

# After the Stimulus, What Next?

“Between stimulus and response there is a space. In that space is our power to choose our response. In our response lies our growth and our freedom.” -Viktor E. Frankl



# After the Stimulus, What Next?



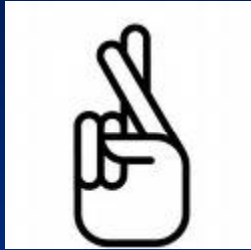
The challenge is determining the correct balance between reducing programs and services for the public or getting more money from the taxpayer .

# Choices and Results

- Use one-time revenue
- Reduce spending
- Increase ongoing revenue
- Lessons learned both present and future



# Option: Use One-Time Revenue Now



And Hope for Better Later  
(Accept a Structural Imbalance)

- Rainy day funds
- Restricted account balances
- Appropriation carry-forward balances
- One-time speed-up of revenue collections
- Bonds for public works projects (free up cash)

# Option: Reduce Spending

- For FY 2010 Utah projected ongoing revenue decreases and made ongoing budget cuts
- Then used 1-time ARRA money to partially fill the holes for one year
- Put agencies on notice that they had one year to prepare for “the cliff”



# Option: Increase Ongoing Revenue

- Reverse previous tax cuts
  - Sales tax on food (4.7% to 1.75%)
  - Flattened income tax (5%)
- Increase taxes and fees
  - General sales tax
  - Income tax
  - Cigarette/tobacco tax
  - Fuel tax
  - Other



# Lessons for the Present

- Reduce expectations – few economists predict a quick turnaround
- Always cut more than you need to (you can always add-back)
- Backfill as one-time funds are available while reminding all of future reductions
- If possible, phase in budget reductions over six months or a year



# Lessons for the Present

- Use future cuts to refocus the debate forward
- Don't revisit past cuts
- Give flexibility to agencies to move funds around as needed
- Always focus on the future





# Lessons for the Future

During better years, prepare for the next downward cycle...which WILL come:

- Pay cash for buildings and highways
- Deposit money in rainy day funds
- Limit growth by a formula placed in statute
- Put new revenue in easily reduced programs
- Set aside money in other funds (education growth, disaster recovery)
- In record years implement tax cuts with delayed effective date

# Remember

The greater the current growth, especially record revenues, the more likely an impending downturn – plan accordingly

