Overview

Utah political observers thought in the 2015 legislative session legislators addressed some major issues, while leaving some, including Medicaid expansion and the relocation of the state prison, to be handled later. The 2015 legislature did address several significant public policy issues that will have long-term impacts. Two tax increases passed, an increase in the fuel tax and an increase in property taxes with the goal of reducing disparities in education funding across the state.

Lawmakers focused heavily on criminal justice reform, passing legislation that significantly impacts policy. Relocation of the state prison was also discussed at length, though ultimately legislators opted to hold off on a final decision. The Prison Relocation Commission tackled the issue during the year. A final policy issue that will catch the attention of those living outside the state is the passage of the LGBT nondiscrimination law.

Major Policy Debates during 2015 Session

Healthy Utah

Medicaid expansion was the largest single issue discussed. Governor Herbert had spent much of the previous year negotiating with the HHS Department to win approval for his Healthy Utah plan. The Healthy Utah legislation, SB164, sponsored by Senator Brian Shiozawa (R), would have created a two-year pilot program to provide Medicaid coverage to 126,000 Utahns whose incomes are less than 138 percent of the federal poverty level.

It had broad community and business support including chambers of commerce, the local AFL-CIO, hospital systems, healthcare professional organizations, nonprofits, crime prevention organizations, and healthcare plans. The bill encountered resistance among House Republicans wary of the Medicaid program and the Affordable Care Act in general.
House Republicans preferred a smaller alternative called Utah Cares (HB446), sponsored by Rep. Dunnigan (R), that would expand primary care for adults up to 100 percent of the poverty level and traditional Medicaid benefits under the existing 70–30 match to certain adults. Late in the session, negotiations between the House and Senate began to find a compromise between the two bills (Roche 2015). However, on the final day of the session, the governor and key legislative leaders held a press conference indicating no agreement had been reached, and they would continue to meet until mid-summer to find a solution (KSL 2015).

The legislature passed HCR 12, a Concurrent Resolution on HealthCare, sponsored by Rep. Dunnigan. It created a panel of Republican legislators and the governor to find a solution to “cover Utahns living in the coverage gap” with the target date of July 31, 2015 (HCR 12; Moulton 2015). If a solution is reached, Governor Herbert will call a special session to pass legislation.

Tax Increases

The state passed two tax increases in 2015—a motor fuel tax increase and a property tax increase. HB362 converts the fixed fuel tax into a percentage tax. Effective Jan 1, 2016, the 24.5 cent tax per gallon will be a 12 percent tax. The 12 percent rate will be converted to a cents per gallon tax based on a formula that averages three years of fuel prices to address any volatility with fluctuations in fuel prices (three-year average x 12 percent). For example, if the average price of fuel for the three prior years is $2.45, the tax for that year will be 29.4 cents (2.45 * .12 = 29.4 cents).

The legislation fixes a floor and ceiling on the price of fuel to ensure the state has adequate revenues for transportation; the floor is $2.45 and the ceiling $3.33. It is estimated the tax change will result in $24.9M in new annual revenue for the Transportation Fund in FY16 and $76.0M in FY17. Funding will be allocated using the existing formula that provides 70 percent of the funds for UDOT and 30 percent for cities and counties. The bill also imposes a higher tax on natural gas and hydrogen powered vehicles to be phased in gradually in incremental annual increases from FY16-FY19, topping out at 16.5 cents per gallon. The tax on natural gas is estimated to generate $201,600 in new revenue in FY16 and $527,500 in FY17.

The transportation infrastructure-funding bill (HB 362) includes a provision for a local option sales tax of .25 percent that could be used for public transit in counties serviced by a major transit district. If every county in the state implemented the local option, it would generate an estimated $145.7M in new annual revenue in FY17. But the option must be approved by a majority of county voters. The bill was supported by the Utah Transportation Coalition, which includes the Utah League of Cities and Towns, the Utah Association of Counties, and the Salt Lake Chamber of Commerce.

The 2015 legislature also increased the property tax base rate (SB 97) to help fund property tax equalization and narrow disparities across the state in education funding. As a result, the tax for a $250,000 residential property would increase by $48 in FY16. Businesses with a $1M property would likely see a tax increase of $348 in FY16. The fiscal notes estimate this bill could increase revenue to the Basic School Program by $75M annually.

Prison Relocation

Relocation of the Utah State Prison has been a constant topic of discussion in recent years. Currently located in the Salt Lake City suburb of Draper, the prison’s aging facilities and boom-
ing residential and commercial development in the area have convinced many lawmakers that it should be torn down and moved to a more remote location. The 2015 session sponsored bills that would have allowed the Prison Relocation Commission to unilaterally make the decision, but none were passed. Ultimately, no decision was made on the prison location, and lawmakers worked on the issue during the interim until the 2016 session.

**Criminal Justice Reform**

The legislature passed HB 348, a series of criminal justice reforms that reduce simple drug possession to a misdemeanor from a felony and most traffic violations from a misdemeanor to an infraction. Money was reallocated from enforcement efforts to treatment (Winslow 2015). HB 348 sponsor Rep. Eric Hutchings hailed it as one of the most significant criminal justice reforms in the history of Utah (Aaron 2015).

**LGBT Nondiscrimination Law**

After several years of planning and debate, Utah lawmakers passed a statewide nondiscrimination bill for LGBT individuals during the 2015 general session. After prolonged discussion between the LGBT community and the LDS Church, the dominant religion in the state, the legislature overwhelmingly passed SB296. The bill prohibits discrimination in housing and employment for LGBT people with exemptions for religions, religious affiliates, and wholly owned subsidiaries of religious organizations (SB 296; Equality Utah 2015; Romboy 2015).

A related bill, SB297, that passed requires a county clerk, or willing designee of the county clerk, to be available during business hours to solemnize a legal marriage (SB297). The intent of SB297 is to keep public employees from refusing to perform legal marriages (such as same sex marriages) based on personal objections.

**Education Funding**

Governor Herbert proposed a significant increase in public education funding in his budget recommendations for the 2015 legislative session. He suggested that per pupil spending in 2015 remained $400 million below prerecession funding levels, though those prerecession levels included unsustainable state revenue from the housing bubble. The governor proposed a 6.25 percent increase in the weighted pupil unit to return to prerecession per pupil spending levels.

The legislature allocated $515M in new funding for public and higher education. The total exceeds the overall levels of funding proposed by the governor but allocates less to the weighted pupil unit than he recommended (4 percent rather than the 6.25 percent proposed) (Jacobsen 2015). More than $100M of the funding will go to a weighted pupil unit increase that gives districts a great deal of freedom in allocation decisions.

**Budget for FY16**

**Utah’s Economy**

Utah’s unemployment rate continued to decline going into the 2015 General Session—from 4.4 percent in 2014 to an expected 3.2 percent in 2016. However, as with much of the nation,
wage growth lags job creation. Utah expects nonagricultural wage growth will soften slightly from 2015 (+6 percent) to 2016 (+5 percent).

Low oil and gas prices have negatively impacted severance tax expectations, but strong performance in other sectors, as well as a return to net in-migration, bode well for housing as well as new automobile, truck, and durable goods sales. Downside risks remain related to workforce participation and household creation. Utah’s economy is expected to continue expanding in 2015 and 2016 on par with its historical average.

Revenue Forecasts for FY16

As a result of the expanding economy, appropriators had $389 million in new, ongoing discretionary revenue and $350 million in one-time surpluses from the prior and budget year. Legislators expect total General Fund collections—primarily from sales and use taxes—of nearly $2.3 billion (+2.7 percent) in fiscal year 2016. Education Fund revenue—from income and corporate taxes—is projected to be $3.6 billion (+$3.8 percent).

Budget Process and Base Budget Week

The most notable change to the budget process for the 2015 general session was the introduction of long-term trend analysis. HB 311 of the 2014 general session required the Legislative Fiscal Analyst (LFA) and Governor’s Office of Management and Budget (GOMB) to produce 15-year revenue trends alongside traditional point-in-time revenue estimates. HJR 11 asks legislators to consider using above-trend revenue for one-time costs like buildings and roads, debt reduction, or rainy day deposits.

Legislative staff produced their numbers first—and identified $116 million in new ongoing revenue that was above the 15-year historical trend. The governor’s office disagreed with the legislative staff’s methodology but offered no firm alternative to their numbers. As a result, at the beginning of the budget process, legislators set aside $116 million from ongoing revenue for spending on one-time costs. Ultimately, they used $65 million of the ongoing revenue to fund building alterations, repairs, and improvements and put the other $51 million into ongoing commitments.

Final Budget for FY16

Utah’s budget from all sources topped $14.2 billion for fiscal year July 1, 2015 to June 30, 2016, a nearly 4 percent increase from the FY 2015 all-source budget. The portion of the FY 2016 budget from discretionary general and education funds equaled $6.3 billion, up nearly 9 percent from FY 2015. The FY 2015 budget did not materially change in the 2015 general session.

Among the funding highlights were:

- More than $515 million for public and higher education, including $104 million for a 4 percent increase in basic education funding;
- $185 million for investment in buildings and roads—rebuilding what lawmakers call the “working rainy day fund”—a stash they have gone to in the past when the economy cools;
- Of the $185 million to be invested, $80 million is cash and $470 million is authorized debt to relocate the state’s largest correctional institution;
- $20 million for social service and Medicaid provider rate increases;
- $18 million for tourism marketing and $4 million for industrial assistance;
- $14 million for a comprehensive justice reform initiative to compliment prison relocation;
- $11 million to match federal funds and improve the safety of dams and levees plus $5 million seed money for new water development;
- Salary increases of 2 percent for higher education plus performance funding equal to about another 1 percent; and
- Salary increases equivalent to 3 percent for state agency employees.

Source: Office of the Utah Legislative Fiscal Analyst. 2015.
References


Equality Utah. 2015. “What You Need to Know about Utah’s SB296.”


KSL News. 2015. “No Deal This Session on Healthy Utah.” March 12.


