

PROPOSITION NUMBER 3

☐ FOR
☐ AGAINST

Shall a law be enacted to:

- expand the state Medicaid health coverage program to include coverage, based on income, for previously ineligible low-income adults;
- maintain the following as they existed on January 1, 2017:
 - eligibility standards, benefits, and patient costs for Medicaid and the Children's Health Insurance Program (CHIP); and
 - the payment rate for healthcare providers under Medicaid and CHIP; and
- use the tax increase described below to pay for Medicaid and CHIP?

IMPARTIAL ANALYSIS

Proposition Number 3 makes three main changes to state law relating to Medicaid and the Children's Health Insurance Program (CHIP). First, it expands the state Medicaid program to include coverage, based on income, for previously ineligible low-income adults. Second, it preserves the existing scope of the state's Medicaid and CHIP programs. Third, it increases the state sales tax rate from 4.70% to 4.85% and directs the resulting revenue toward paying for the changes to Medicaid and CHIP made by the Proposition.

Background

Medicaid is a government-sponsored health insurance program for eligible low-income adults, children, pregnant women, elderly adults, and people with disabilities. Medicaid was established by the federal government but is administered by the states through state-run programs. Each state's program must meet certain minimum federal requirements but can vary widely. The programs are funded in part by the federal government and in part by the state government.

Historically, an adult qualified for Medicaid coverage only if the adult had a low income and belonged to a designated eligibility category—pregnant, parent, aged, blind, or disabled. That changed with the federal government's passage of the Patient Protection and Affordable Care Act. The Affordable Care Act gave states the option of expanding Medicaid eligibility in their state by allowing adults under 65 years of age with incomes below 138% of the federal poverty level to qualify for coverage based solely on their income, without belonging to a designated eligibility category. Individuals in this group are called "newly eligible." To date, Utah has not expanded its Medicaid program to cover all newly eligible individuals.

Similar to Medicaid, CHIP is a government-sponsored health insurance program that was established by the federal government, is administered by the states, and is funded in part by the federal government and in part by the state government. CHIP builds on Medicaid by providing health coverage to low-income children whose families earn too much money to qualify for Medicaid.

Effect of Proposition Number 3

Expanding Medicaid

Beginning April 1, 2019, Proposition 3 expands eligibility for Medicaid to include all newly eligible individuals under the Affordable Care Act—adults under 65 years of age with incomes below 138% of the federal poverty level who are not currently eligible for Medicaid.

Preserving the Scope of Medicaid and CHIP

Proposition 3 preserves certain aspects of the state's Medicaid and CHIP programs as they existed on January 1, 2017 to set a baseline for the scope of coverage and benefits available under each program going forward. By establishing the baselines, the Proposition prohibits future changes to the programs that would reduce the coverage or available benefits, but it allows changes that would expand them. More specifically, the Proposition provides that:

- the standards, methodologies, and procedures for determining eligibility for Medicaid and CHIP cannot be made more restrictive than they were on January 1, 2017;
- there cannot be any limits on Medicaid enrollment beyond those in place on January 1, 2017;

PROPOSITION NUMBER 3

- the categories of care or services and the types of benefits provided under Medicaid and CHIP cannot be made more restrictive than they were on January 1, 2017;
- any premium, beneficiary enrollment fee, or cost sharing requirements, including co-payments, co-insurance, deductibles, or out-of-pocket maximums, cannot be increased from what they were on January 1, 2017; and
- Medicaid’s and CHIP’s payments to healthcare providers, like hospitals and physicians, cannot be made at a rate less than the rate paid on January 1, 2017, adjusting annually for inflation.

Funding Medicaid Expansion

Under the Affordable Care Act as it currently exists, the federal government will pay approximately 90% of the cost of the newly eligible individuals who gain Medicaid coverage under Proposition 3, and the state government must pay the remainder. Beginning April 1, 2019, Proposition 3 increases the state sales tax rate from 4.70% to 4.85% and directs the resulting revenue toward paying the state’s portion. The increase does not apply to groceries. The Proposition requires the revenue from the 0.15% increase to be used primarily for expanding Medicaid eligibility to the newly eligible, but it provides that any remaining revenue can be used to fund Medicaid or CHIP more generally.

Fiscal Impact

The following fiscal impact statement is based on figures provided by the legislative fiscal analyst.

Proposition 3 may result in approximately 150,000 newly eligible individuals enrolling in the state Medicaid program in fiscal year 2020, and approximately 5,000 additional newly eligible individuals enrolling each year thereafter. Additionally, approximately 20,000 children who are currently eligible for Medicaid but not enrolled may enroll once their parents become eligible.

The increase to the state sales tax rate contained in Proposition 3 will generate additional tax revenue for the state to direct toward the cost of expanding Medicaid coverage to the newly eligible. The chart below summarizes the anticipated cost associated with expanding Medicaid eligibility under Proposition 3 and the state revenue Proposition 3 is expected to generate. The figures in the chart assume the enrollment growth described above and no changes to federal law.

	Total Cost of Medicaid Expansion Under Prop 3 (Federal and State Portions)	Utah’s Portion of Total Cost of Medicaid Expansion Under Prop 3	Revenue from Increase to the State Sales Tax Rate
Fiscal Year 2020	\$758 million	\$53 million	\$84 million
Fiscal Year 2021	\$846 million	\$78 million	\$88 million

The actual cost of Medicaid expansion under Proposition 3 and the amount of additional revenue the state collects from the increase to the state sale tax rate will vary based on numerous factors, including population growth, business investment, consumer behavior, economic conditions, and policy changes.

ARGUMENT IN FAVOR

Proposition 3 provides access to healthcare for more than 150,000 Utahns and brings nearly \$800 million in federal funding back to our state every year from Washington D.C. – money that is already set aside for Utah. It’s money 33 other states already get, but we’ve been losing out on for years. Proposition 3 creates nearly 14,000 new jobs and generates \$1.7 billion in new economic activity for our state.

Medicaid expansion is a good deal for Utah and helps provide life-saving healthcare to Utahns who earn less than \$17,000 a year, including parents and people with chronic illnesses who are often forced to choose between putting food on the table and getting treatments for diseases like cancer or diabetes.

Proposition 3 was also crafted to ensure that hard-working Utahns who earn a promotion or take on more hours to get ahead won’t have their healthcare taken away. With this initiative, Medicaid covers working Utahns as they pull themselves out of poverty, and it rewards hard work—instead of punishing it by cutting off somebody’s healthcare.

The Governor’s Office of Management and Budget concluded that this program would be fiscally sound. It enables Utah taxpayers to expand healthcare access while promoting individual responsibility and smart use of public monies. Proposition 3 is accompanied with a sales tax increase on non-food items equivalent to about one cent on the cost of a movie ticket. This investment enables Utah to bring home nine times that amount in federal dollars every year.

AARP supports this measure because “Proposition 3 allows us to be fiscally responsible and significantly improve the lives of our families and neighbors most in need.” This measure lets Utahns take control of our healthcare system,

PROPOSITION NUMBER 3

expand access to quality, affordable healthcare, and return Utah's federal tax dollars to our state. Vote "YES" on Proposition 3.

Alan Ormsby
AARP Utah State Director
1320 E. Milne Ln., Midvale, UT 84047

Representative Ray Ward
Utah State House of Representatives
954 E. Millbrook Way, Bountiful, UT 84010

Bishop Scott Hayashi
Episcopal Diocese of Utah
2649 E. Chalet Circle, Cottonwood Heights, UT 84043

REBUTTAL TO ARGUMENT IN FAVOR

The Utah Legislature already expanded Medicaid to close the coverage gap created by Obamacare. Those who currently have access to health insurance through that law will be able to keep it, while those who make too little to qualify will have access to Medicaid. This solution will be paid for with no sales tax increase and no additional state spending.

To say that those who earn a promotion or work to get ahead will have their healthcare taken away as a result of earning more money is simply not true. Medicaid always ends when the recipient makes a dollar above what is allowed. Proposition #3 does nothing to change that fact, nor would the federal government permit it.

The Governor's Office of Management and Budget (GOMB) also responded to claims made by the proponents of Proposition #3 by stating: "The Argument FOR Proposition #3 blatantly mischaracterizes GOMB's fiscal impact statement and willfully ignores express communication about the limited scope and use of the fiscal impact estimates. GOMB has not concluded that this initiative program is fiscally sound. To the contrary, GOMB explicitly warned in its fiscal estimate that Proposition #3 could be fiscally unsound in future years."

Proposition #3 is not fiscally responsible. It exposes Utah to great risk and uncertainty by taking away state flexibility to innovate and address the underlying problems at the heart of poverty.

Voters should not be swayed by false claims and misguided analysis, and should vote NO on Proposition #3.

Representative Robert Spendlove

ARGUMENT AGAINST

This Initiative is Bad Policy

Expanding Medicaid eligibility as originally envisioned by the Affordable Care Act (Obamacare), as this initiative does, is bad policy.

Medicaid was designed to help the most needy obtain healthcare, but this initiative incentivizes more spending on able-bodied adults than on the vulnerable. Similar expansions in other states have led to reductions in services for the disabled as state budgets have been squeezed by increases in funding for the expansion population. Many have also experienced budget shortfalls that could ultimately require even greater tax increases, or spending cuts to things like education, other programs for the needy, roads and public safety.

This initiative contains a tax increase on Utah families of \$90 million annually, amounting to nearly \$1 billion over 10 years. Before we raise taxes and spend more on working age, able-bodied adults, we should first clear out the waiting list of 2,900 disabled Utahns who currently don't have access to home and community-based care.

With this full Obamacare expansion, the state loses the ability to change or modify the program, as the federal government has complete control and will force compliance. We would have no ability to limit enrollment or implement cost controls to protect Utah taxpayers, who would be forced to pay an ever-growing bill.

Social, health and human services already represent the largest portion of our state budget. This initiative would leave taxpayers with a program on autopilot, a zombie program that would be financially devastating to our state. If federal

PROPOSITION NUMBER 3

officials do not approve all portions of the initiative, Utah will be forced to pay for it in its entirety, which is estimated to cost over \$700 million per year. The state would have no choice but to cut other essential services even further.

Utahns expect and deserve a responsible and compassionate solution to care for the most vulnerable among us. Greater access to healthcare for those in need has already been achieved through careful study and consideration. The state, through legislation, has extended Medicaid to the poor and needy in a responsible way that will help people move from poverty to self-reliance, with no new state money. It also allows us to make adjustments to coverage to keep the program from growing to an unsustainable level.

Those who suggest that opposing this initiative indicates a lack of compassion are simply wrong. Even those who support a broader social safety net should be wary of this deeply flawed, one-size-fits-all model.

We already have a responsible, compassionate Utah solution to care for our most vulnerable. This initiative goes too far.

Please join us as we respectfully vote “no thank you” to the federal government’s offer to create yet another new entitlement program by voting against Proposition 3.

Representatives:	Greene	McCay	Roberts	Wilde	Grover
Barlow	Hughes	McKell	Robertson	Wilson	Hemmert
Chew	Ivory	Jeff Moss	Schultz	Senators:	Henderson
Christofferson	Kennedy	Noel	Seegmiller	Adams	Stephenson
Coleman	Knotwell	Jeremy Peterson	Spendlove	Anderegg	
Daw	Lisonbee	Pulsipher	Thurston	Christensen	
Gibson	Maloy	Ray	Westwood	Fillmore	

Representative Robert Spendlove
350 North State Street
Salt Lake City, UT 84114

REBUTTAL TO ARGUMENT AGAINST

Proposition 3 protects hard-working families and returns taxpayer money to Utah, where it belongs.

Medicaid expansion will return taxpayer dollars back to our state every year to benefit Utahns and grow our economy. Proposition 3 will bring home nine federal dollars for every state dollar spent. If someone offered you nine dollars if you gave them one, that’s a deal most of us would take every single time.

Thirty-three states have already expanded Medicaid, resulting in substantial job benefits and economic growth compared to non-expansion states. Independent economists say that Proposition 3 will grow our economy by \$1.7 billion, creating nearly 14,000 jobs and providing workers and small business owners with nearly \$785 million in new income in the next three years. Not one of those 33 states have reversed its decision. Instead, states have determined that expansion has boosted their economies, improved health outcomes and increased healthcare access.

Proposition 3’s conservative approach protects taxpayer money and ensures that funds go directly where needed. The 10 percent state match needed to trigger federal funding for Medicaid expansion would come from a sales tax increase on non-food items, equivalent to about one cent on a movie ticket. Those funds will provide healthcare access to 150,000 Utahns, including parents and those with chronic illnesses.

Proposition 3 is a commonsense decision to return tax dollars to our state, grow our economy, protect small businesses, and provide life-saving healthcare to individuals earning less than \$17,000 annually.

Alan Ormsby
AARP Utah State Director

Representative Ray Ward
Utah State House of Representatives

FULL TEXT OF PROPOSITION NUMBER 3

Be it enacted by the people of the State of Utah:

Section 1. Title.

This act shall be known as the “Utah Decides Healthcare Act of 2018.”

PROPOSITION NUMBER 3

Section 2. Section **26-18-3.9** is enacted to read:

26-18-3.9. Protecting and expanding the Medicaid program and Utah Children's Health Insurance Program.

(1) Findings and purpose.

(a) Findings. The People of the State of Utah find that:

- (i) Adequate medical care is crucial to the health and welfare of the residents of Utah;
- (ii) It is essential that all Utahns have access to medical care, including preventive care, emergency services, and hospital care;
- (iii) Utah's Medicaid program and CHIP provide care to Utahns who are unable to afford private health insurance and are not eligible for other health insurance. Medicaid and CHIP are vital parts of the Utah health care system and it is essential that they continue to provide health care for the most vulnerable citizens of our state;
- (iv) However, over 250,000 Utahns remain uninsured and do not have adequate access to health care. Over 100,000 of the uninsured would be covered by Medicaid if the State of Utah were to expand eligibility to all individuals who are in the federal optional Medicaid expansion population, as defined as of January 1, 2017;
- (v) When people don't have access to care they are far more likely to develop chronic conditions, like diabetes or asthma, that often require expensive treatment for a patient's entire life, resulting in unnecessary suffering and driving up the cost of healthcare;
- (vi) When medical providers provide care for which patients are not insured, the cost of that care is passed on to others, thus increasing the cost of medical care for all Utah residents;
- (vii) It is critical to the survival of the Medicaid program that it remain adequately funded so that it can provide needed medical services to those who otherwise would not have access to care, and can compensate the providers who serve participants. The compensation to providers must be adequate to encourage providers to continue to treat patients on Medicaid; and
- (viii) From moral, health and fiscal perspectives, protecting and expanding the Medicaid program in Utah is essential to maintaining the quality of life in our state.

(b) Purpose. The purpose of this measure is to preserve and strengthen medical care in the State of Utah by the following:

- (i) Protecting Medicaid and CHIP so that they can continue to provide medical care to those who are currently eligible, and
- (ii) Expanding Medicaid eligibility to adults who are in the federal optional Medicaid expansion population, as defined as of January 1, 2017.

(2) Eligibility. As set forth in Subsections (2)(a) through (2)(d), eligibility criteria for the Medicaid program shall be maintained as they existed on January 1, 2017 and also expanded to cover additional low-income individuals.

- (a) The standards, methodologies, and procedures for determining eligibility for the Medicaid program and CHIP shall be no more restrictive than the eligibility standards, methodologies, and procedures, respectively, that were in effect on January 1, 2017.
- (b) Notwithstanding Sections 26-18-18 and 63J-5-204, beginning April 1, 2019, eligibility for the Medicaid program shall be expanded to include all persons in the optional Medicaid expansion population under the Patient Protection and Affordable Care Act, Pub. L. No. 111-148 and the Health Care Education Reconciliation Act of 2010, Pub. L. No. 111-152, and related federal regulations and guidance, as those statutory and regulatory provisions and guidance existed on January 1, 2017.
- (c) There shall be no caps on enrollment beyond those in place as of January 1, 2017.
- (d) The eligibility criteria in Subsection (2)(b) shall be construed to include all individuals eligible for the health coverage improvement program under Section 26-18-411.

(3) Care and Services. For each enrollment group or category in the Medicaid program and CHIP, the categories of care or services and the types of benefits provided in each category shall be no more restrictive than the categories of care or services and the types of benefits provided on January 1, 2017. Such services and benefits shall be provided in sufficient amount, duration, and scope to achieve their purposes.

(4) Out-of-Pocket Costs. Any premium, beneficiary enrollment fee, and cost sharing requirement applicable to care and services described in this section, including but not limited to co-pay, co-insurance, deductible, or out-of-pocket maximum, shall be no greater than those in effect on January 1, 2017.

(5) Provider payments.

- (a) Payments to providers under the Medicaid program and CHIP for covered care and services shall be made at a rate not less than 100% of the payment rate that applied to such care and services on January 1, 2017, and shall increase annually at a rate not less than the region's Consumer Price Index.

(b) Managed care.

- (i) If the department contracts with an accountable care organization or other organization to cover care and services under the Medicaid program or CHIP, a contract with that organization shall provide that the organization shall make payments to providers for items and services that are subject to the contract and that are furnished to individuals eligible for the Medicaid program or CHIP at a rate not less than 100% of the payment rate that at least one accountable care organization that contracted with the department paid for such care and services on January 1, 2017 (regardless of the manner in which such payments are made, including in the form of capitation or partial capitation), and that the minimum payment required by this provision will increase annually at a rate not less than the region's Consumer Price Index.
- (ii) Payments by the department to accountable care organizations or such other organizations shall be sufficient for the organizations to comply with the provider payment rate requirements of this section.

(c) This subsection (5) shall not apply to physician reimbursement for drugs or devices.

(6) Nothing in this section shall prevent the people acting through initiative, the Legislature by statute, or the department by promulgating rules from:

- (a) Expanding eligibility by adopting less restrictive eligibility standards, methodologies, or procedures than those permitted by Subsection (2);
- (b) Expanding covered care and services by adding to the list, amount, duration, or scope of covered care and services required by Subsection (3);
- (c) Reducing premiums, beneficiary enrollment fees, or cost sharing requirements below the maximum levels permitted by Subsection (4); or
- (d) Increasing provider payments above the minimum payments required by Subsection (5).

(7) For purposes of this section:

- (a) The "Medicaid program" means the Medicaid program defined by Section 26-18-2, including any waivers.
- (b) The "Utah Children's Health Insurance Program" or "CHIP" means the Utah Children's Health Insurance Program created in Chapter 40, Utah Children's Health Insurance Act.

(8) The department shall maximize federal financial participation in implementing this section, including by seeking to obtain any necessary federal approvals or waivers.

(9) This section and Section 26-18-3.1(4) shall not apply to CHIP in any year for which the State Children's Health Insurance Program, as described in Subchapter XXI, 42 U.S.C. Sec. 1397aa et seq., is not extended at the federal level.

(10) Notwithstanding Sections 17-43-201 and 17-43-301, a county does not have to provide matching funds to the state for the cost of providing Medicaid services to newly enrolled individuals who qualify for Medicaid coverage under Subsection (2)(b).

(11) Severability. If any provision of this section or its application to any person or circumstance is held invalid, the remainder of this section shall be given effect without the invalid provision or application, and to this end the provisions of this section are severable.

PROPOSITION NUMBER 3

Section 3. Section **26-18-3.1** is amended to read:

26-18-3.1. Medicaid expansion

- (1) The purpose of this section is to expand the coverage of the Medicaid program to persons who are in categories traditionally not served by that program.
- (2) Within appropriations from the Legislature, the department may amend the state plan for medical assistance to provide for eligibility for Medicaid:
 - (a) on or after July 1, 1994, for children 12 to 17 years old who live in households below the federal poverty income guideline; and
 - (b) on or after July 1, 1995, for persons who have incomes below the federal poverty income guideline and who are aged, blind, or have a disability.
- (3) (a) Within appropriations from the Legislature, on or after July 1, 1996, the Medicaid program may provide for eligibility for persons who have incomes below the federal poverty income guideline.
 - (b) In order to meet the provisions of this subsection, the department may seek approval for a demonstration project under 42 U.S.C. Section 1315 from the secretary of the United States Department of Health and Human Services. This demonstration project may also provide for the voluntary participation of private firms that:
 - (i) are newly established or marginally profitable;
 - (ii) do not provide health insurance to their employees;
 - (iii) employ predominantly low wage workers; and
 - (iv) are unable to obtain adequate and affordable health care insurance in the private market.
- (4) The Medicaid program shall provide for eligibility for persons as required by Section 26-18-3.9(2).
- (5) Subject to the requirements of Section 26-18-3.9(2) and (3), services [Services] available for persons described in this section shall include required Medicaid services and may include one or more optional Medicaid services if those services are funded by the Legislature. Subject to the requirements of Section 26-18-3.9(2), the [The] department may also require persons described in this section to meet an asset test.

Section 4. Section **59-12-103** is amended to read:

59-12-103. Sales and use tax base -- Rates -- Effective dates -- Use of sales and use tax revenues.

...

- (2) (a) Except as provided in Subsections (2)(b) through (e), a state tax and a local tax is imposed on a transaction described in Subsection (1) equal to the sum of:
 - (i) a state tax imposed on the transaction at a tax rate equal to the sum of:
 - (A) (I) through March 31, 2019, 4.70%; and
 - (II) beginning on April 1, 2019, 4.70% plus the rate specified in Subsection (14)(a); and
 - (B) (I) the tax rate the state imposes in accordance with Part 18, Additional State Sales and Use Tax Act, if the location of the transaction as determined under Sections 59-12-211 through 59-12-215 is in a county in which the state imposes the tax under Part 18, Additional State Sales and Use Tax Act; and
 - (II) the tax rate the state imposes in accordance with Part 20, Supplemental State Sales and Use Tax Act, if the location of the transaction as determined under Sections 59-12-211 through 59-12-215 is in a city, town, or the unincorporated area of a county in which the state imposes the tax under Part 20, Supplemental State Sales and Use Tax Act; and
 - (ii) a local tax equal to the sum of the tax rates a county, city, or town imposes on the transaction under this chapter other than this part.
- ...
- (7)
 - (a) Notwithstanding Subsection (3)(a), in addition to the amounts deposited in Subsection (6), and subject to Subsection (7)(b), for a fiscal year beginning on or after July 1, 2012, the Division of Finance shall deposit into the Transportation Investment Fund of 2005 created by Section 72-2-124:
 - (i) a portion of the taxes listed under Subsection (3)(a) in an amount equal to 8.3% of the revenues collected from the following taxes, which represents a portion of the approximately 17% of sales and use tax revenues generated annually by the sales and use tax on vehicles and vehicle-related products:
 - (A) the tax imposed by Subsection (2)(a)(i)(A) at a 4.7% rate;
 - (B) the tax imposed by Subsection (2)(b)(i);
 - (C) the tax imposed by Subsection (2)(c)(i); and
 - (D) the tax imposed by Subsection (2)(d)(i)(A)(I); plus
 - (ii) an amount equal to 30% of the growth in the amount of revenues collected in the current fiscal year from the sales and use taxes described in Subsections (7)(a)(i)(A) through (D) that exceeds the amount collected from the sales and use taxes described in Subsections (7)(a)(i)(A) through (D) in the 2010-11 fiscal year.

...

- (8)

...

 - (c)
 - (i) Notwithstanding Subsection (3)(a), in addition to the amounts deposited under Subsections (6) and (7), and subject to Subsection (8)(c)(ii), for a fiscal year beginning on or after July 1, 2018, the commission shall annually deposit into the Transportation Investment Fund of 2005 created by Section 72-2-124 a portion of the taxes listed under Subsection (3)(a) in an amount equal to 3.68% of the revenues collected from the following taxes:
 - (A) the tax imposed by Subsection (2)(a)(i)(A) at a 4.7% rate;
 - (B) the tax imposed by Subsection (2)(b)(i);
 - (C) the tax imposed by Subsection (2)(c)(i); and
 - (D) the tax imposed by Subsection (2)(d)(i)(A)(I).
 - (ii) For a fiscal year beginning on or after July 1, 2019, the commission shall annually reduce the deposit into the Transportation Investment Fund of 2005 under Subsection (8)(c)(i) by an amount that is equal to 35% of the amount of revenue generated in the current fiscal year by the portion of the tax imposed on motor and special fuel that is sold, used, or received for sale or use in this state that exceeds 29.4 cents per gallon.
- ...
- (13) Notwithstanding Subsections (4) through (12) and (14), an amount required to be expended or deposited in accordance with Subsections (4) through (12) and (14) may not include an amount the Division of Finance deposits in accordance with Section 59-12-103.2.

(14) (a) The rate specified in this subsection is 0.15%.

PROPOSITION NUMBER 3

(b) Notwithstanding Subsection (3)(a), the Division of Finance shall:

- (i) on or before September 30, 2019, transfer the amount of revenue generated by a 0.15% tax rate imposed beginning on April 1, 2019, and ending on June 30, 2019, on the transactions that are subject to the sales and use tax under Subsection (2)(a)(i)(A) as dedicated credits to the Division of Health Care Financing; and
- (ii) for a fiscal year beginning on or after fiscal year 2019-20, annually transfer the amount of revenue generated by a 0.15% tax rate on the transactions that are subject to the sales and use tax under Subsection (2)(a)(i)(A) as dedicated credits to the Division of Health Care Financing.

(c) The revenue described in Subsection (14)(b) that the Division of Finance transfers to the Division of Health Care Financing as dedicated credits shall be expended for the following uses:

- (i) implementation of the Medicaid expansion described in Sections 26-18-3.1(4) and 26-18-3.9(2)(b);
- (ii) if revenue remains after the use specified in Subsection (14)(c)(i), other measures required by Section 26-18-3.9; and
- (iii) if revenue remains after the uses specified in Subsections (14)(c)(i) and (ii), other measures described in Title 26, Chapter 18, Medical Assistance Act.

Section 5. Competing Measures and Conflicting Provisions.

It is the intent of the People that, notwithstanding Section 20A-7-211(3)(b) or any other provision of law, the 0.15 percent increase to the state sales tax in Section 4 be enacted notwithstanding any other increase or adjustment to such rate enacted by the Legislature or by any law submitted to the people by initiative petition that is approved by the voters at the same election. It is also the intent of the People that the enactment of the Utah Decides Healthcare Act of 2018 accomplish the purposes identified in Section 2 and that this act supersede any other provision of law that conflicts with this act. This section shall not be construed to alter the power given to the Legislature under Section 20A-7-212(3)(b).

Section 6. Coordinating the Utah Decides Healthcare Act of 2018 with the Teacher and Student Success Act.

If this act and the Teacher and Student Success Act, an initiative sponsored by Our Schools Now, are both approved by the voters at the same election, it is the intent of the People that the Office of Legislative Research and General Counsel prepare the amendments to Section 59-12-103 in this act and the Teacher and Student Success Act for publication in the Utah Code by amending Subsections 59-12-103(2)(a), (7)(a), (8)(c), and (13) and adding Subsections 59-12-103(14) and (15) to read:

(2) (a) Except as provided in Subsections (2)(b) through (e), a state tax and a local tax is imposed on a transaction described in Subsection (1) equal to the sum of:

- (i) a state tax imposed on the transaction at a tax rate equal to the sum of:
 - (A)(I) through March 31, 2019, 4.70%; and
 - (II) beginning on April 1, 2019, 5.15% plus the rate specified in Subsection (15)(a); and
- (B)(I) the tax rate the state imposes in accordance with Part 18, Additional State Sales and Use Tax Act, if the location of the transaction as determined under Sections 59-12-211 through 59-12-215 is in a county in which the state imposes the tax under Part 18, Additional State Sales and Use Tax Act; and
- (II) the tax rate the state imposes in accordance with Part 20, Supplemental State Sales and Use Tax Act, if the location of the transaction as determined under Sections 59-12-211 through 59-12-215 is in a city, town, or the unincorporated area of a county in which the state imposes the tax under Part 20, Supplemental State Sales and Use Tax Act; and
- (ii) a local tax equal to the sum of the tax rates a county, city, or town imposes on the transaction under this chapter other than this part.

...

(7)

(a) Notwithstanding Subsection (3)(a), in addition to the amounts deposited in Subsection (6), and subject to Subsection (7)(b), for a fiscal year beginning on or after July 1, 2012, the Division of Finance shall deposit into the Transportation Investment Fund of 2005 created by Section 72-2-124:

- (i) a portion of the taxes listed under Subsection (3)(a) in an amount equal to 8.3% of the revenues collected from the following taxes, which represents a portion of the approximately 17% of sales and use tax revenues generated annually by the sales and use tax on vehicles and vehicle-related products:
 - (A) the tax imposed by Subsection (2)(a)(i)(A) at a 4.7% rate;
 - (B) the tax imposed by Subsection (2)(b)(i);
 - (C) the tax imposed by Subsection (2)(c)(i); and
 - (D) the tax imposed by Subsection (2)(d)(i)(A)(I); plus
- (ii) an amount equal to 30% of the growth in the amount of revenues collected in the current fiscal year from the sales and use taxes described in Subsections (7)(a)(i)(A) through (D) that exceeds the amount collected from the sales and use taxes described in Subsections (7)(a)(i)(A) through (D) in the 2010-11 fiscal year.

...

(8)

...

- (c)
 - (i) Notwithstanding Subsection (3)(a), in addition to the amounts deposited under Subsections (6) and (7), and subject to Subsection (8)(c)(ii), for a fiscal year beginning on or after July 1, 2018, the commission shall annually deposit into the Transportation Investment Fund of 2005 created by Section 72-2-124 a portion of the taxes listed under Subsection (3)(a) in an amount equal to 3.68% of the revenues collected from the following taxes:
 - (A) the tax imposed by Subsection (2)(a)(i)(A) at a 4.7% rate;
 - (B) the tax imposed by Subsection (2)(b)(i);
 - (C) the tax imposed by Subsection (2)(c)(i); and
 - (D) the tax imposed by Subsection (2)(d)(i)(A)(I).
 - (ii) For a fiscal year beginning on or after July 1, 2019, the commission shall annually reduce the deposit into the Transportation Investment Fund of 2005 under Subsection (8)(c)(i) by an amount that is equal to 35% of the amount of revenue generated in the current fiscal year by the portion of the tax imposed on motor and special fuel that is sold, used, or received for sale or use in this state that exceeds 29.4 cents per gallon.

...

(13) Notwithstanding Subsections (4) through (12) and (14) and (15), an amount required to be expended or deposited in accordance with Subsections (4) through (12) and (14) and (15) may not include an amount the Division of Finance deposits in accordance with Section 59-12-103.2.

(14) Notwithstanding Subsection (3)(a), for a fiscal year beginning on or after July 1, 2019, the Division of Finance shall deposit into the Income and Sales Tax Growth Account created in Section 63J-1-316 the amount of tax collected from a .45% tax rate on the transactions described in Subsection (1) that are subject to the state sales and use tax under Section 59-12-103(2)(a)(i)(A).

PROPOSITION NUMBER 3

(15)(a) The rate specified in this subsection is 0.15%.

(b) Notwithstanding Subsection (3)(a), the Division of Finance shall:

- (i) on or before September 30, 2019, transfer the amount of revenue generated by a 0.15% tax rate imposed beginning on April 1, 2019, and ending on June 30, 2019, on the transactions that are subject to the sales and use tax under Subsection (2)(a)(i)(A) as dedicated credits to the Division of Health Care Financing; and
- (ii) for a fiscal year beginning on or after fiscal year 2019-20, annually transfer the amount of revenue generated by a 0.15% tax rate on the transactions that are subject to the sales and use tax under Subsection (2)(a)(i)(A) as dedicated credits to the Division of Health Care Financing.

(c) The revenue described in Subsection (15)(b) that the Division of Finance transfers to the Division of Health Care Financing as dedicated credits shall be expended for the following uses:

- (i) implementation of the Medicaid expansion described in Sections 26-18-3.1(4) and 26-18-3.9(2)(b);
- (ii) if revenue remains after the use specified in Subsection (15)(c)(i), other measures required by Section 26-18-3.9; and
- (iii) if revenue remains after the uses specified in Subsections (15)(c)(i) and (ii), other measures described in Title 26, Chapter 18, Medical Assistance Act.

Section 7. **Severability.**

It is the intent of the People that the provisions of this act are severable and that if any provision of this act or the application thereof to any person or circumstance is held invalid, the remainder of this act shall be given effect without the invalid provision or application.

FISCAL IMPACT ESTIMATE

The Governor's Office of Management and Budget estimates that this proposed initiative would, in fiscal year 2021 (upon full phase-in of the federal Affordable Care Act):

- Result in new state fiscal expenses of about \$77,000,000 for Medicaid services
- Increase state sales taxes by about \$90,000,000 by increasing the state sales tax rate by 0.15%, from 4.70% to 4.85% (a 3.2% increase from the current tax rate).

Beyond FY 2021, costs could outpace new revenue depending on actual cost and revenue trajectories. Estimates could vary with changes in federal law, federal funding, taxpayer behavior and Medicaid recipient behavior, among other factors.

In addition, the cost of posting information regarding the proposed initiative in Utah's statewide newspapers and for printing additional pages in the voter information pamphlet is estimated at \$30,000 in one-time funds.

This initiative seeks to increase the current state sales tax rate by 0.15%, resulting in a 3.191% increase in the current tax rate.
