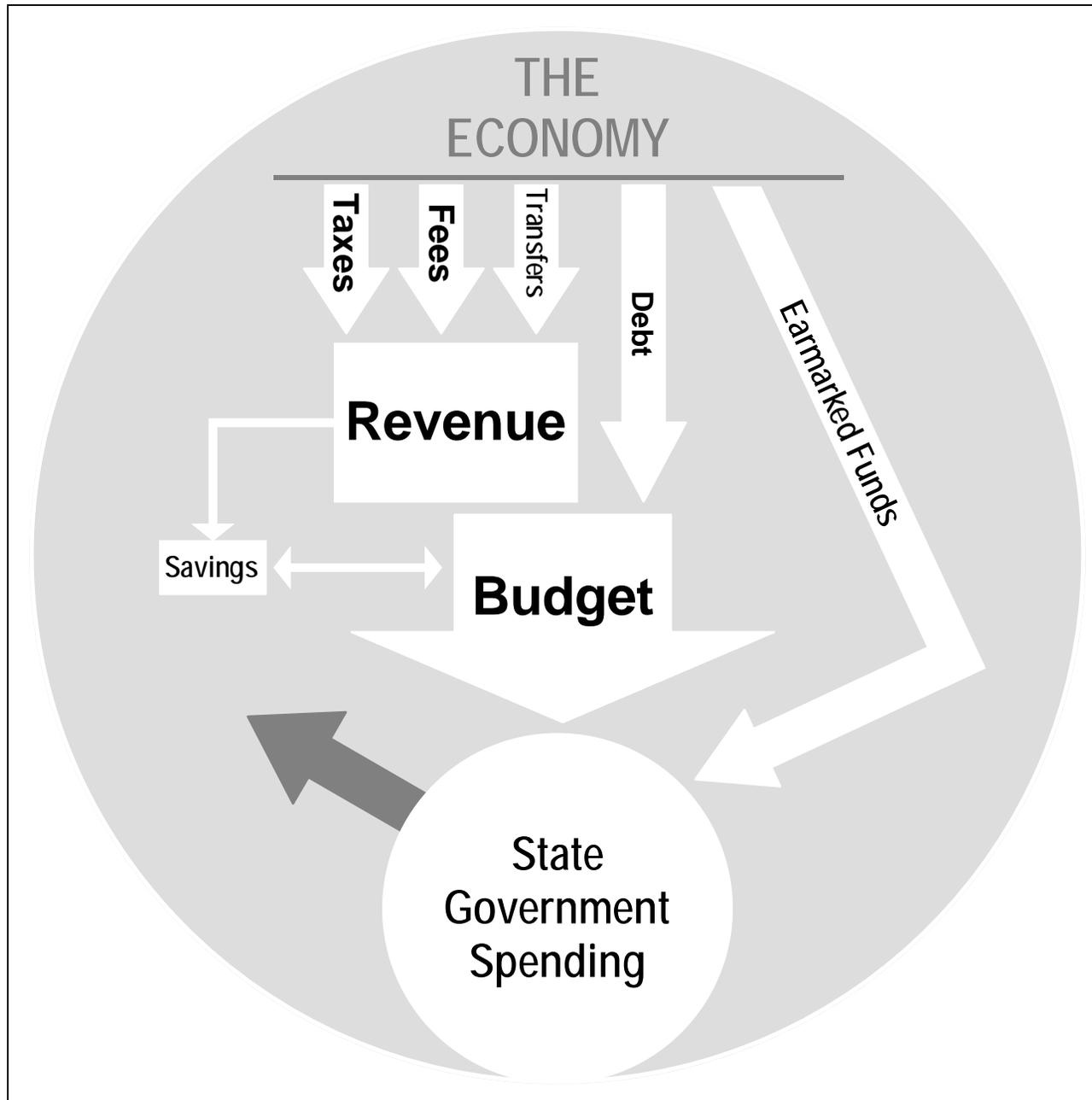


Impacting Utah's Budget: the Economy, Taxes, and Federal Transfers

Overview

- State Public Policy
- The Economy
- The Tax System
- The Revenue Forecast
- Federal Interventions
- Utah's Budget FY09-10

Impacting Utah's Budget: the Economy, Taxes, and Federal Transfers



Outline

- **State Public Policy**
- The Economy
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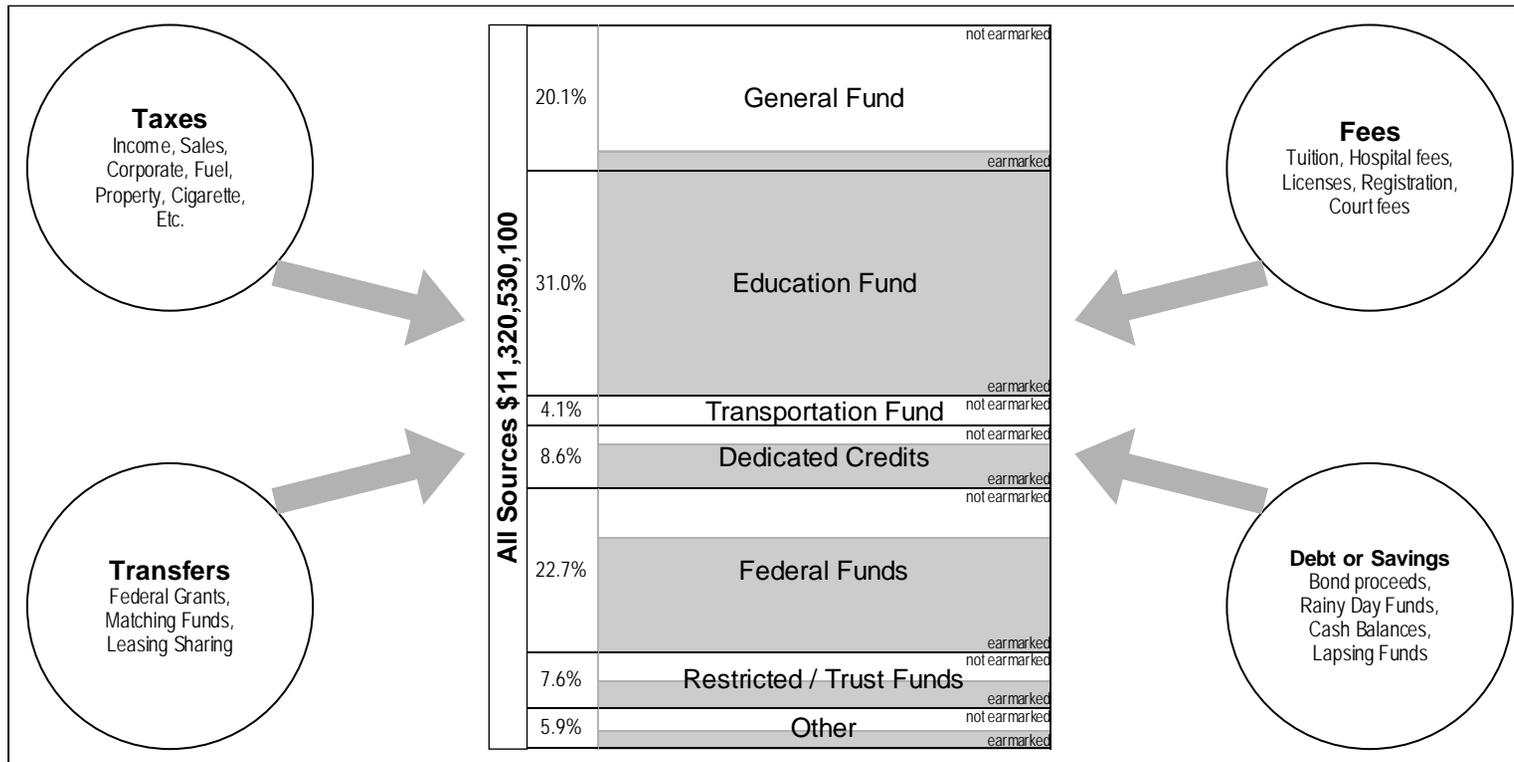
Impacting Utah's Budget: the Economy, Taxes, and Federal Transfers

Sources of Funding

- Confusion often stems from Addition and Division
 - Reports are often about specific sources or different combinations of funding.
 - Reports also often combine numbers across time periods.
- Categorizing Sources of Funding in Utah
 - State of Utah sources of funding in Fiscal Year 2008 were \$11,320,530,100.

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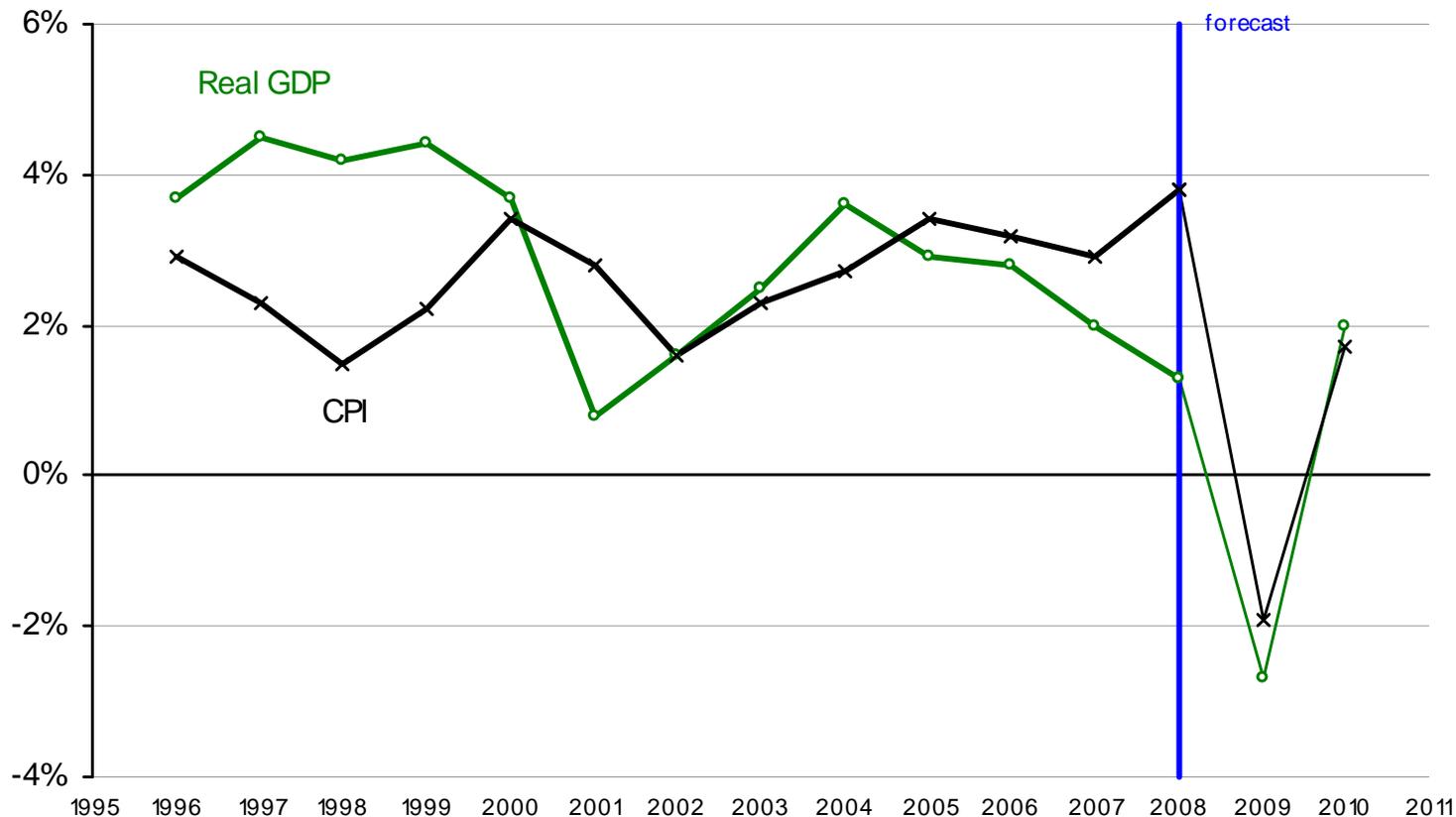


Impacting Utah's Budget: the Economy, Taxes, and Federal Transfers

The U.S. Economy is Stressed

- the recession may be the most severe in a generation
- big changes in monetary and fiscal policy

United States Real GDP and CPI: Annual Percent Change



Source: Global Insight, February Forecast

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Impacting Utah's Budget: the Economy, Taxes, and Federal Transfers

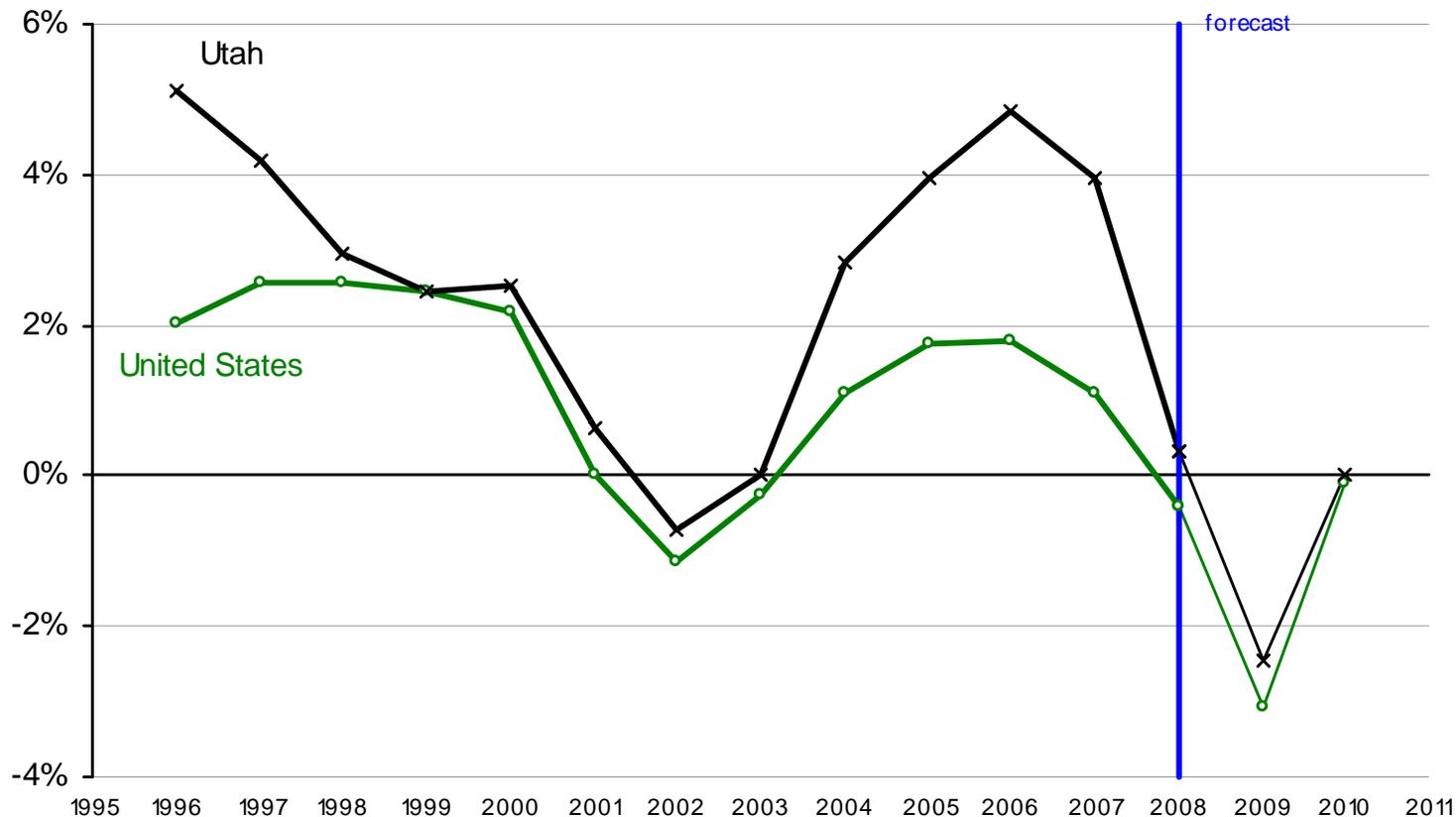
The Economy Impacts State Revenue

- the amount of production and income generated
- the level of spending, investment, trade

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Employment: Annual Percent Change



Impacting Utah's Budget: the Economy, Taxes, and Federal Transfers

The Tax System

- is very responsive to economic growth or contraction

Internal Revenue Service: Source of Income



Source: Governor's Office of Planning and Budget

Outline

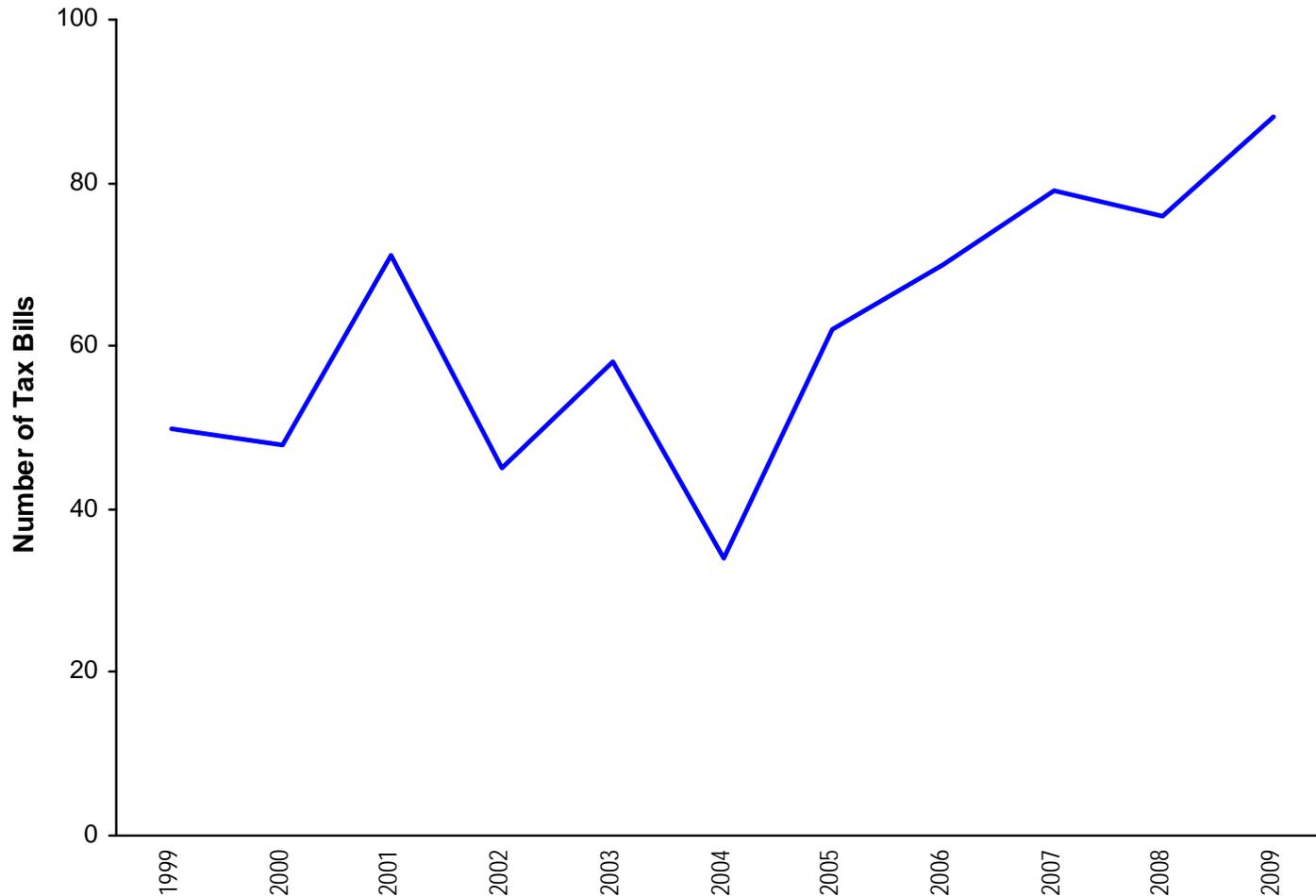
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Impacting Utah's Budget: the Economy, Taxes, and Federal Transfers

The Tax System

- is constantly under revision

Tax Bills Considered in Utah's General Legislative Sessions



Source: Governor's Office of Planning and Budget

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Impacting Utah's Budget: the Economy, Taxes, and Federal Transfers

What are the Revenue Forecasts?

- Common Economic Assumptions
 - Revenue Assumptions Committee
- Independent Forecasts
 - Judgment
 - Econometric Models
 - Simulation Models
- Consensus Estimates between:
 - The Governor's Office of Planning and Budget
 - The Legislative Fiscal Analyst
 - The Utah State Tax Commission
- Produced in:
 - November for the Governor's Budget Recommendation
 - February for the General Legislative Session
 - Any time warranted (e.g., if it is determined the forecast is unattainable)

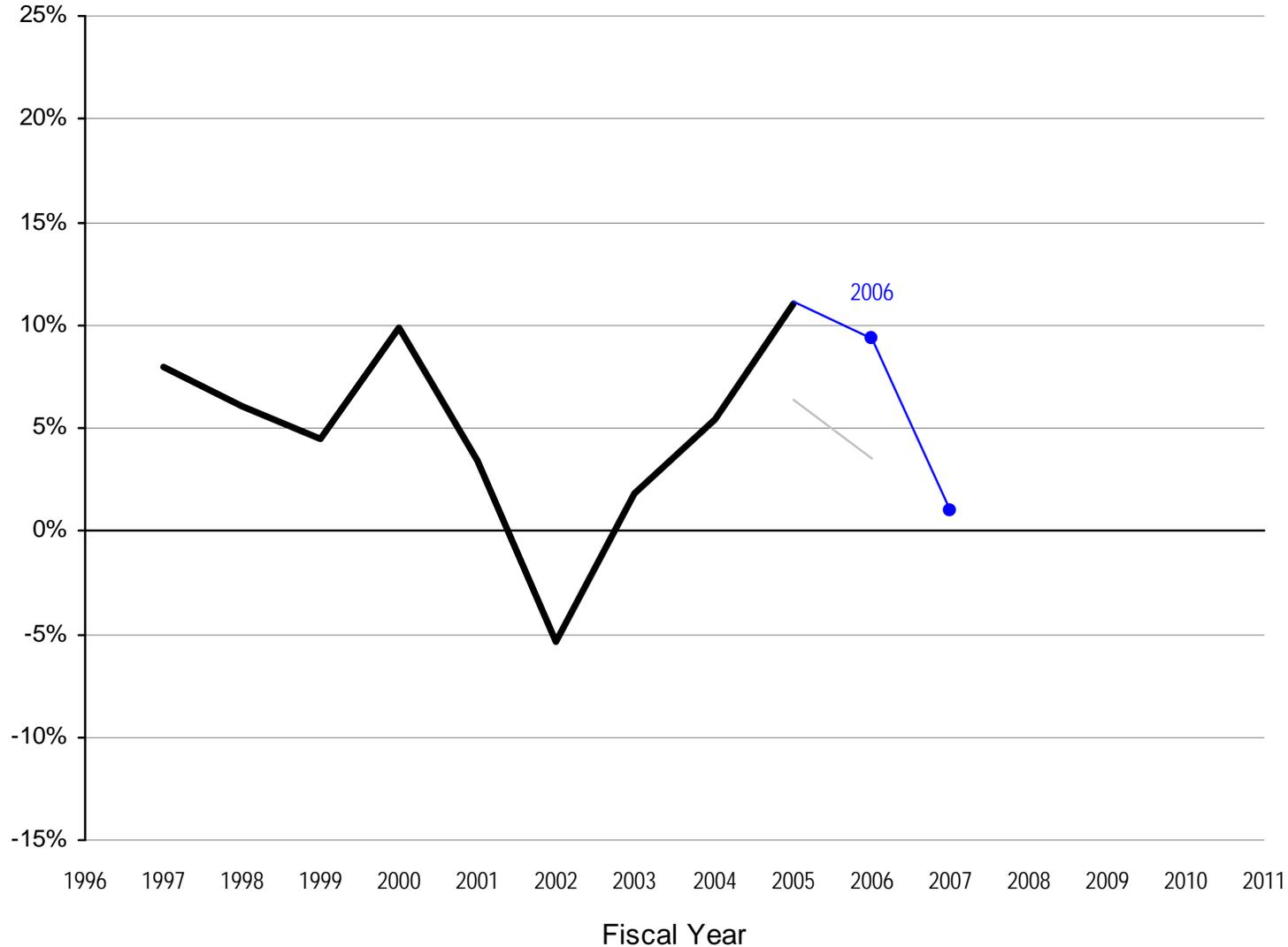
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Impacting Utah's Budget: the Economy, Taxes, and Federal Transfers

What are the Revenue Forecasts?

Utah General and Education Fund Revenue: Annual Percent Change



Source: Governor's Office of Planning and Budget

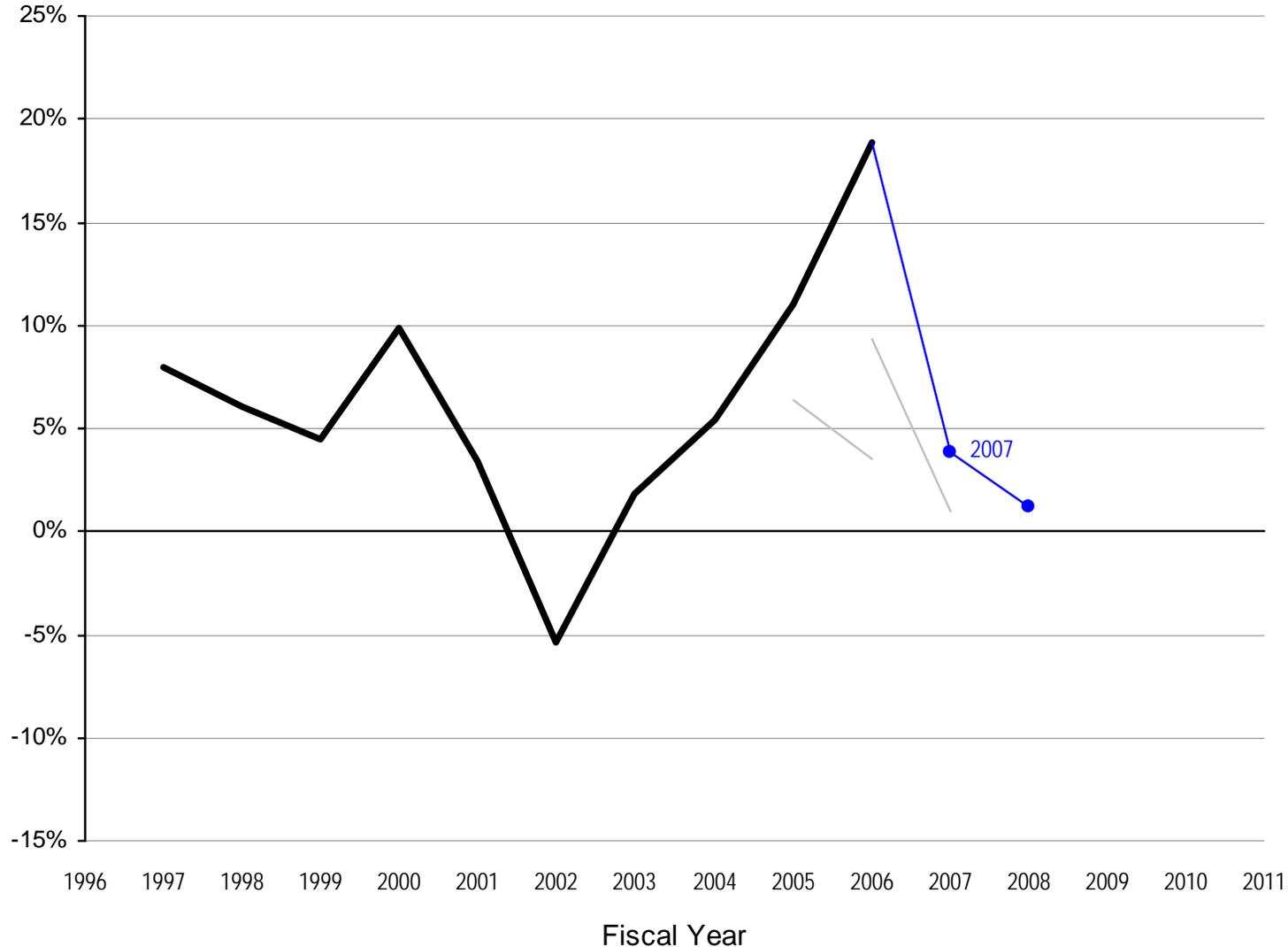
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Source: Governor's Office of Planning and Budget

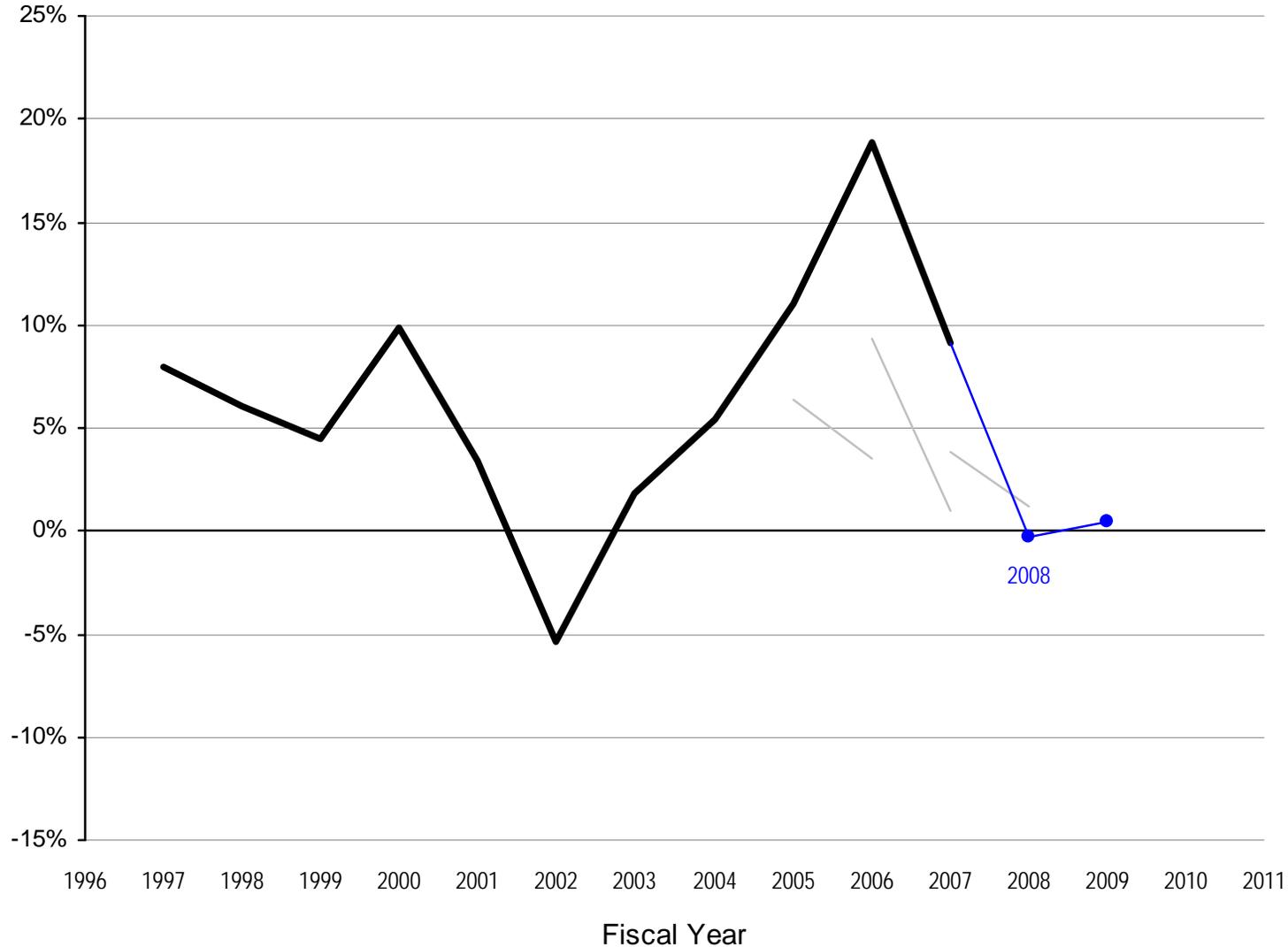
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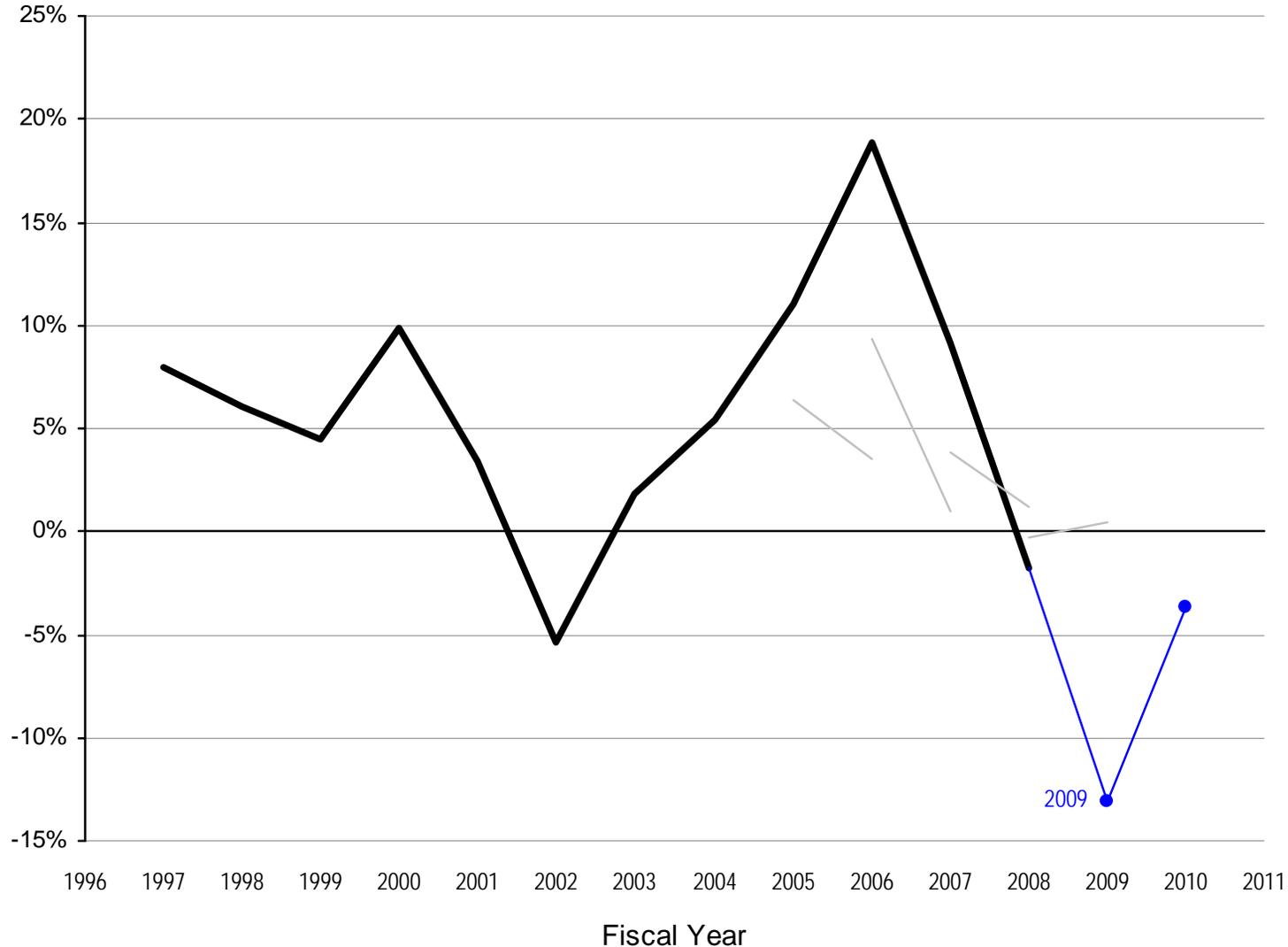
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Source: Governor's Office of Planning and Budget

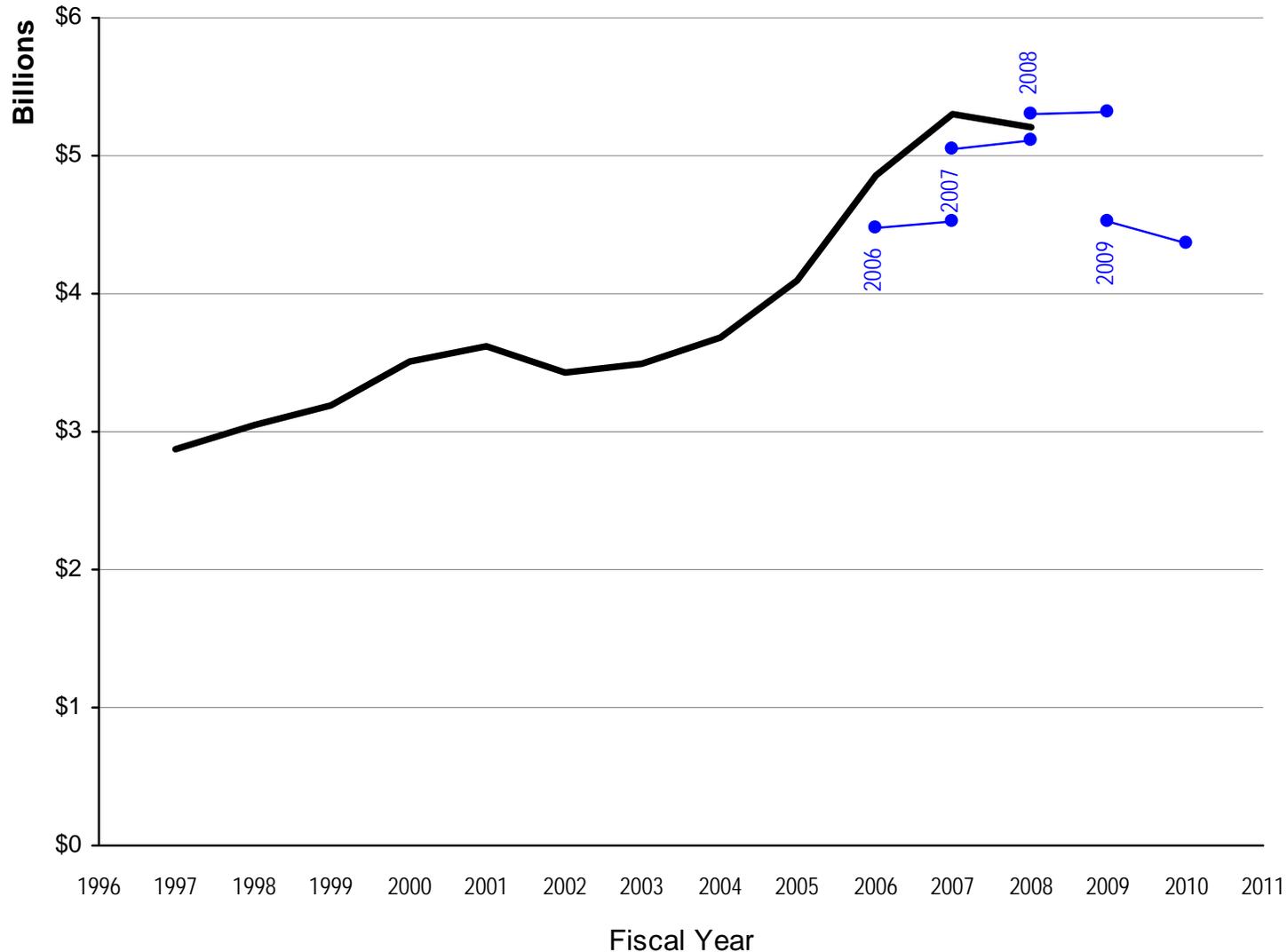
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Source: Governor's Office of Planning and Budget

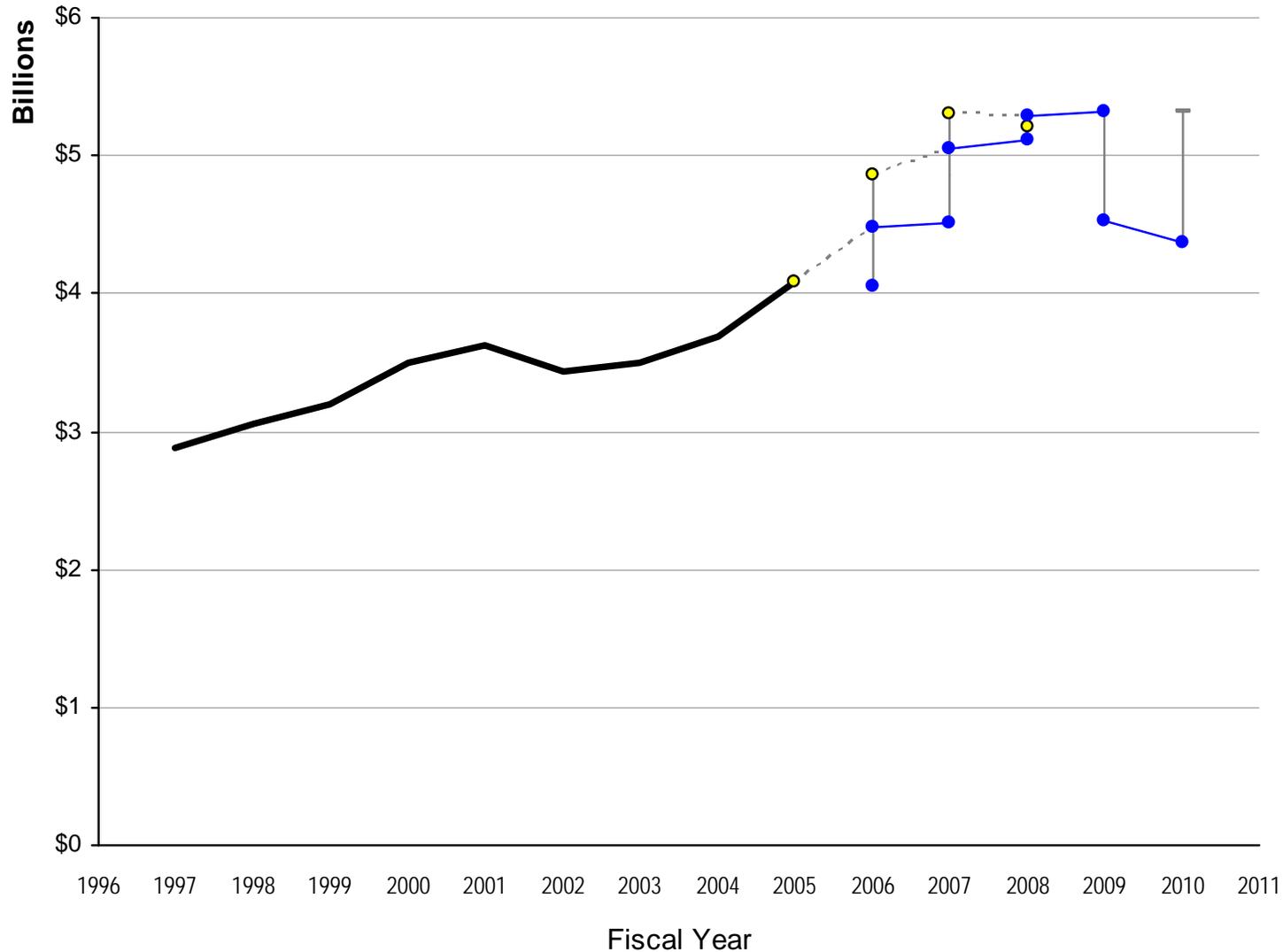
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What are the Revenue Forecasts?

Utah General and Education Fund Revenue



Source: Governor's Office of Planning and Budget

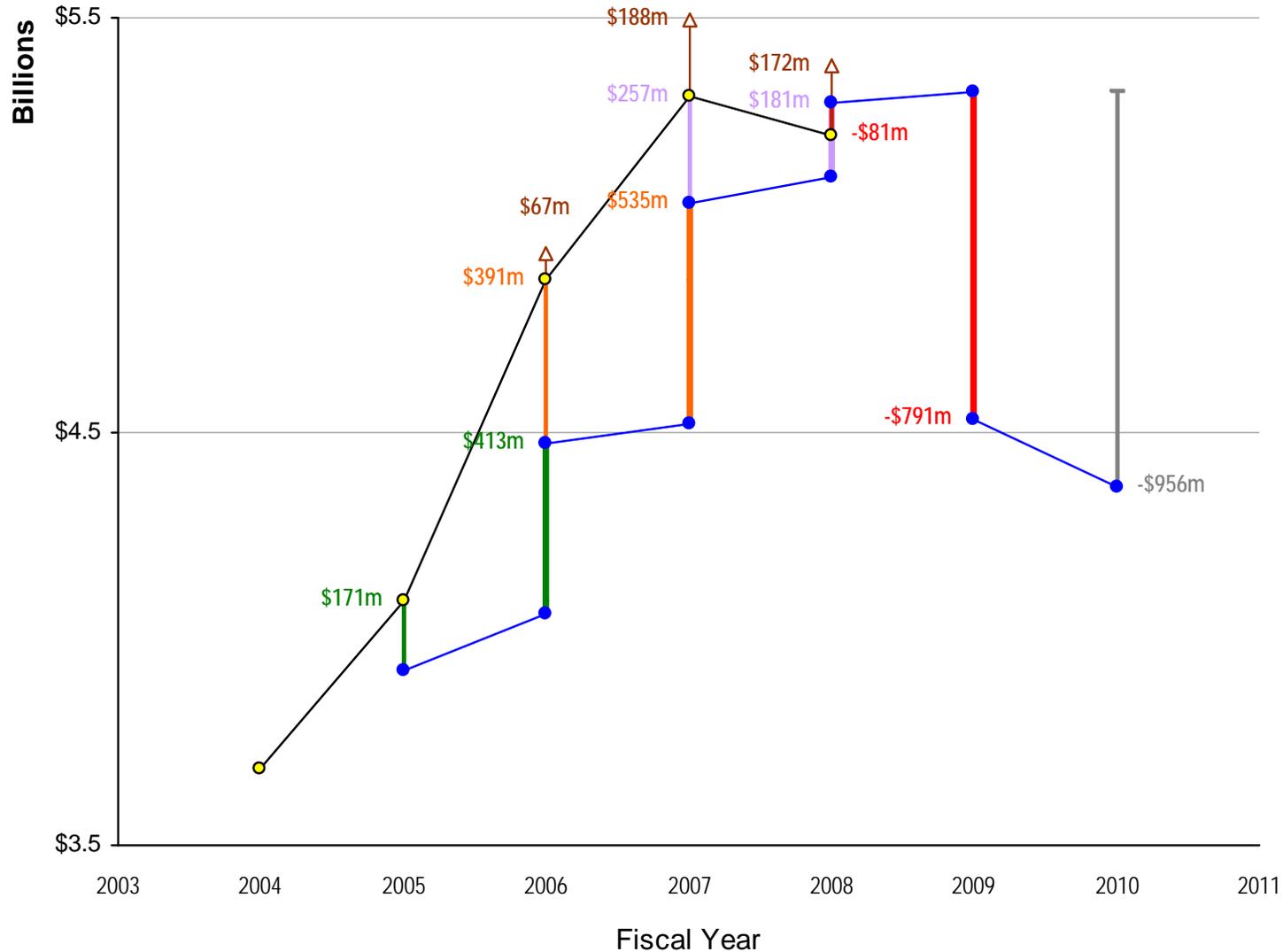
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Impacting Utah's Budget: the Economy, Taxes, and Federal Transfers

What are the Revenue Forecasts?

Utah General and Education Fund Revenue: annotated with dollar changes



Source: Governor's Office of Planning and Budget

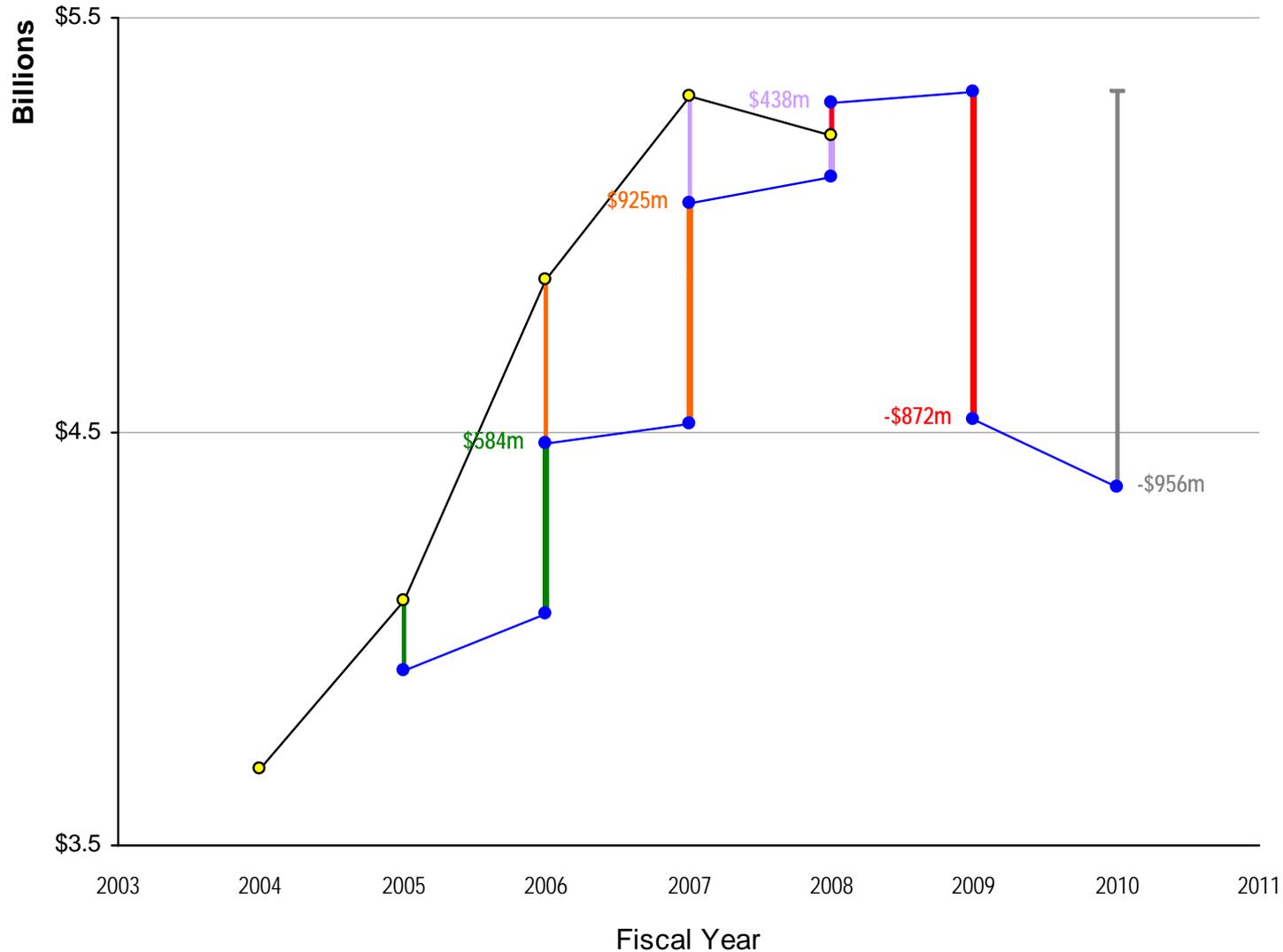
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What are the Revenue Forecasts?

Utah General and Education Fund Revenue: Annual Percent Change



Source: Governor's Office of Planning and Budget

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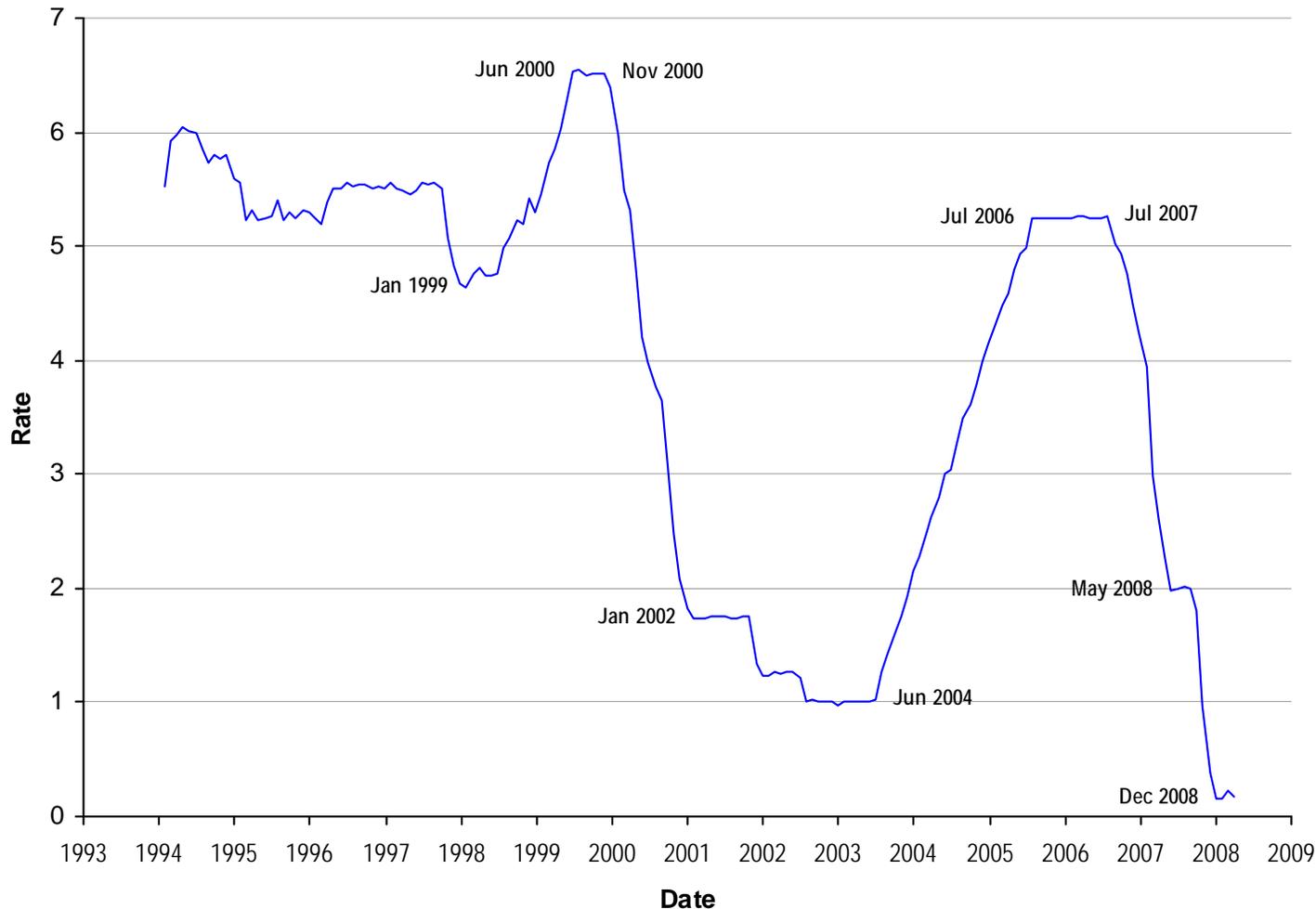
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Impacting Utah's Budget: the Economy, Taxes, and Federal Transfers

Is the Federal Government Intervening?

- Monetary Policy

Federal Funds Effective Rate



Source: U.S. Federal Reserve, H15. Selected Interest Rates

Outline

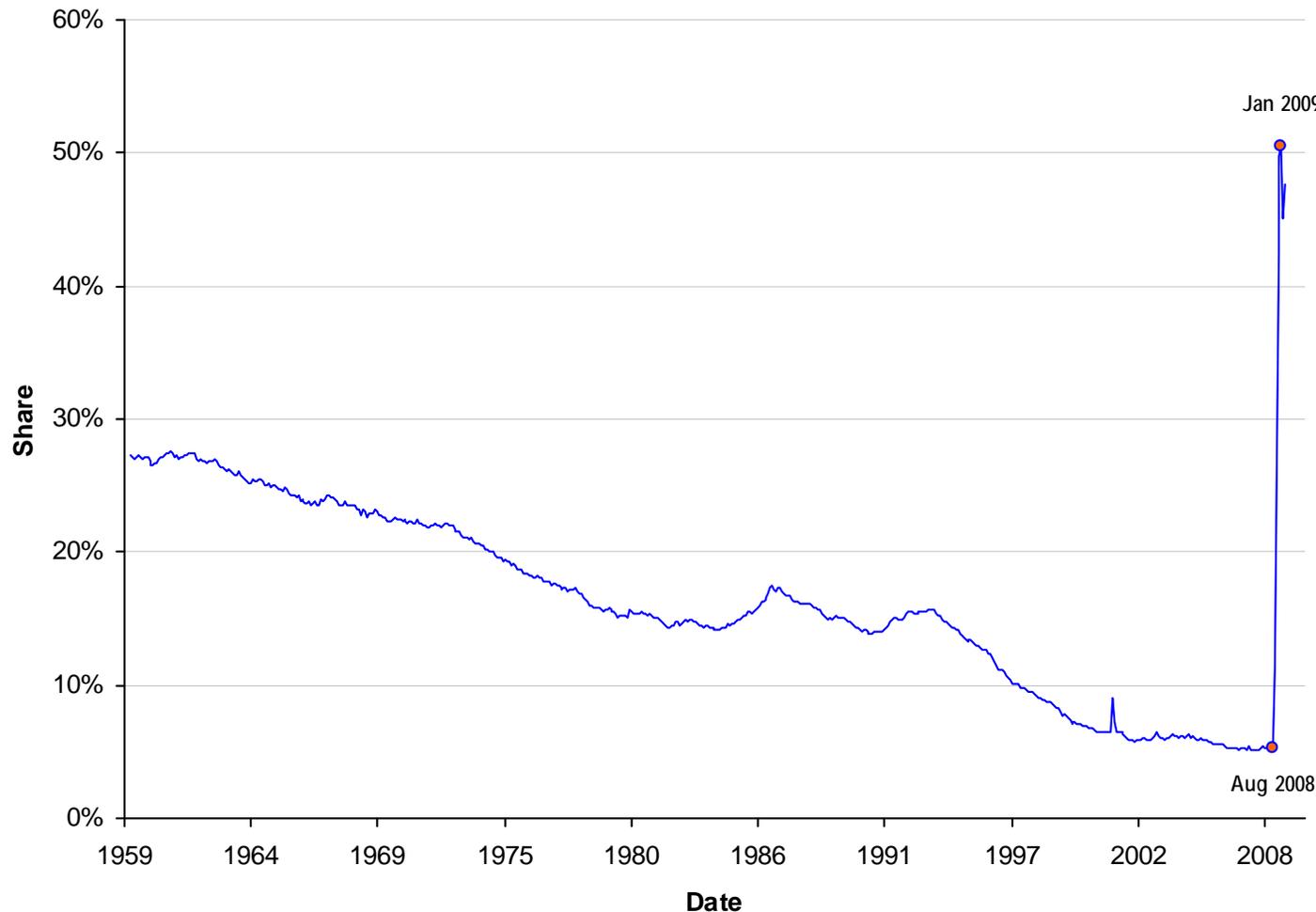
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Is the Federal Government Intervening?

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Aggregate Reserves of Depository Institutions over the Monetary Base



Source: U.S. Federal Reserve, H3. Aggregate Reserves of Depository Institutions and the Monetary Base, seasonally adjusted

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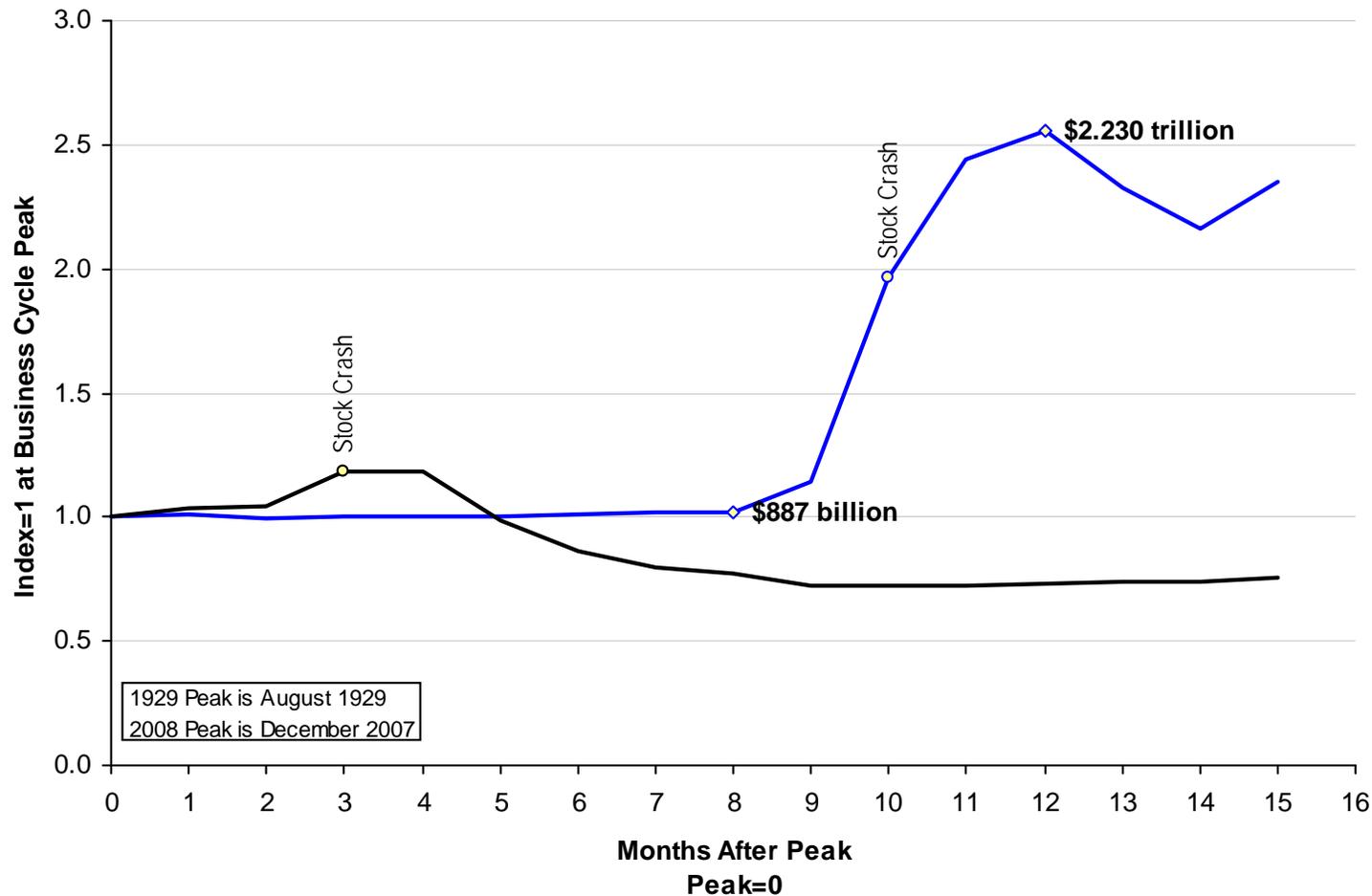
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Is the Federal Government Intervening?

- Monetary Policy

U.S. Monetary Policy During the 1929 and 2008 Contractions
Federal Reserve Credit Outstanding Relative to Cyclical Peak



Source: Governor's Office of Planning and Budget

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Impacting Utah's Budget: the Economy, Taxes, and Federal Transfers

Is the Federal Government Intervening?

- **Fiscal Policy**
 - TARP: \$750 billion to try and resolve the banking crisis
 - ARRA: \$787 billion to try and keep the economy out of a tail spin
 - Treasury program: \$500 billion to \$1 trillion to further bank recovery

- **Utah:**
 - Stabilization: \$500 million for general government shortfalls
 - Transportation: \$150 million
 - Existing programs, grants, etc: \$900+ million

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Utah	Fiscal Years			Total
	2009	2010	2011	
Revenue Forecast Shortfall	-\$872,000,000	-\$956,000,000	?	-\$1,828,000,000
Timing is flexible...	25%	50%	25%	
Expected Federal Money	\$391,250,000	\$782,500,000	\$391,250,000	\$1,565,000,000
Balance	-\$480,750,000	-\$173,500,000	?	-\$263,000,000

Impacting Utah's Budget: the Economy, Taxes, and Federal Transfers

What Happened to Utah's Budget in FY09?

- **GOPB Budget Summary Book**
 - will contain detailed information
- **General State Government cuts of 16%.**
- **Other Cuts**
 - Backfill and other money (one-time money)
 - Public Education, 6% cuts for FY2009, full cuts thereafter
 - Higher Education, 9% cuts for FY2009, full cuts thereafter
 - Medicaid
- **Transportation**

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