



SOCIAL SERVICES RELATED REVENUE OPTIONS

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE
STAFF: RUSSELL FRANSEN

ISSUE BRIEF

SUMMARY

The Analyst has identified two potential funding sources that could provide ongoing and/or one-time funding to replace or support traditional General Fund expenditures. The two accounts are: (1) State Endowment Fund (formerly known as the Tobacco Permanent Endowment Fund) and (2) Medicaid Restricted Account. In total these options provide \$121,000,000 in one-time resources beginning in FY 2012. The Analyst has provided two options for action for the committee’s consideration.

One of these funding sources has some limitations and restrictions. The State Endowment Fund, where the one-time balance can only be accessed by a ¾ vote of each house of the legislature and the signature of the governor.

DISCUSSION AND ANALYSIS

The Analyst has identified the following two sources with one-time revenue available beginning in FY 2012:

Fund/Source Name	Statute	Money Available FY 2012	
		One-time	Ongoing
State Endowment Fund	51-9-202	\$ 120,958,900	\$ -
Medicaid Restricted Account	26-18-402	\$ 41,100	\$ -
Total		\$ 121,000,000	\$ -

State Endowment Fund

Prior to FY 2012 and HB 451 from the 2011 General Session, the State Endowment Fund received 40% of the annual payments in April from tobacco companies from the 1998 Master Settlement Agreement (UCA 51-9-202). Article XXII, Section 4 of the Utah Constitution explains the purpose of the State Endowment Fund: “the state treasurer shall, as provided by statute, hold all trust funds and assets in trust and invest them for the benefit of the people of the state in perpetuity.” Additionally, Article XXII, Section 4 of the Utah Constitution directs that money currently in the fund can only be accessed by a ¾ vote of each house of the Legislature and the approval of the Governor. There are no regular expenditures approved for this trust fund. UCA 51-7-12.1 outlines the restrictions on investments for the State Endowment Fund. The State Endowment Fund is estimated to have a balance of \$120,958,900 by the end of FY 2012, which could be a one-time revenue source.

Additionally, UCA 51-9-202 directs that the fund keep half of its interest earnings from the tobacco payments and the other half be deposited into the General Fund. The amount deposited into the General Fund for the last 6 fiscal years has ranged from \$362,200 in FY 2006 to \$628,800 in FY 2010. The State Endowment Fund made a six year contribution to the General Fund totaling \$3,489,700. Any changes to the fund balance would impact the interest deposited into the General Fund and interest retained by the fund. This fund also receives excess severance tax revenues over statutory limits at the end of each year as per UCA 51-9-305.

HB 464 from the 2010 General Session diverted \$11,350,900 one-time from potential money to the State Endowment Fund to the General Fund for FY 2011.

Medicaid Restricted Account

The Medicaid Restricted Account does not receive constant, consistent revenues. The \$41,100 unobligated balance represents a one-time funding resource. As per Utah Code 26-18-402, the account usually receives all

the unspent monies in the Medicaid program; however, due to requirements of the federal stimulus package, unspent funds did not go to this fund for FY 2009 through FY 2011. Unspent Medicaid funds during this time remained with the Department of Health as non-lapsing balances.

Statute also says that the money in the account may be used to expand medical assistance coverage to low income persons not traditionally covered by Medicaid. Historically the fund has been used for items like Medicaid caseload growth, provider rates, a lawsuit settlement, replacing federal funding, and paying for a redesign study of the Medicaid Management Information Systems.

RECOMMENDATIONS

The Committee has at least the following options:

1. Do nothing. This may allow fund balances to remain at current levels, grow if they are able to earn interest, or otherwise fluctuate depending upon revenues and expenditures.
2. Appropriate up to \$121,000,000 in one-time resources.