

# Response to Governor's Budget Recommendations FY2020

Published: Friday, 14 December 2018 17:00

Written by: Questions?

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On December 6, 2018, Governor Herbert released his [budget recommendations](#) for the next fiscal year (2020). The budget is based on a consensus forecast developed by the Governor's Office of Management and Budget, the Office of the Legislative Fiscal Analyst and the Utah State Tax Commission.

In summary, the budget recommendations reflect an estimated \$1 billion in surplus revenue due to Utah's booming economy; a \$200 million tax cut and a call to modernize Utah's tax system. The budget's theme is **Growth and Quality of Life** and presents budget recommendations covering the following key areas: Quality of Life, Qualified Workforce, and Tax Modernization.

Voices for Utah Children works to make Utah a place where all children thrive. While reviewing the Governor's recommendations we asked one simple, important question: "Is it good for kids?" If it's good for kids that means Utah's families can fully participate in the economy and support their children. That means parents are able to ensure their children reach their full potential and grow up ready to contribute to Utah's thriving communities.

Continuing the Governor's theme of **Growth and Quality of Life**, Voices staff have reviewed the budget and make the following observations:

## 1. Quality of Life

### Funding for Medicaid Expansion Implementation

In November, Utahns expressed their clear support for Medicaid expansion and

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chose to extend health insurance to 150,000 new individuals. Utah voters elected to expand Medicaid to individuals and parents, without work requirements or caps. Voters even chose a small sales tax increase to support affordable health coverage. The Governor recognizes this historic step forward for Utahns in his budget recommendations and allocates funds for expansion implementation by April 1, 2019. The policy brief accompanying the budget also explores different scenarios and “what ifs” about the provider and consumer safeguards included in the ballot initiative; however, none of these questions preclude expansion from rolling out April 1st. It is paramount that individuals and parents in the coverage gap be able to enroll in coverage as soon as possible, without any added delays or restrictions, and we thank the Governor for supporting expansion funds in the budget.

Proposition 3 did not include any additional work requirements or barriers to care, as the Governor’s budget and policy brief also notes. Our new state law does not stipulate that Medicaid enrollees meet a work requirement as a condition to health coverage. We support exploring future programs that help connect Medicaid beneficiaries with job resources, training, or helps facilitate community engagement. However, we should not rush into changes and any work support program should not preclude someone from receiving coverage. As we have seen in other states, the complexities and confusion around reporting a work requirement often result in individuals unnecessarily losing coverage- even though they are working ([See Arkansas’ recent experience](#)). We support programs that help individuals be healthy and work; but people cannot work if they are not healthy.

## **Funding for Children’s Health Coverage**

The Governor’s budget includes important funding recommendations to ensure that Utah children are covered, as demonstrated through Medicaid consensus figures. The Governor’s recommendations are particularly timely as recent data show an alarming increase in the number of uninsured children in Utah. In fact, Utah was one of only nine states to experience an increase in our child uninsured rate. We thank the Governor for extending a welcome mat to ensure that more children can receive health insurance. Going forward, there are additional steps we hope the Governor will support, so that more children do not lose health coverage: it is critical to ensure children can avoid unnecessary insurance loss or disruptions, by implementing a policy of 12-month continuous eligibility in Medicaid; in addition, Utah must counter the ‘chilling effect’ in health coverage due to federal policies targeting immigrant

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communities. We thank the Governor for his previous efforts encouraging qualifying parents to sign their children up for Children's Health Insurance Program (CHIP). It is especially critical now that the Governor continue to create a welcoming, safe environment for Utah families to obtain affordable health coverage.

## **E-Cigarette Taxes**

The Governor recommends a sales-tax increase on e-cigarettes. As the Governor notes, e-cigarette use is on the rise and can have a significant, harmful impact on the health of our youth. We are encouraged that the Governor recommends taxing e-cigarette and related paraphernalia like traditional tobacco products. This is an important step to keeping our kids healthy. National research shows e-cigarette use can be highest among some of our most marginalized youth, including LGBTQI, gender non-conforming and transgender youth. We hope that, in addition, state agencies will also ensure that 1) we are collecting state-level data to better understand impacted kids here in Utah and 2) we are providing the right kinds of care and services, so all kids feel affirmed, loved and supported.

## **Integrating Physical and Behavioral Health**

We applaud the Governor for addressing Utah's bifurcated healthcare system where different entities are responsible for physical and behavioral health services. The policy brief accompanying the budget discusses efforts to better integrate these systems. We hope that these efforts will also incorporate the behavioral health care needs of specific populations including children and new mothers. The behavioral health care needs of these populations are often overlooked and under-resourced. For example, women suffering from perinatal mood disorders - commonly called "maternal depression"- often have trouble finding treatment and care. Going forward, new efforts to better integrate services should make sure kids and parents can get the unique behavioral health care they need early on, before a condition escalates.

**Jessie Mandle, Senior Health Policy Analyst**

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## **School Safety**

When it comes to spending on "school safety," the Governor's budget has given us

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cause for concern. Governor Herbert appears to support the recommendations of the "School Safety Advisory Committee," a group which has drawn criticism for its lack of representation and for conducting its business outside the public view.

In November of this year, this Committee presented a \$194 million bill titled "School and Student Safety Amendments," which designated \$164 million for schools to upgrade their physical facilities with student safety in mind. In his budget, Governor Herbert includes \$66 million in "flexible" funding for this same purpose. We have no problem with funding for schools to modernize and improve their infrastructure, as many schools are in need of basic maintenance anyway. Why not build in new safety features while modernizing facilities?

We appreciate that the Governor has set aside \$31.7 million in his budget for a "school counseling program," which appears to reflect a similar \$30 million ask from the School Safety Advisory Committee during November interim. We applaud Governor Herbert for explicitly saying that this funding should be used for counselors. Mental health professionals, social workers, counselors and other professionals are critical for building a safe and positive school climate. Investing in prevention when it comes to bullying, violence and suicide makes more sense than trying to deal with the aftermath of these ongoing challenges.

Our concern about school safety funding arises from what is not said in the Governor's budget, but which exists in the proposed legislation from the School Safety Advisory Committee: a mandate for each school in the state to form "Threat Assessment and Student Support Teams" that are authorized to respond to "significantly disruptive behavior" from students – whatever that may mean.

This approach, which is loosely based on a specific protocol that has yielded good results in other states, could jeopardize the recent juvenile justice reforms that received a great deal of well-deserved attention and praise in the Governor's budget document. Utah's impressive juvenile justice reforms have included a focus on using restorative, rather than punitive, practices in schools. This approach decreases the number of youth who are referred to court for very low-level offenses (such as truancy and smoking), incurring high costs to taxpayers and negative outcomes for the youth themselves. We are very concerned that the legislation recommended by the School Safety Advisory Committee does not align with these important reforms. We all want our kids to be safe at school, but not every proposed solution creates

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actual safety, and some approaches actually make some groups of students less safe. Voices for Utah Children will have much more to say on this subject as we move closer to the 2019 Legislative Session.

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## 2. Quality Workforce

### Education

We at Voices, are particularly happy about the recommendations for sustained and improved funding of public education. Education is the key to future career success for so many Utah kids – and our teachers are key to education. That's why we are so pleased with the Governor's support for boosting teacher pay. When teachers do well, students do well.

We scoured the Governor's budget for any mention of investment in early education with no luck. We're not panicking yet. The Governor's Education Road Map, released a year ago this month, included an entire section of recommendations related to early learning. We expect to see more investment in this area as current state-funded early education programs become better aligned and coordinated.

### Child Care

We couldn't help but notice the absence of any mention of state investment in – or even attention to – the pressing child care needs of Utah's workers and students. We agree with Governor Herbert that "Utah must invest in its people to achieve long-term success," and that "a dynamic economy requires a skilled and education population."

Having the right skills and the willingness to work isn't enough to make our workforce successful, though. More Utah workers than ever before are now also parents. They can't be expected to engage productively in our thriving economy unless they have access to affordable, accessible child care. The state currently does a good job of managing federal dollars that help to subsidize child care costs for working parents but invests very few state tax dollars for this purpose. The Governor's proposed budget would do little to change this.

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The irony is, Utah doesn't just need to fill "high-paying jobs" with "highly skilled" workers. We need many more individuals who are willing to work jobs that don't pay well enough relative to their importance to our economic development. These critical jobs are in the early care and education sector. Currently, the Utahns who provide child care to working parents all over the state, barely make enough to keep their own families out of poverty.

One easy way the Governor could bolster state investment in child care, would be to provide sufficient funding for subsidized childcare while parents are attending college. The Governor's budget rightly emphasizes the importance of higher education in creating opportunity to otherwise "at-risk" families. However, lack of affordable child care keeps many parents – moms, especially – from going back to school to enhance their earning potential. If Utah is serious about investing in the workforce, the Governor's budget should prioritize investment in college-based child care centers such as the Wee Care Center at Utah Valley University and the Sorenson Legacy Foundation Child & Family Development Center at Southern Utah University.

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## 3. Tax Modernization

Utah's economic structure is moving from goods based to service based. Most purchased goods generate a sales tax. Some services are taxed, but many others enjoy a sales tax exemption or a reduced tax rate. The following table illustrates a few examples.

### **State Sales Tax Bases: Consumer Goods & Services as of 7/1/18**

Groceries	Alternate Rate
Clothing	Taxable
Prescription Medication	Exempt
Non-Prescription Medication	Taxable
Gasoline	Exempt
Legal	Exempt
Financial	Exempt
Accounting	Exempt

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Medical	Exempt
Landscaping	Exempt
Repair	Taxable
Real Estate Services	Exempt
Parking	Exempt
Dry Cleaning	Taxable
Fitness	Taxable
Barber	Exempt
Veterinary	Exempt

*Tax Foundation 2019 State Business Tax Climate Index*

*<https://files.taxfoundation.org/20180925174436/2019-State-Business-Tax-Climate-Index.pdf>*

<https://tax.utah.gov/sales/food-rate>

*Utah grocery sales tax is 3%, a higher rate is charged if food items are mixed or combined by seller and/or heated by seller, or utensils are provided.*

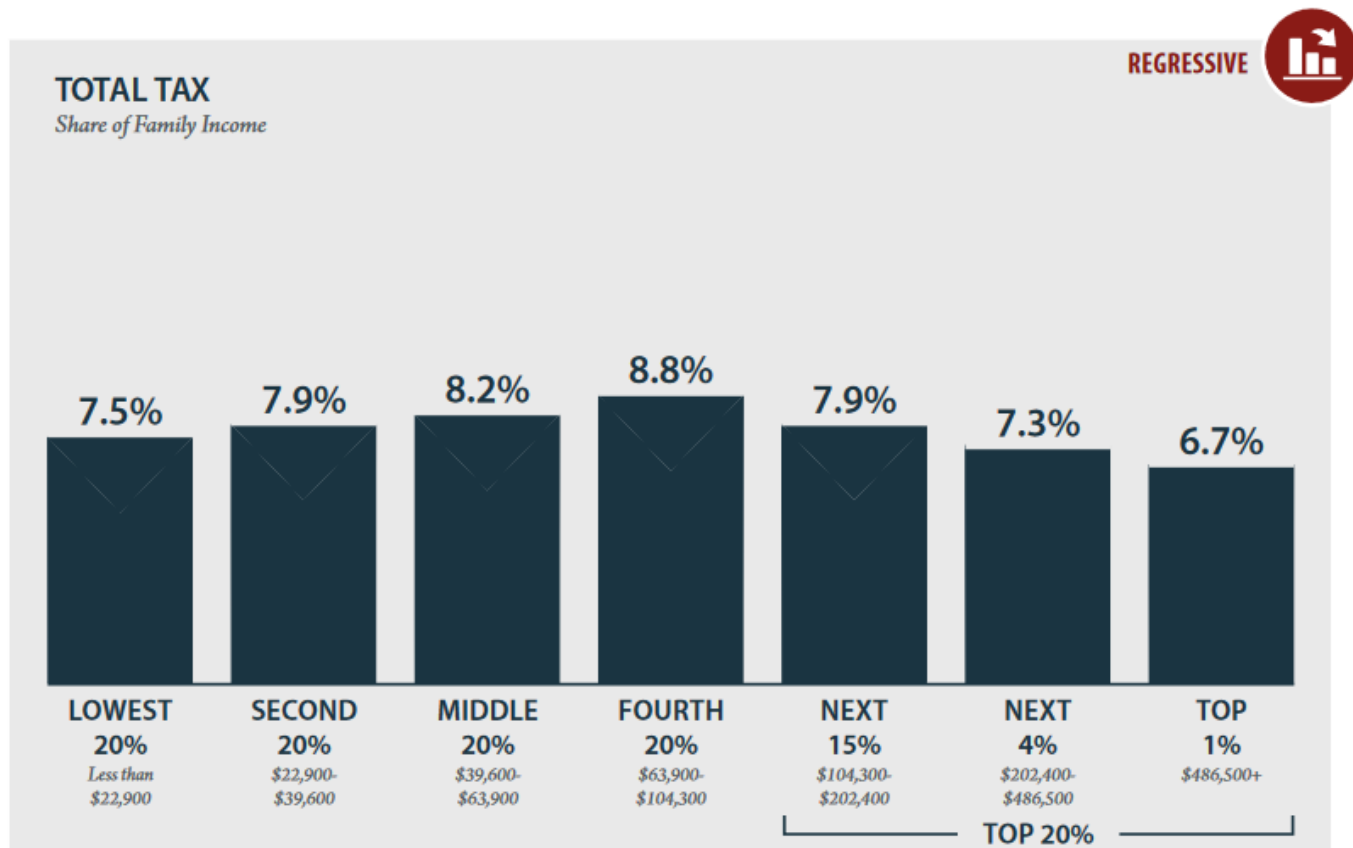
The increase in services as an engine for economic growth is not generating enough tax revenue to keep pace with the rising cost to build and maintain Utah's infrastructure and provide services which support communities and keep the economy humming. As Utah moves to a service based economy, transactions generating sales tax have declined from about 70% (in the 1980s) to 40%. As a percent of income, 95% of Utah's families pay more in sales and other local taxes than the top 5% of higher income families.



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Source: <https://itep.org/whopays/>

This is not the first time the Governor has called for a tax overhaul. Removing a few exemptions is a commonsense way to broaden the tax base. It is time for special interests to do their part to boost revenues needed to pay for investments which support Utah's **Growth and Quality of Life**.

## Revenue Earmarks

Earmarks are revenue assigned to fund specific government projects, services or programs. For example, gas taxes are earmarked for transportation needs while a portion of tobacco taxes are designated to fund antismoking initiatives. The recent voter approved Prop 3 calls for a sales tax increase earmarked to expand Medicaid access.

The Governor wants to reform the state's earmark policy. He notes that 48% of new



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sales tax revenue growth is earmarked in FY2020 and further argues that earmarks are not transparent and do not allow policy makers to prioritize the state's most pressing needs. He proposes that some earmarks be replaced by user fees.

The online dictionary defines fee as “a **payment** made to a professional person or to a professional or public body in exchange for advice or services.” A tax is “a **compulsory contribution** to state revenue, levied by the government on workers' income and business profits or added to the cost of some goods, services, and transactions.” Whether it's a tax or fee, broadening the tax base must be done fairly, equitably and shared by all.

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