

FOR IMMEDIATE RELEASE

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UTAH CREATES ONLINE TOOL TO PREDICT EFFECTS OF POTENTIAL FEDERAL FUNDING CRISES

New dashboard to help legislators and citizens assess risk and prepare for downturn in federal revenue

SALT LAKE CITY – On Thursday, the Utah State Legislature’s Federal Funds Commission unveiled the state’s newly created Federal Funds Risk Model (FFRM) dashboard. Citizens can find the new tool at federalrisk.le.utah.gov.

Commission Co-Chair and State Representative Ken Ivory stated that "Utah, like most states, is increasingly dependent on federal funds at a time when the federal government finds itself in increasingly poor financial shape. For this reason the Utah Legislature formed the Federal Funds Commission to develop the model unveiled today. Its purpose is to assess the growing likelihood of diminished federal funding coming to Utah and how we can better respond to those risks and assure that we can meet the education, public safety and human service needs of our state, regardless of what transpires in D.C."

Utah receives \$3.8 billion in federal funds, which is 26 percent of the state's operating and capital budget. Federal funding is now tied with income taxes as the state’s largest single revenue source.

Commission Member and CEO of the Utah Association of CPAs, Susan Speirs explained "This dashboard can be used to model the effects of the next federal government shutdown, fiscal cliff, or sequester. When the federal government contemplates changes to national fiscal policy, we can use the FFRM dashboard to assess potential impacts and prepare. The state could discuss those impacts with federal officials and elected leaders. The results could then be used by policymakers and their constituents to make better-informed decisions for the state."

In advance of any change in federal funding, the dashboard will be used to model potential loss scenarios and help the state develop strategies to mitigate such loss through expectation setting, debt capacity management, and contingency fund development.

The model shows the effects on Utah’s economy from potential losses of federal funds. It includes 18 risk scenarios, which can be used individually or in combination. These scenarios show the effects of

direct federal funding (e.g., Medicaid, SNAP payments, Pell Grants), indirect federal funding (e.g., Medicare, Social Security, federal employment), and macroeconomic variables (e.g., interest rates, per capita income, and energy prices).

Taking into account these risk factors, the FFRM calculates economic impacts to the following:

- Jobs - This measures the level of employment in Utah's labor force.
- State-specific Gross Domestic Product - This measures the size of Utah's economy. It measures the total dollar value of all goods and services produced in Utah in a one-year-period.
- State Revenues - This measures the direct impact in lost federal funding to the state, and the indirect impact on Utah's ability to raise revenue through taxes and fees.

The FFRM shows how the State can respond to these risks through service level reductions, use of reserves or changes in taxes, among other possible options. Once risk response options are selected, the model calculates how the negative impacts of the selected scenario can be mitigated. The model also displays the current amounts of federal funding and the effects of funding losses by county, with an interactive map.

This dashboard was built in partnership with Alvarez & Marsal - Insurance and Risk Advisory Services (IRAS).

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NOTES:

1. The Federal Funds Commission was established by the Legislature through S.B. 70, Commission Relating to Federal Issues, which passed in the 2013 General Session. The commission is composed of legislators, gubernatorial appointees, and members of the public. The inaugural meeting of the commission was held May 14, 2013. In its first year, the commission studied the federal budget, received comments from entities negatively impacted by a reduction in federal funds, and identified risks for the state and local governments with receiving federal funds. The commission then sought and received an appropriation from the Legislature to create a tool that could assist state and local government entities in assessing and mitigating the risks associated with receiving federal funds.
2. The Federal Funds Commission is tasked with studying and assessing the financial stability of the federal government, state and local dependency on federal funds, and the risk of a reduction in federal funds to state and local government. The commission also recommends methods to the Legislature and Governor to avoid or minimize the risk of a reduction in federal funds, reduce the dependency on federal funds, and prepare for and respond to a reduction in federal funds. In the course of their work, the commission sought an appropriation from the Legislature to create a tool that could assist state and local government entities in assessing and mitigating the risks associated with receiving federal funds.
3. A public web interface to the model is available online at federalrisk.le.utah.gov. The screenshots, attached, show sample outputs from a dollar crash scenario, including its county-level effects on federal jobs, and how the State of Utah might mitigate the impact.



Federal Funding Risk

Dollar Crash

Risk Responses

Move the sliders to the right only enough to cover the reduction in funding.



Increase Revenues

5 %

100 %

\$ 33.6 M

Reduce Services

11 %

100 %

\$ 2.72 M

Increase Debt

9 %

100 %

\$ 25.78 M

Use Reserves

10 %

100 %

\$ 28.75 M

State Level Funding Risk

County Level Funding Risk

How to Use the Federal Funds Risk Model

Use the Radio Button below to choose county level Federal Funding views: one for actual funding, the other for projected impact of funding reductions.

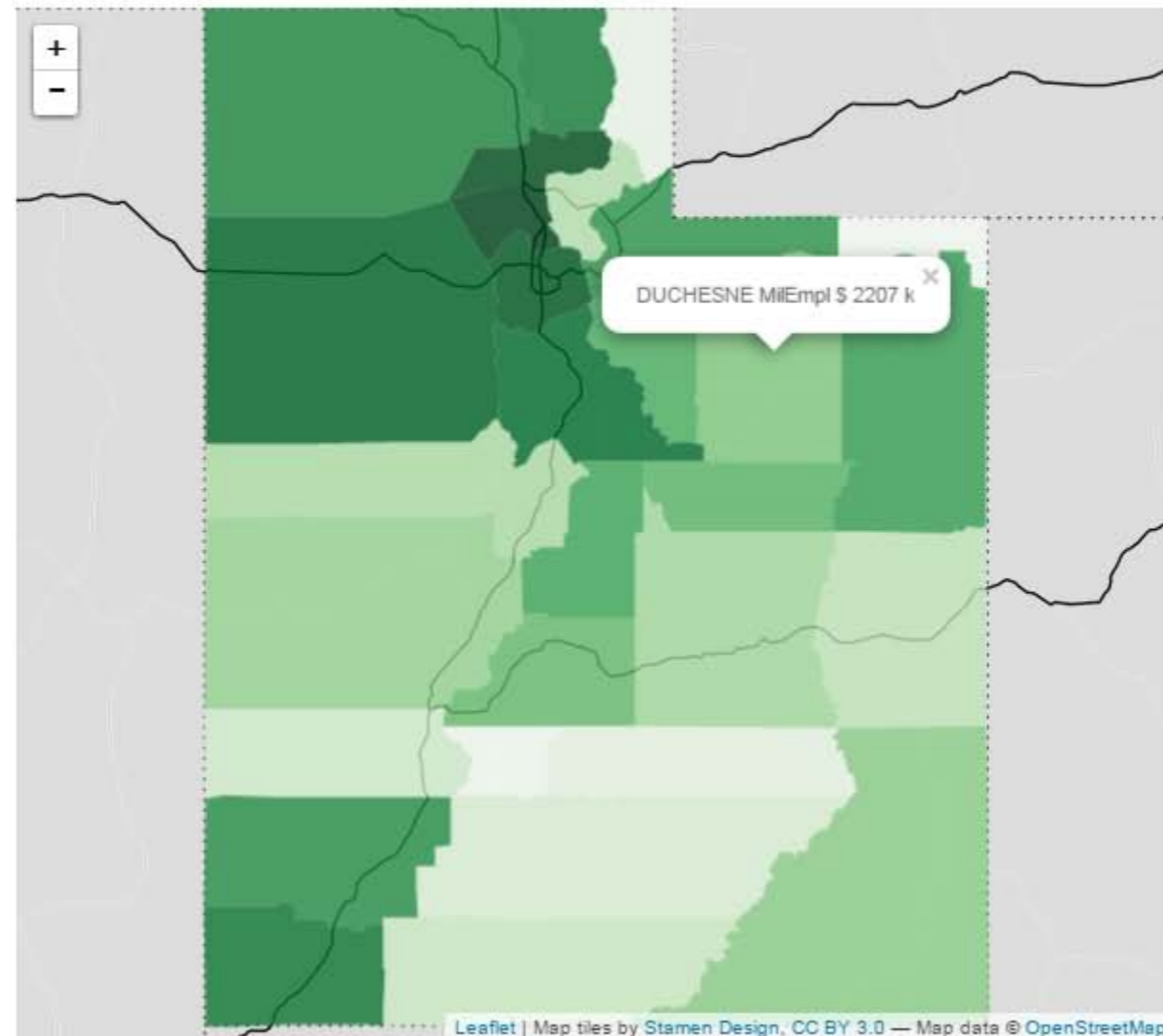
View:

- County level actual federal funding
- County level Funding Reduction impact

Federal Military Jobs

Total Numbers

VIEW TABLE





Federal Funding Risk

Dollar Crash

Risk Responses

Move the sliders to the right only enough to cover the reduction in funding.

Increase Revenues



\$ 33.6 M

Reduce Services



\$ 2.72 M

Increase Debt



\$ 25.78 M

Use Reserves



\$ 28.75 M

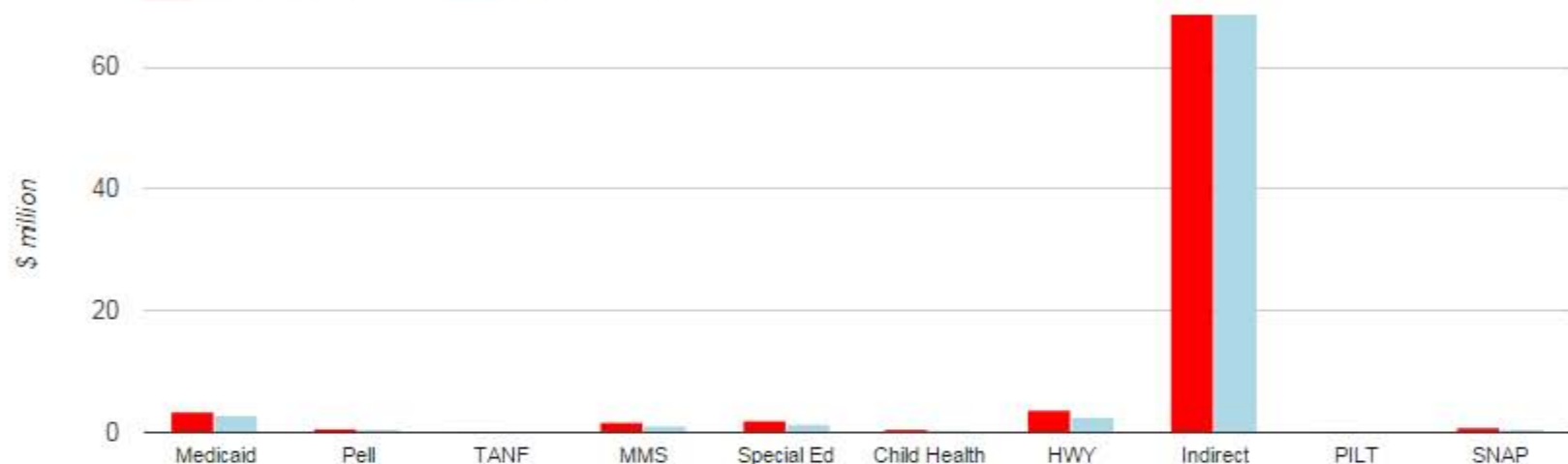
State Level Funding Risk

County Level Funding Risk

How to Use the Federal Funds Risk Model

Federal Funding Reductions and Responses

Funding Reduction Risk Response



ZOOM IN

ZOOM = × 2

ZOOM OUT

Economic Impact of Federal Funding Reduction (\$ million)

Impact	Reduction	Response	Difference
Jobs (thousands)	5.74	5.1	0.63
GDP (\$M)	566.33	504.11	62.22
Indirect State Revenue (\$M)	24.52	24.52	0
Direct Federal Funding (\$M)	127.06	90.85	36.21



Jobs (thousands)



Indirect State Revenue (\$M)



Direct Federal Funding (\$M)