



UTAH STATE

LEGISLATURE

Stress Testing the Utah State Budget

Fiscal Leaders' Seminar

November 17, 2017

Why?

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



What

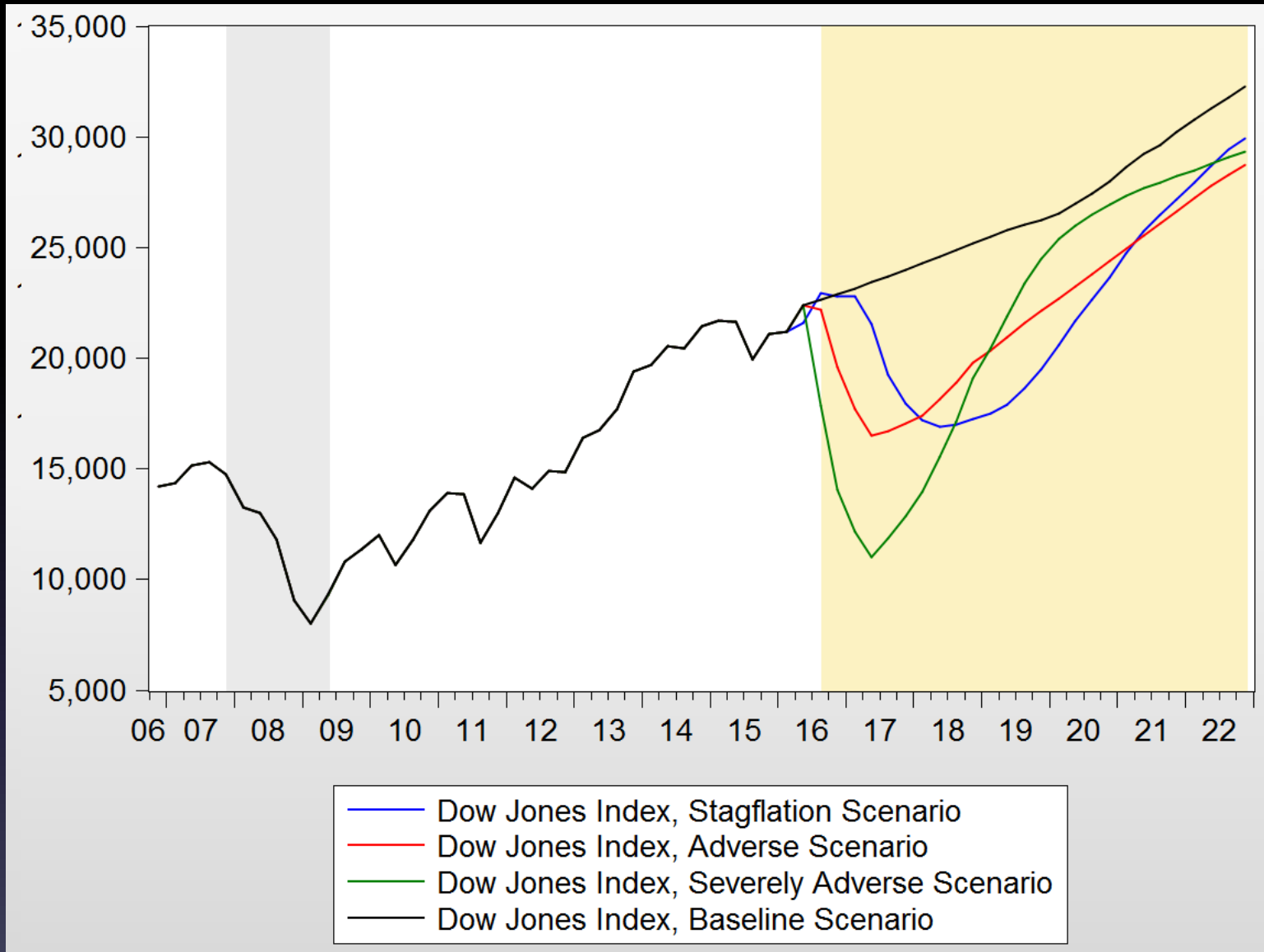
- Model impact of alternative scenarios
 - Use “free” DFAST scenarios from Fed
 - Purchase more detailed scenarios
- Test both Revenue and Spending Sides
 - Medicaid, Higher Ed, SNAP, Retirement, etc.
- Compare to Contingencies



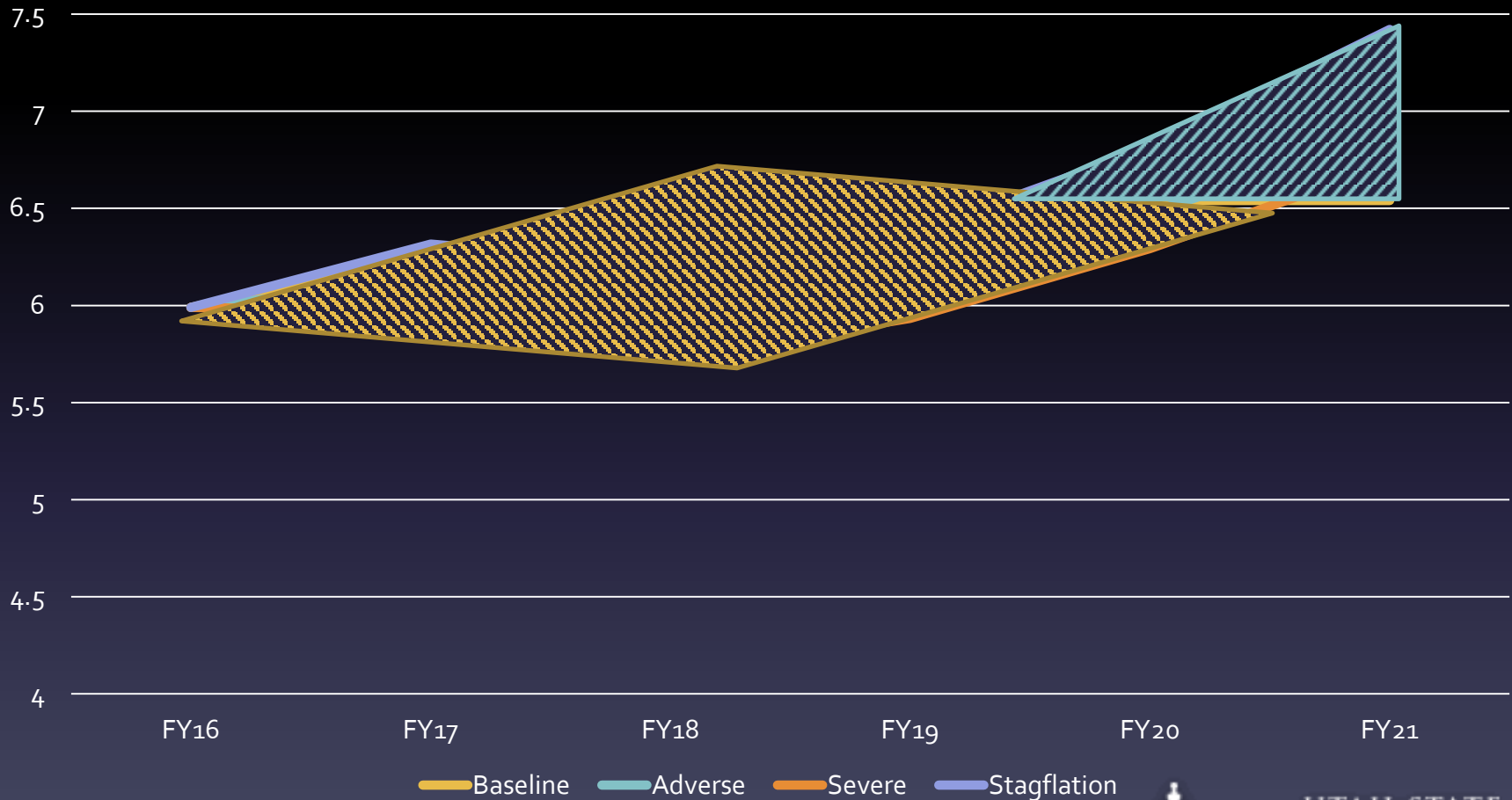
How?

Revenues





Revenue-side Risk (\$b)

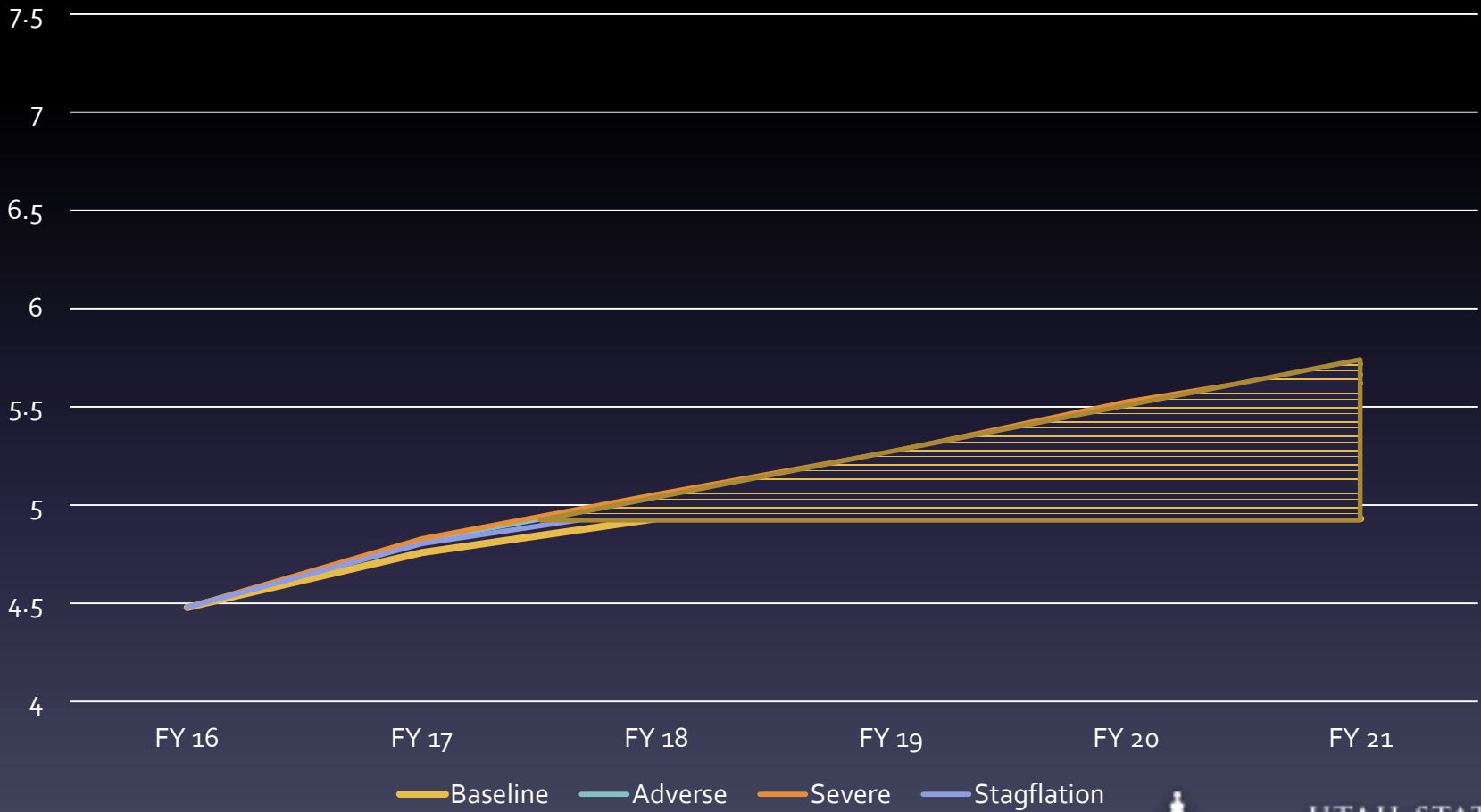


How?

Expenditures

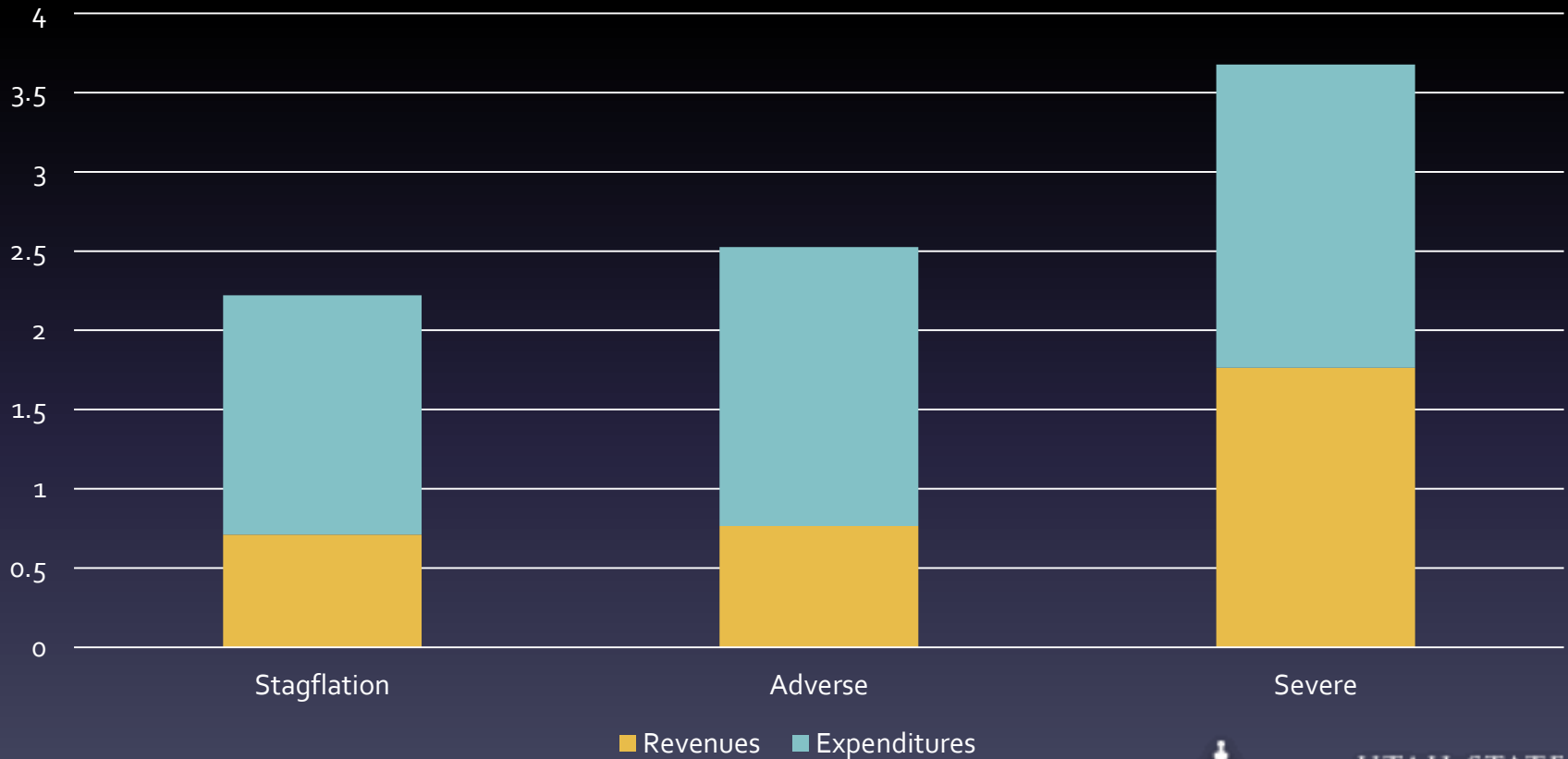


Spending-side Risk (\$b)

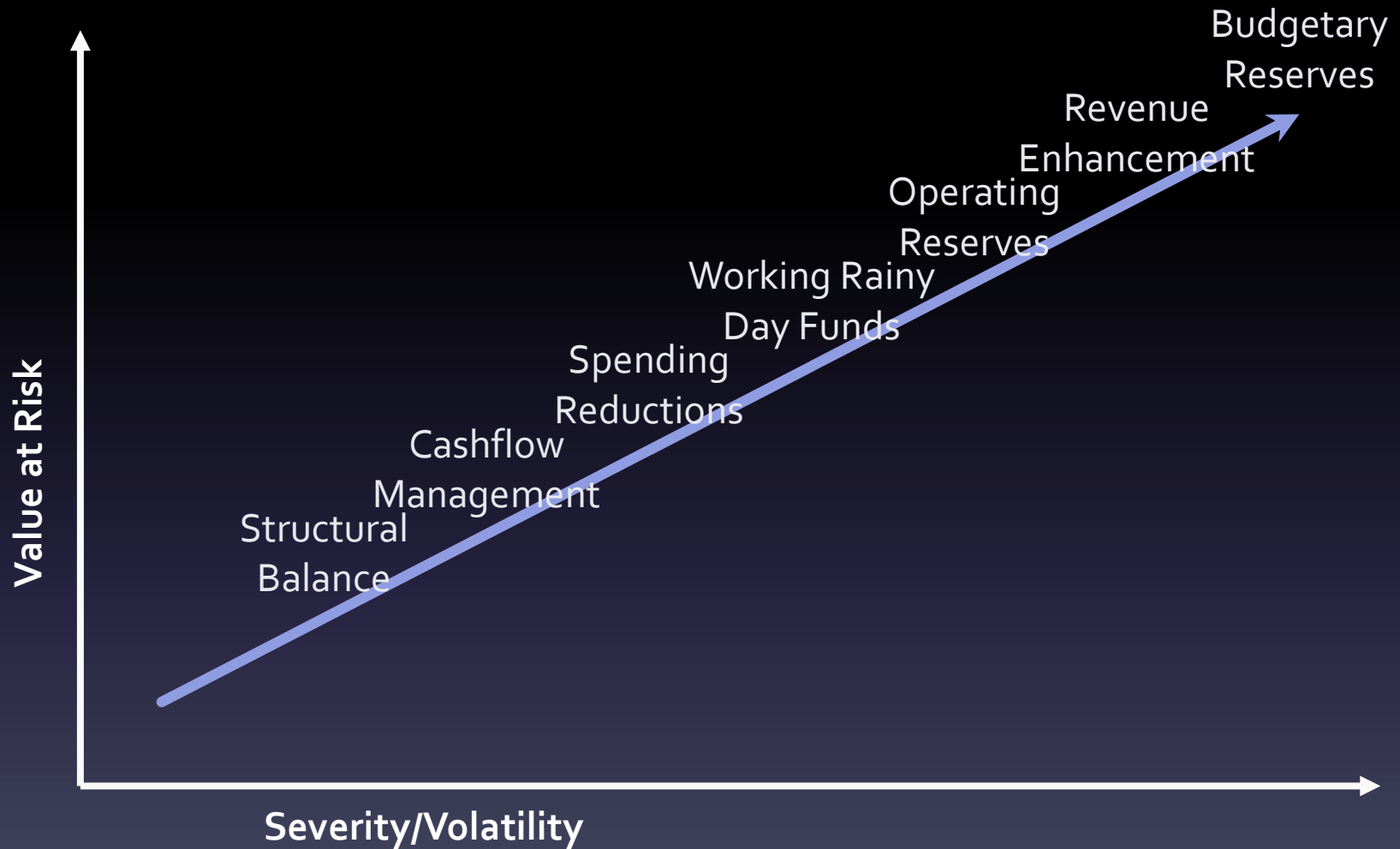


Total Value at Risk

(\$b over 5 yrs)



It takes a tool kit.



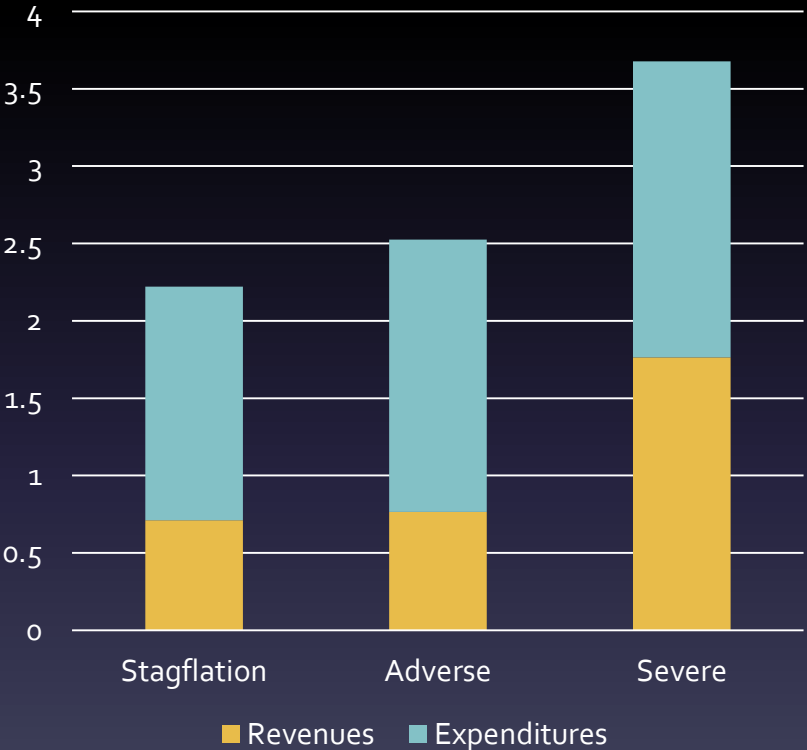
Inventory of Buffers

- **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

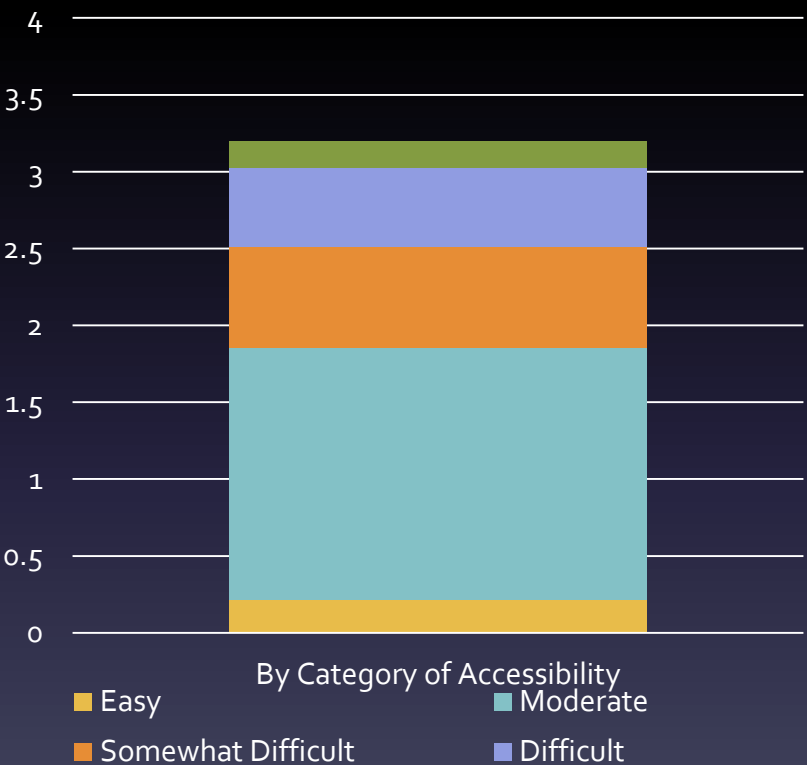


Risk vs. Buffers

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

