



UTAH STATE

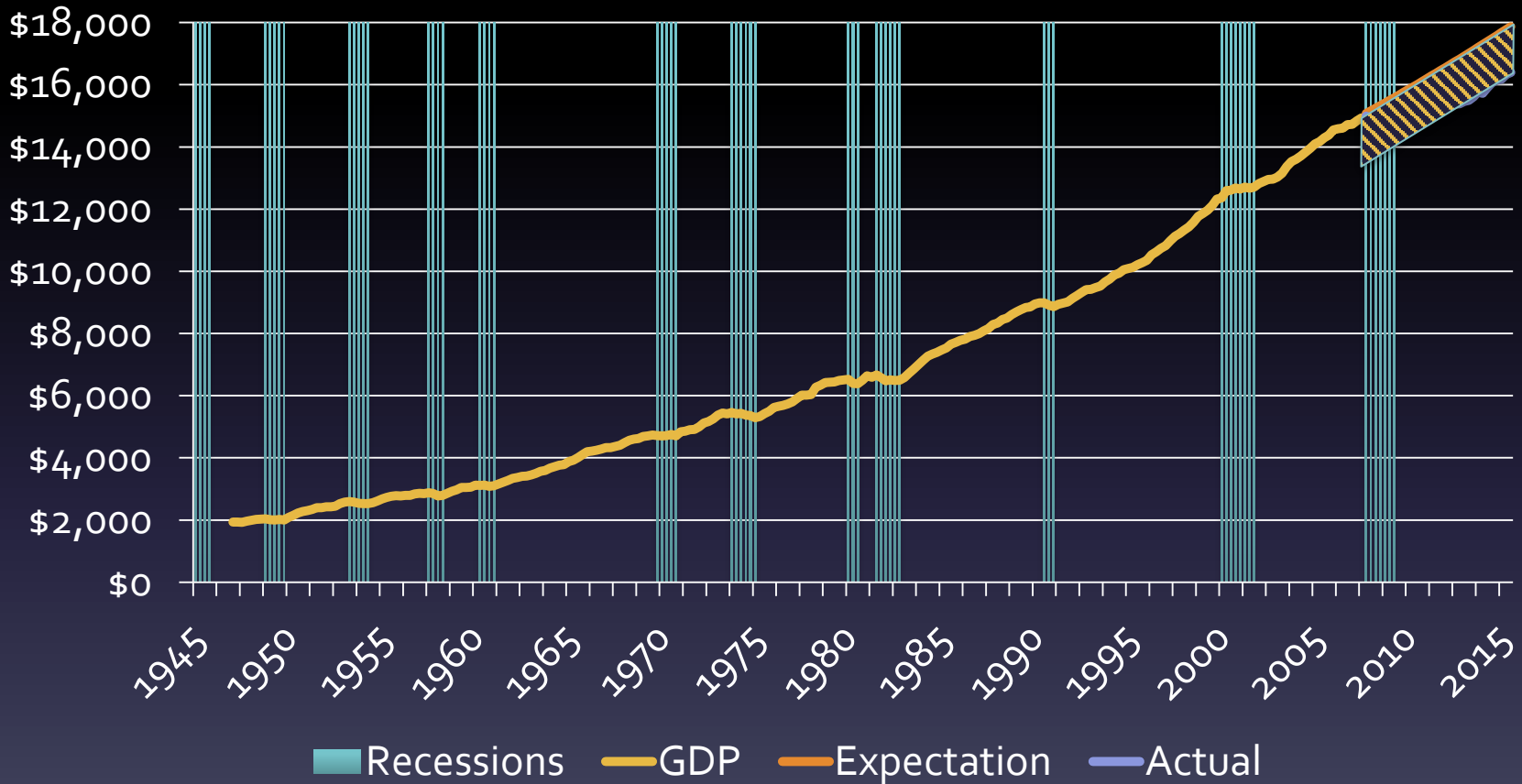
LEGISLATURE

Stress Testing the Utah State Budget

Western States Fiscal Leaders Seminar

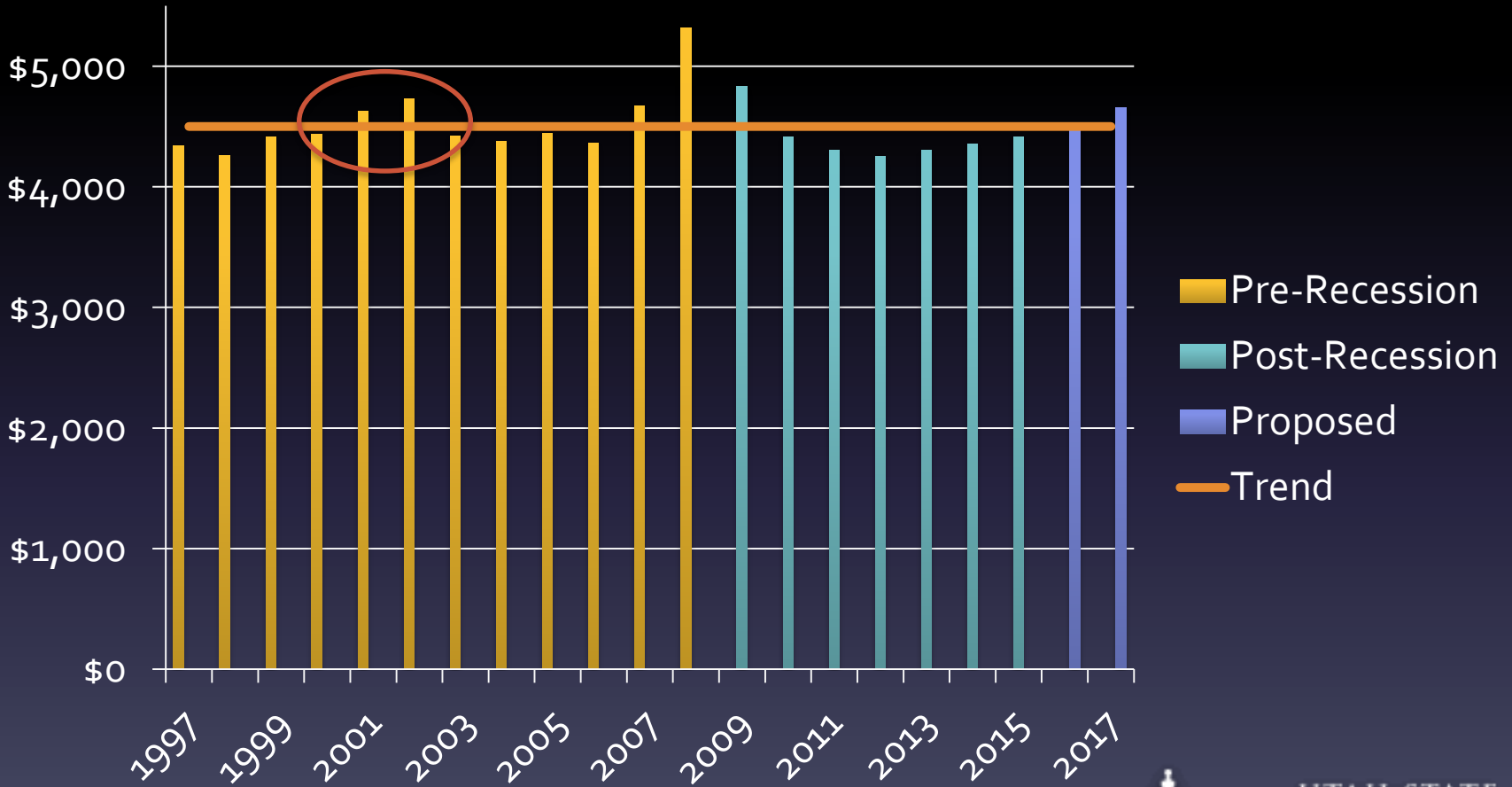
June, 2018

U.S. GDP (\$b) & Recessions



Expectations...

Real Per-pupil State Appropriations



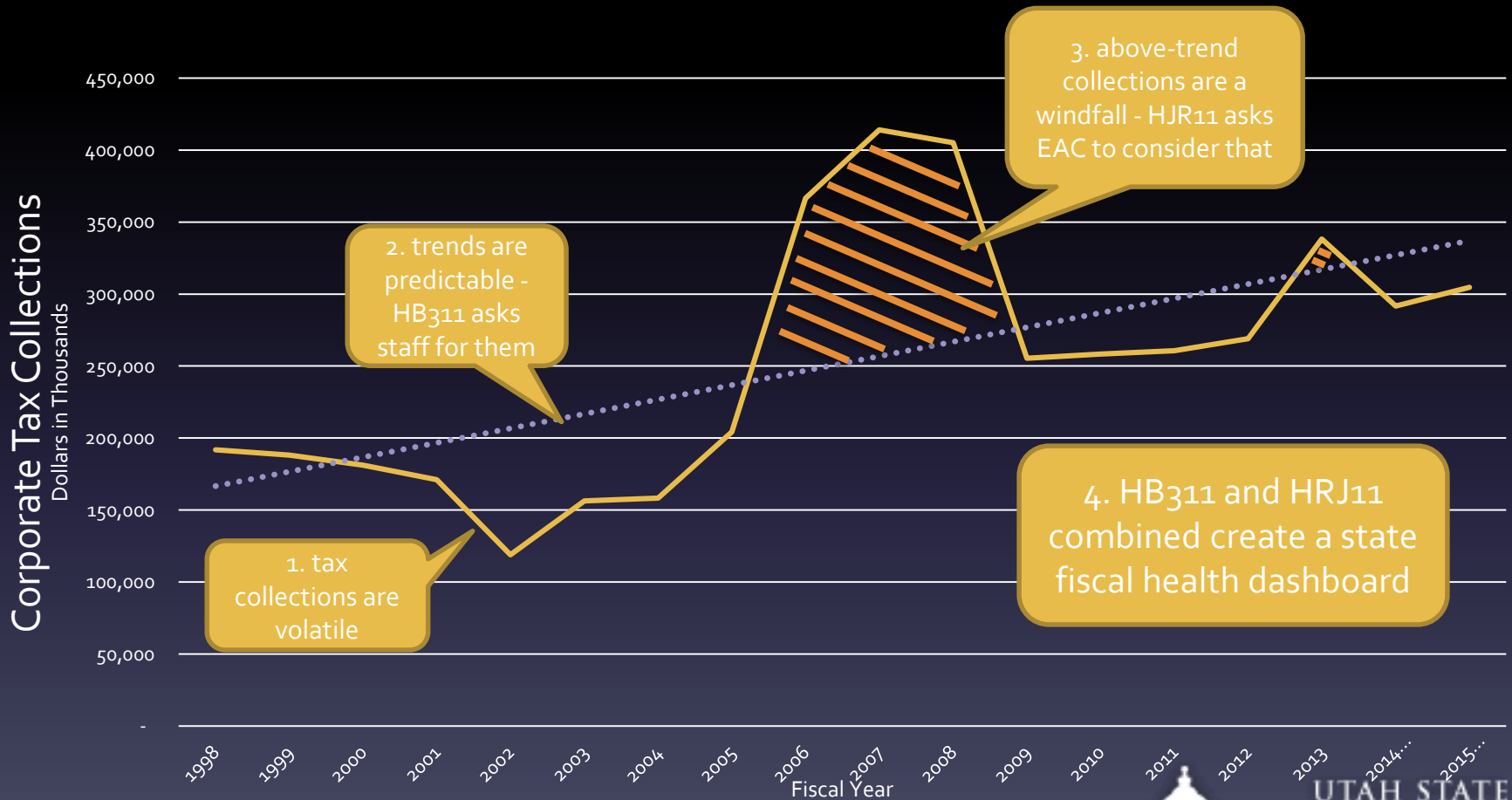
Why?

1. Manage the business cycle
2. Set sustainable expectations and meet them
3. Avoid crisis-driven policy decisions



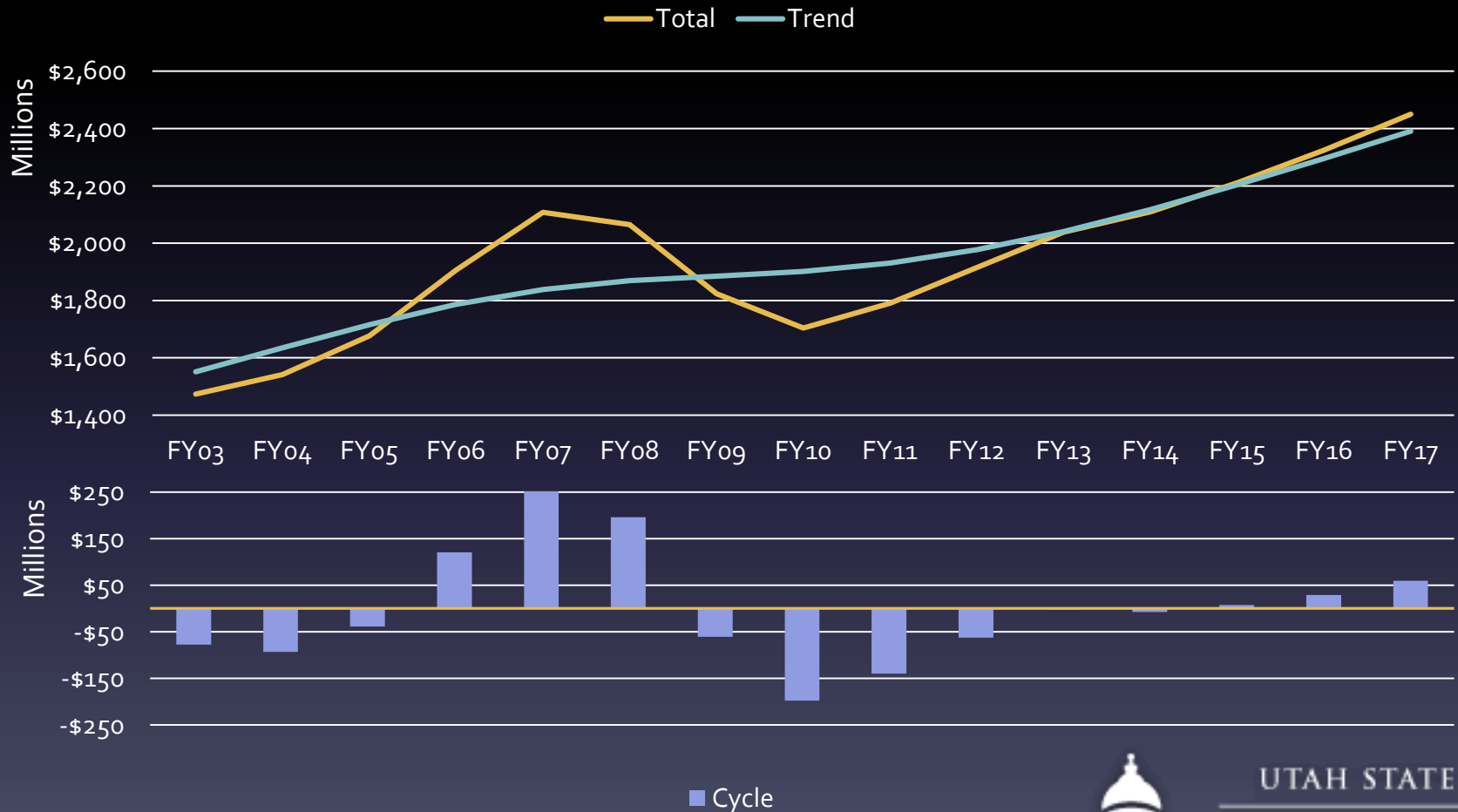
"Trend" Revenue

(HB 311 and HJR 11, 2014 GS)



Trend and Cycle

Sales Tax Collections



What

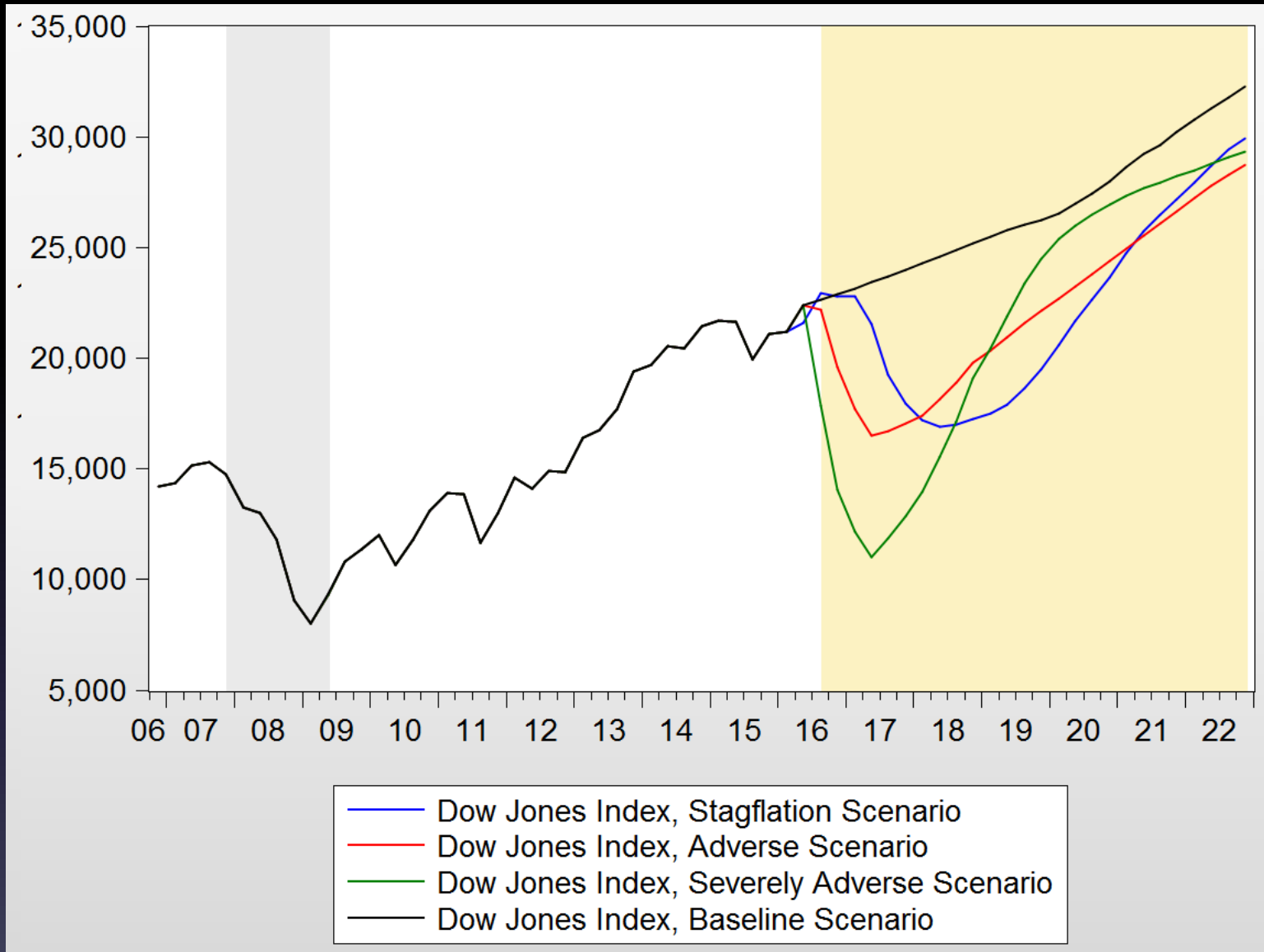
- Model impact of alternative scenarios
 - Use “free” DFAST scenarios from Fed
 - Purchase more detailed scenarios
- Test both Revenue and Spending Sides
 - Medicaid, Higher Ed, SNAP, Retirement, etc.
- Compare to Contingencies



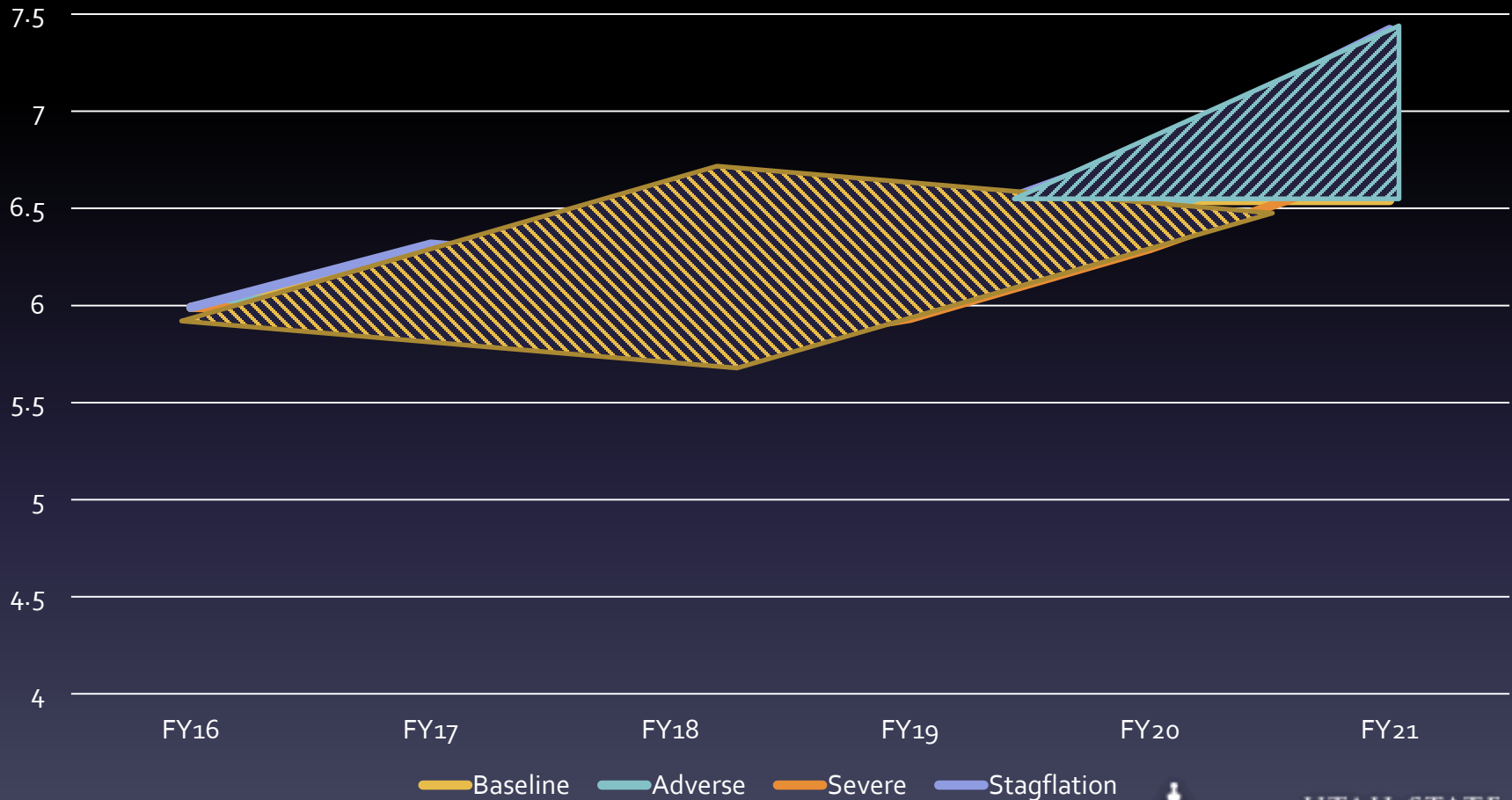
How?

Revenues





Revenue-side Risk (\$b)

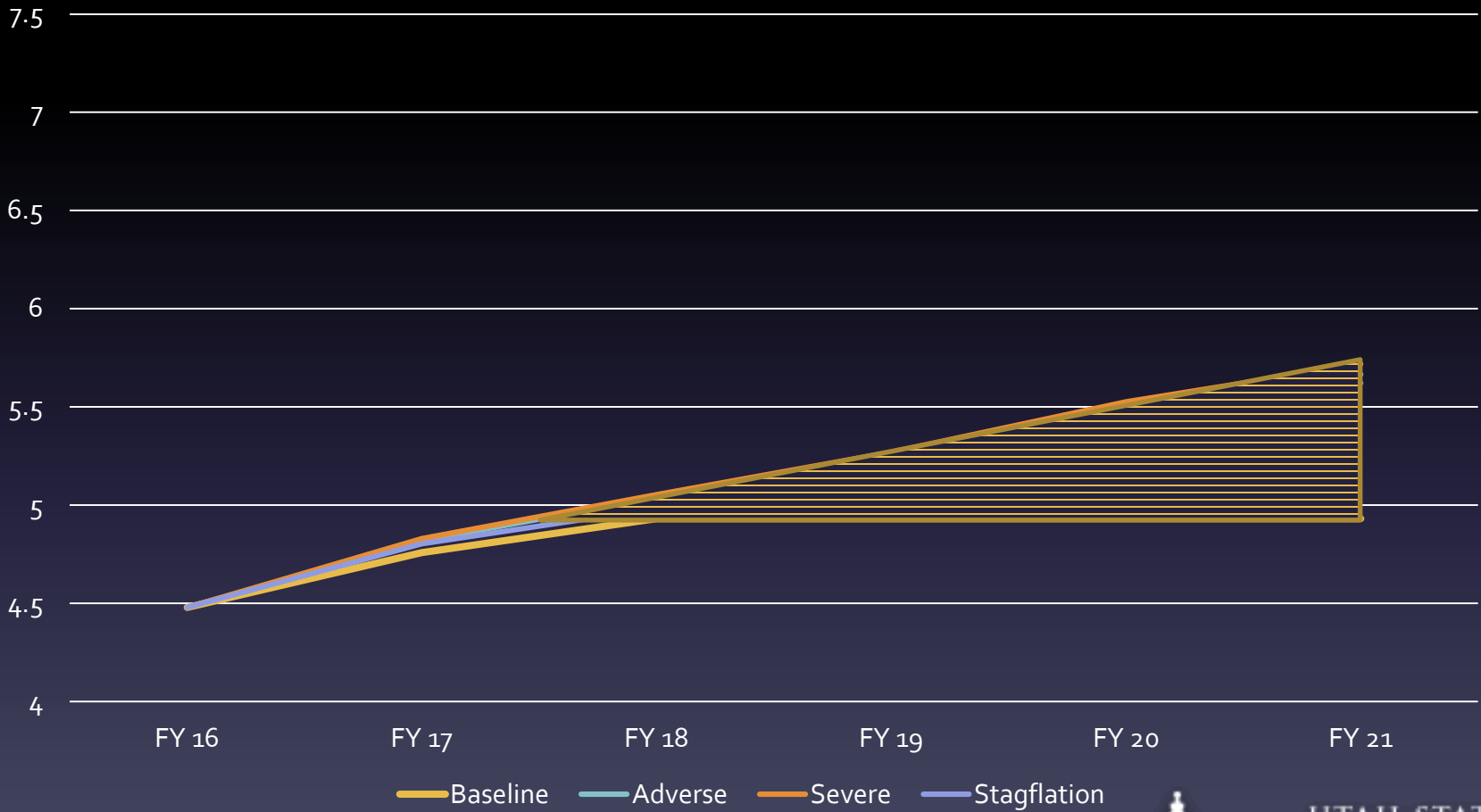


How?

Expenditures

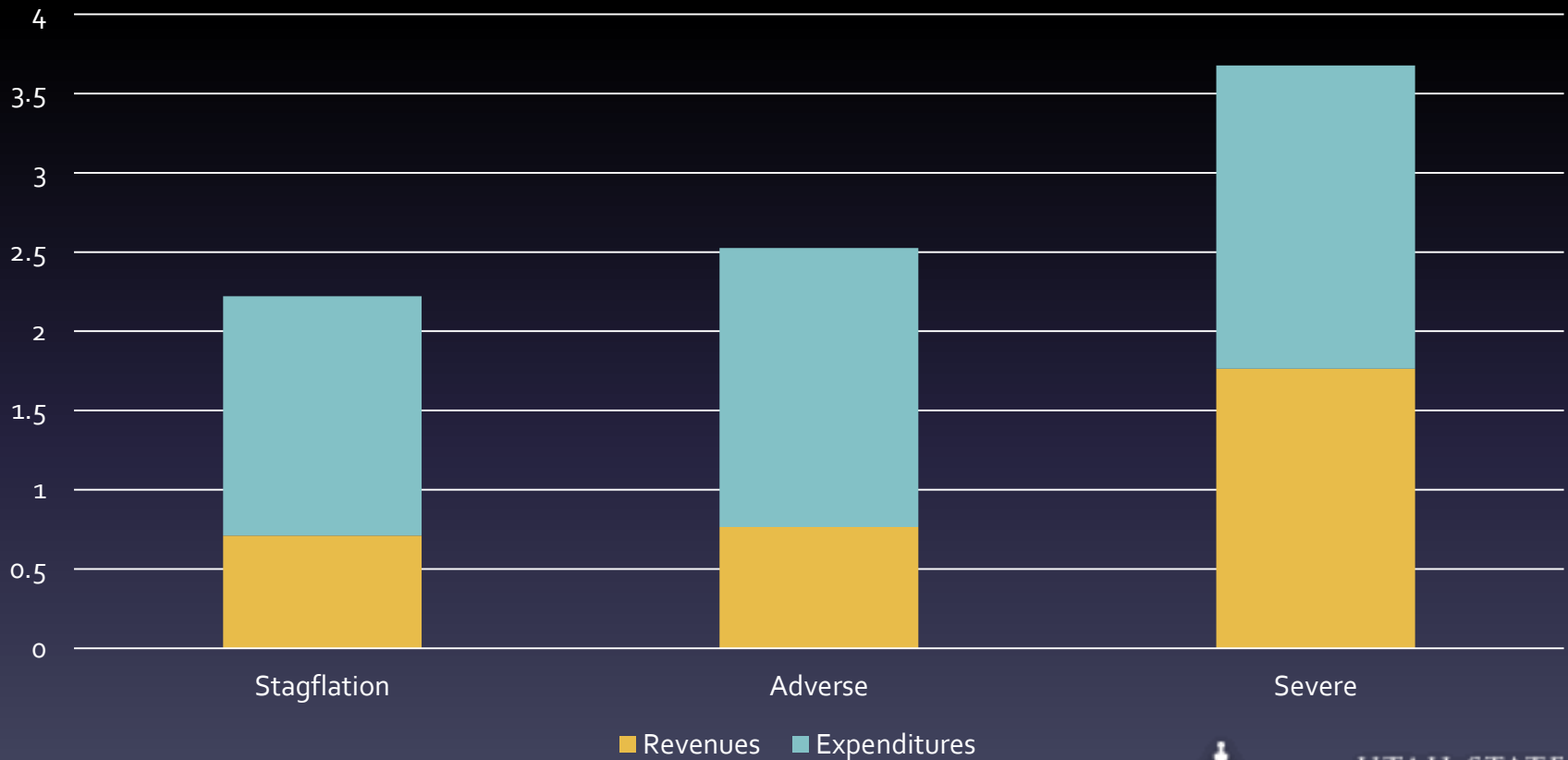


Spending-side Risk (\$b)

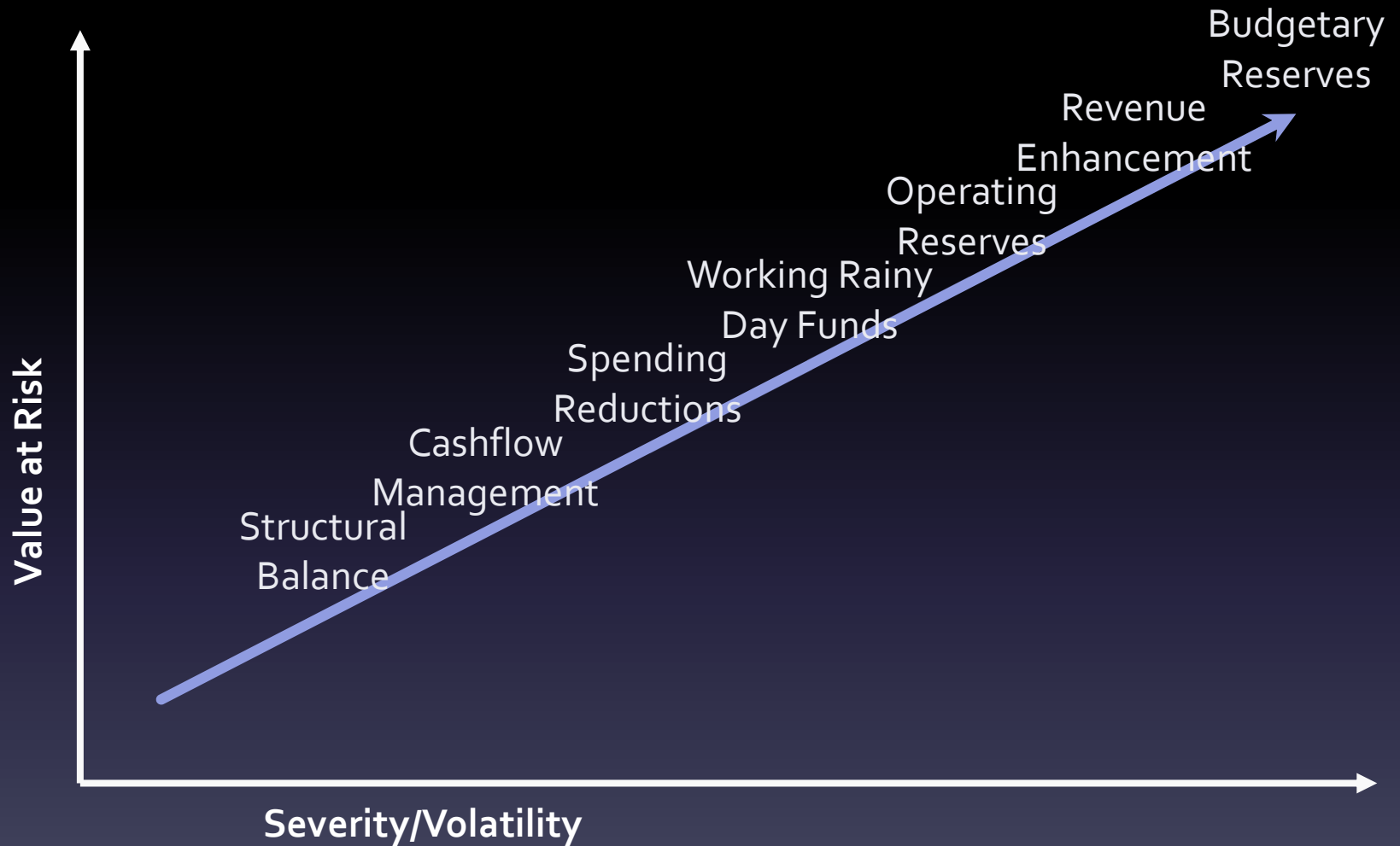


Total Value at Risk

(\$b over 5 yrs)



It takes a tool kit.



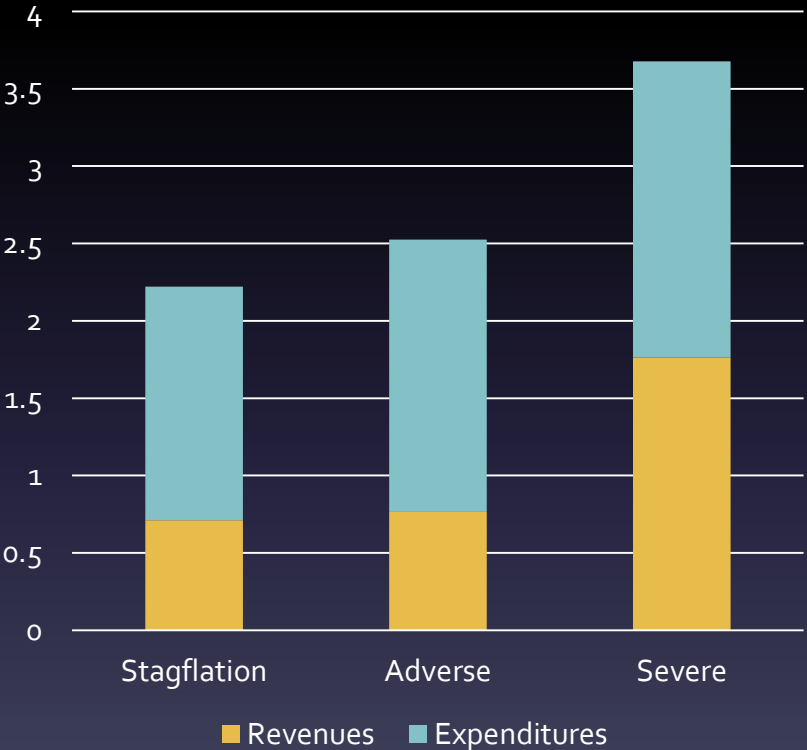
Inventory of Buffers

- **Easily Accessible:** Unappropriated balances, operating reserves, buildings working rainy day fund
- **Moderately Accessible:** Nonlapsing balances, roads working rainy day fund, capital improvements relief valve
- **Somewhat Difficult to Access:** Capital improvements corpus, restricted fund balances
- **Difficult to Access:** Formal rainy day funds
- **Very Difficult to Access:** Permanent trust funds

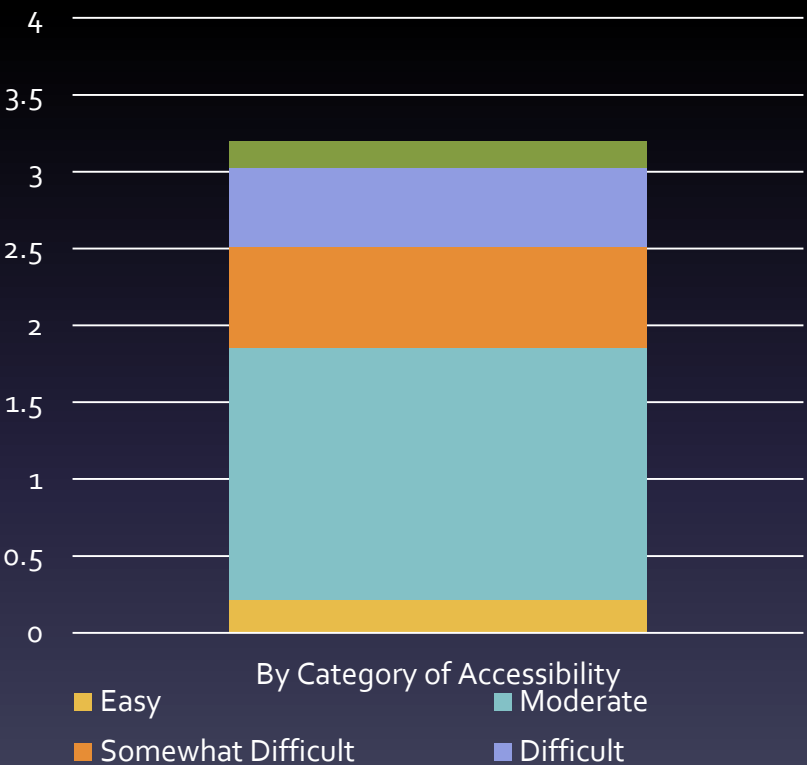


Risk vs. Buffers

Value at Risk (\$b over 5 yrs)



Reserves/Offsets (\$b)



Cuts and Taxes

Session	FY	Budget Cuts	Revenue Increases	Revenue Multiplied	Shortfall	Cut % Shortfall	Rev % Shortfall	GF/EF Budget	Cut % Budget	Rev % Budget
2008S2	2009	\$161			\$354	45.5%	0.0%	\$5,574	2.9%	0.0%
2008S2	2010	\$251			\$272	92.3%	0.0%	\$5,413	4.6%	0.0%
2009	2009	\$116	\$2	\$6	\$521	22.3%	1.2%	\$5,413	2.1%	0.1%
2009	2010	\$317	\$59	\$177	\$685	46.3%	25.8%	\$5,162	6.1%	3.4%
2010	2010	\$70			\$208	33.7%	0.0%	\$4,845	1.4%	0.0%
2010	2011	\$75	\$43	\$43	\$482	15.6%	8.9%	\$4,770	1.6%	0.9%
		\$990	\$104	\$226	\$2,522	39.3%	9.0%	\$31,177	3.2%	0.7%

- 1% of baseline revenue used in scenarios = \$324 m



Conclusions

- 5 year risk between \$2.3 b and \$3.7 b
- Informal buffers = \$2.5 b
- Formal buffers = \$0.5 b
- Cuts/Revenue ~ \$0.3 b - \$1.3 b
- Could withstand Stagflation and Adverse, but not severe

