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LEGISLATURE

Stress Testing the Utah State Budget

Vermont Legislature

January 17, 2018

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Why?

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

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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

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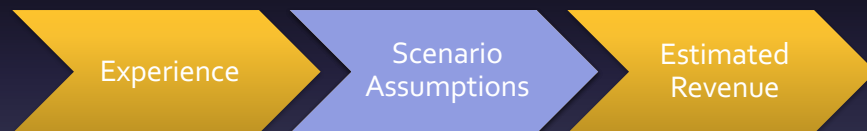
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How?

Revenues

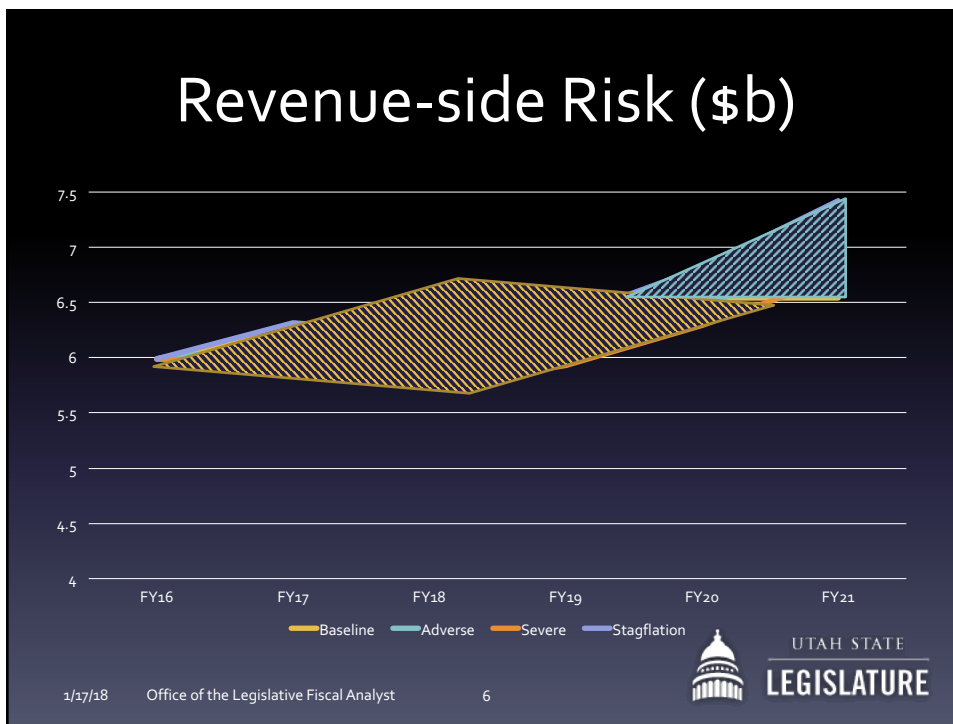
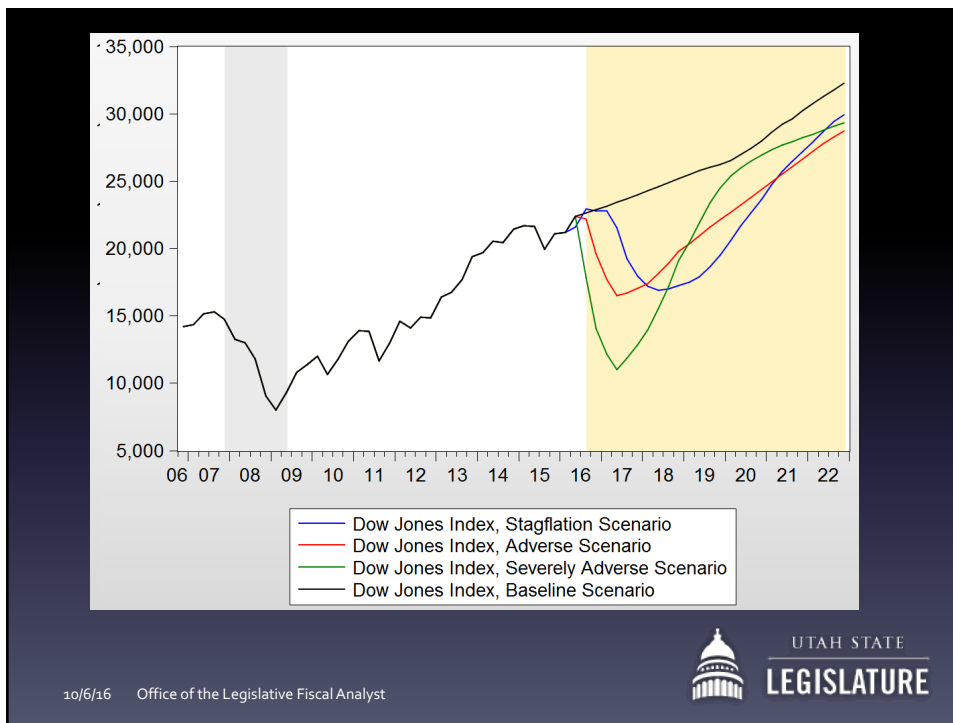


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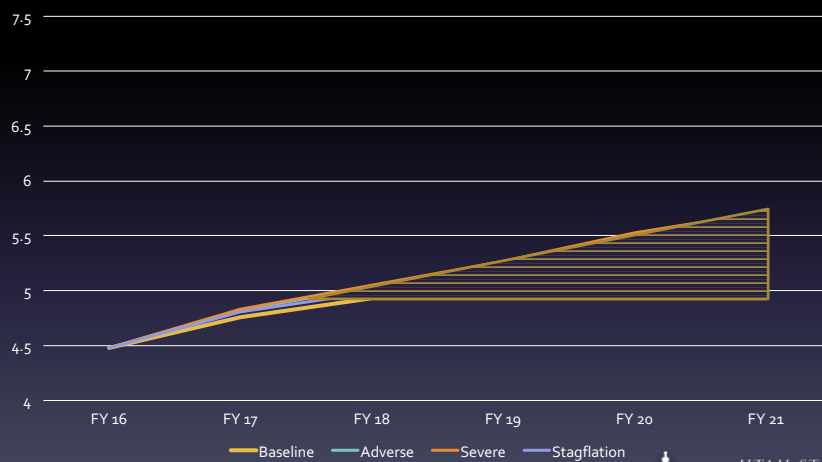
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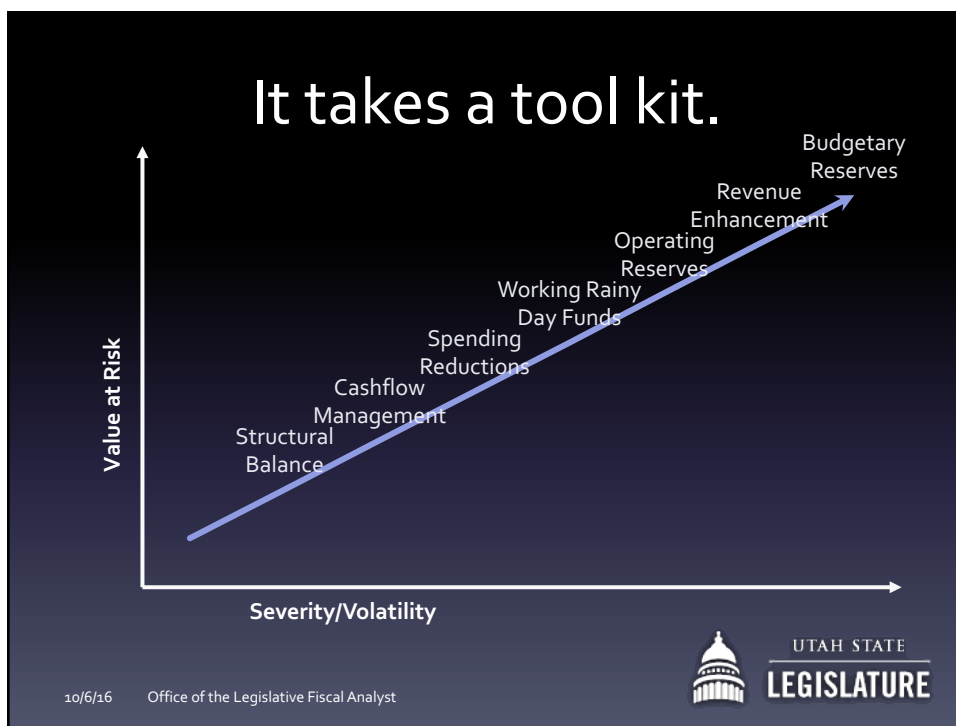
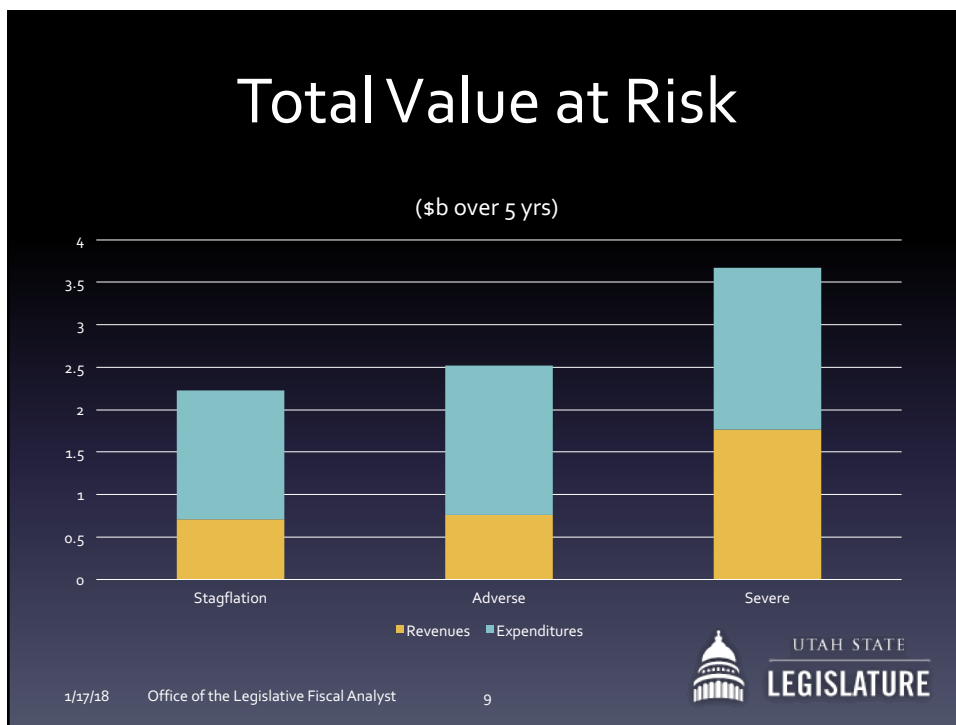


How? Expenditures



Spending-side Risk (\$b)





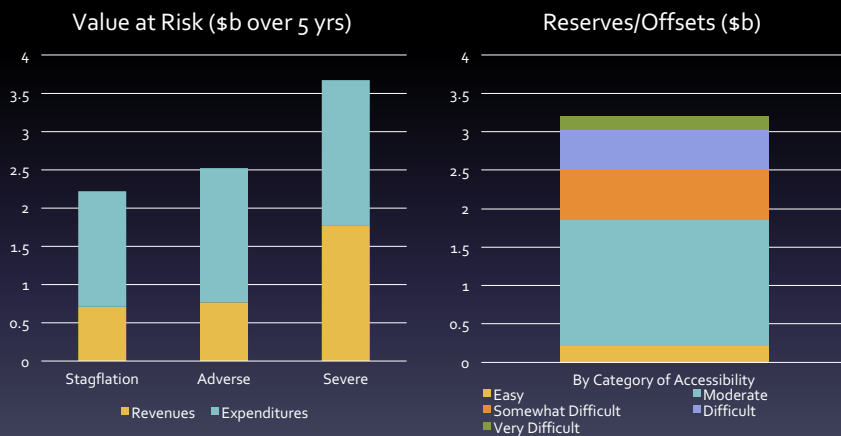
Inventory of Buffers

- **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

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Risk vs. Buffers



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Cuts and Taxes

| Session | FY | Budget | Revenue | Revenue | Shortfall | Cut % | Rev % | GF/EF | Cut % | Rev |
|---------|------|--------|-----------|------------|-----------|-----------|-----------|----------|--------|--------|
| | | Cuts | Increases | Multiplied | | Shortfall | Shortfall | | Budget | 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

