

Had hold backs not been implemented, FY2001 would have ended with a budget shortfall. Collections for the General and School Fund were a combined \$49.9 million below adopted estimates. However, with the hold backs in place, revenues exceeded the adjusted budget by \$6.7 million. Additionally, \$5.4 million in unspent appropriations were returned to the General Fund along with \$0.2 million in other adjustments. Thus, the state actually ended the fiscal year with a \$12.3 million surplus.

Fiscal Year 2002 Budget Hold Backs

Two rounds of budget reductions have been enacted for the FY 2002 budget. The first round began in June 2001. State agencies were instructed to identify areas for budget hold backs, with the exception of public education (which is exempt by law from such action). However, the Utah State Board of Education voluntarily held back \$10 million of recently appropriated money to its capital outlay program, as a show of participation (this will not affect the amount of state funds distributed to local school districts for operations).

The first round of hold backs, for FY 2002, totaled \$72.7 million (an additional \$5.4 million in projected revenue had been left unappropriated). This brought the hold backs for FY 2002 to \$78.1 million. Combined with the FY 2001 surplus of \$12.3 million, budget reductions were over \$90.4 million – more than enough to cover the projected shortfall at that time.

The second round of hold backs were instituted following the terrorist attacks of September 11, 2001. Impacted by these tragic events, state revenue collections are projected to decline additionally, leading to an estimated budget shortfall of \$198 million shortfall for FY 2002. In the second round, an additional \$24.6 million in budget cuts were instituted plus another \$18.6 million in savings that can be realized by replacing appropriated funds with bond proceeds for two new higher education facilities. Other sources of revenue have also been identified to fill the budget shortfall, including \$14 million in carryforward funds for public education, \$32.5 million from savings on the Interstate 15 construction project, \$6.9 million from miscellaneous sources, and the state rainy day fund if necessary.

To reach the targeted hold back amount, all state agencies (with the exception of public education) were required to reduce operating budgets an average of 3.2%. This includes 2.6% in ongoing expenditures and 0.6% in onetime expenditures. In the first round of cuts, most state agencies were able to maintain services at normal levels despite the budget reductions. However, with the second round of cuts, some state services were reduced or eliminated.

In addition to the operating hold backs for FY 2002, \$18.5 million in capital items were held back, including the \$10 million from public education's capital outlay budget. Because state agencies had an entire fiscal year to accommodate the FY 2002 budget hold backs, hold backs are not based solely on capital items to address declining revenues.

Additional adjustments will be made to the state budget, as necessary, to ensure a budget deficit is not incurred. If revenue collections rebound before the end of FY 2002, some previously held back funds could be released. On the other hand, additional hold backs could be implemented if revenues decline further than currently anticipated.

Table 84
 State of Utah Administrative Hold backs: FY 2001

| | General Fund | School Funds | Total Funds |
|--|------------------|-------------------|-------------------|
| Higher Education - Capital Budget | | | |
| U o f U Engineering Building | | 2,300,000 | 2,300,000 |
| Dixie Fine Arts Building Construction | | 13,000,000 | 13,000,000 |
| Snow College Performing Arts Building Construction | | 15,100,000 | 15,100,000 |
| Bridgerland ATC Brigham City Education Center | | 652,000 | 652,000 |
| Weber State University Davis Campus | | 20,500,000 | 20,500,000 |
| Subtotal Higher Education - Capital Budget | - | 51,552,000 | 51,552,000 |
| Natural Resources - Capital Budget | | | |
| State Parks Renovations and Repairs | 5,000,000 | | 5,000,000 |
| Subtotal Natural Resources - Capital Budget | 5,000,000 | - | 5,000,000 |
| Grand Total | 5,000,000 | 51,552,000 | 56,552,000 |

Source: Governor's Office of Planning and Budget

Table 85

State of Utah Budget Reductions and Supplemental Increases - General and School Funds: FY 2002

| | Ongoing | Onetime | Total |
|--|---------------------|---------------------|----------------------|
| Administrative Services | | | |
| Administrative Services | (\$401,200) | (\$550,300) | (\$951,500) |
| Capitol Preservation Board | (75,000) | 53,400 | (21,600) |
| Commerce and Revenue | | | |
| Insurance | (206,000) | - | (206,000) |
| Labor Commission | (162,900) | (76,600) | (239,500) |
| Public Service Commission | (29,400) | - | (29,400) |
| Tax Commission | (1,558,200) | 97,800 | (1,460,400) |
| Workforce Services | (1,679,900) | (1,690,500) | (3,370,400) |
| Health Insurance Pool | (125,400) | - | (125,400) |
| Corrections (Adult and Youth) | | | |
| Adult Corrections | (6,541,700) | (1,332,600) | (7,874,300) |
| Board of Pardons and Parole | (59,600) | (600) | (60,200) |
| Youth Corrections | (1,456,900) | (821,600) | (2,278,500) |
| Courts | (1,643,900) | (1,197,500) | (2,841,400) |
| Econ. Dev. and Human Resources | | | |
| Community and Econ. Development | (913,500) | (344,100) | (1,257,600) |
| Utah State Fair Corporation | (16,500) | - | (16,500) |
| Career Service Review Board | (3,700) | - | (3,700) |
| Human Resource Management | (140,800) | - | (140,800) |
| Elected Officials | | | |
| Attorney General | (615,900) | 406,400 | (209,500) |
| Auditor | (57,900) | - | (57,900) |
| Governor | (287,600) | (91,500) | (379,100) |
| Treasurer | (13,000) | - | (13,000) |
| Environmental Quality | (282,000) | (50,000) | (332,000) |
| Health | (4,054,500) | (5,094,000) | (9,148,500) |
| Higher Education | | | |
| Higher Education | (14,688,400) | (90,000) | (14,778,400) |
| Utah Education Network | (388,900) | - | (388,900) |
| Applied Technology Education | (992,500) | 92,400 | (900,100) |
| Human Services | (6,195,300) | (1,162,800) | (7,358,100) |
| Legislature | (642,200) | (8,500) | (650,700) |
| National Guard | (183,600) | 183,100 | (500) |
| Natural Resources | | | |
| Agriculture and Food | (303,700) | (57,800) | (361,500) |
| Natural Resources | (1,199,500) | (1,863,500) | (3,063,000) |
| Public Education (excludes MSP) | (1,072,000) | 3,099,500 | 2,027,500 |
| Minimum School Program | | | |
| PED Loan Program | | | - |
| Public Safety | (1,023,100) | (114,000) | (1,137,100) |
| Transportation | (44,000) | 11,800 | (32,200) |
| Subtotal Operations | (47,058,700) | (10,601,500) | (57,660,200) |
| Capital Budget | | | |
| Administrative Services | - | (4,400,000) | (4,400,000) |
| Applied Technology Education | - | (2,089,000) | (2,089,000) |
| Econ. Dev. and Hum. Resources | - | (2,000,000) | (2,000,000) |
| Higher Education | - | (12,685,000) | (12,685,000) |
| Natural Resources | - | (47,700) | (47,700) |
| Public Education | (10,000,000) | - | (10,000,000) |
| Transportation | - | - | - |
| Subtotal Capital | (10,000,000) | (21,221,700) | (31,221,700) |
| Total Work Programs | (57,058,700) | (31,823,200) | (88,881,900) |
| Other | | | |
| Unappropriated Funds | (5,382,000) | - | (5,382,000) |
| Public Education Carryforward | - | - | - |
| Reserve for Student Population Growth | - | (20,000,000) | (20,000,000) |
| Add Back PED Loan Program | - | (462,000) | (462,000) |
| Subtotal Other | (5,382,000) | (20,462,000) | (25,844,000) |
| Grand Total | (62,440,700) | (52,285,200) | (114,725,900) |

Source: Governor's Office of Planning and Budget