



Kate Bradshaw

Director of Government Affairs
801.799.5711
Salt Lake City
kabradshaw@hollandhart.com

Utah Legislative Update: August 2019

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Utah Budget Update:

The state of Utah's budget runs on a fiscal calendar of July 1-June 30. That gives legislators the ability to set the state budget during the legislative session and have the budget year begin in the Summer following the session.

As Utah has closed its books on the July 1, 2018-June 30, 2019 budget, state revenues continue to exceed expectations. Overall, the tax receipts exceeded \$97 million more than was budgeted for. According to a state revenue snapshot (released monthly by the Office of the Legislative Fiscal Analyst and the Governor's Office of Management and Budget), year end results for revenue totaled \$7.5 billion, which represents a year-over-year growth of 7.2%. That growth exceeds the target the legislature set of 5.7% for the budget.

Utah's budget is largely funded through two channels: the general fund, which is mostly filled by sales tax receipts, and the education fund, which is filled by state income taxes. The general fund did not perform as well as was expected in the past year. Receipts for the general fund were \$43 million below target. Receipts for the education fund, however, enjoyed a 9.1% increase year-over-year yielding \$140 million above the projected target in the budget. When the two numbers are combined, it shows Utah enjoyed a \$97 million increase overall but the revenues in the two funds do show a structural issue with the state budget.

Since all state income taxes are constitutionally required to be spent on education and higher education, the rest of state government is funded through the general fund and other funds like the transportation fund, which is funded through gas taxes. That means items like roads, public safety, public health programs, state parks, environmental quality, etc. are all left to compete for funding through the general fund which isn't growing as rapidly as the education fund. This is one reason lawmakers are saying tax reform needs to be done in the state to give the general fund a better opportunity to grow at the same rate as the education fund.

Overall, the numbers show that Utah's economy continues to be strong and that the state is in a solid financial position.

Utah Medical Cannabis Program:

Utah's Medical Cannabis program suffered a bit of a setback this summer when several County Attorneys advised their counties not to distribute medical cannabis through the county health departments as envisioned under Utah's new law. The attorneys were worried that acting as the

distribution point for the state-run cannabis system could jeopardize federal grant money and put county employees at risk of being prosecuted under federal drug laws.

Now it appears legislative leadership and cannabis advocates might have worked out a compromise to bypass the central fill pharmacy and county health department model by allowing the number of state licensed cannabis pharmacies to move from seven to 12 or even higher. The compromise would also allow for a state-run website for patients to place their cannabis order and receive home delivery via courier. A date for a Special Session and bill language has not been released yet, but legislators were briefed during August caucus meetings about the proposed changes and compromise.

Salt Lake City Mayor's Race Narrows:

In a surprise finish, District 5 City Councilwoman Erin Mendenhall finished first in the Mayoral Primary followed by State Senator Luz Escamilla. Polling has suggested that former-State Senator Jim Dabakis would easily place first with a too-close-to-call second place TBD to advance to the General Election. Instead, the script flipped, with Mendenhall earning 24.27% of the vote and Escamilla 21.43% of the vote in the crowded field of eight candidates while Dabakis placed third and was eliminated. Municipal elections in Utah are non-partisan, though Salt Lake City's field is often a match of Democratic candidates. This match up of two women will mean Salt Lake City will have its third female mayor in city history no matter the outcome of the General Election.

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