

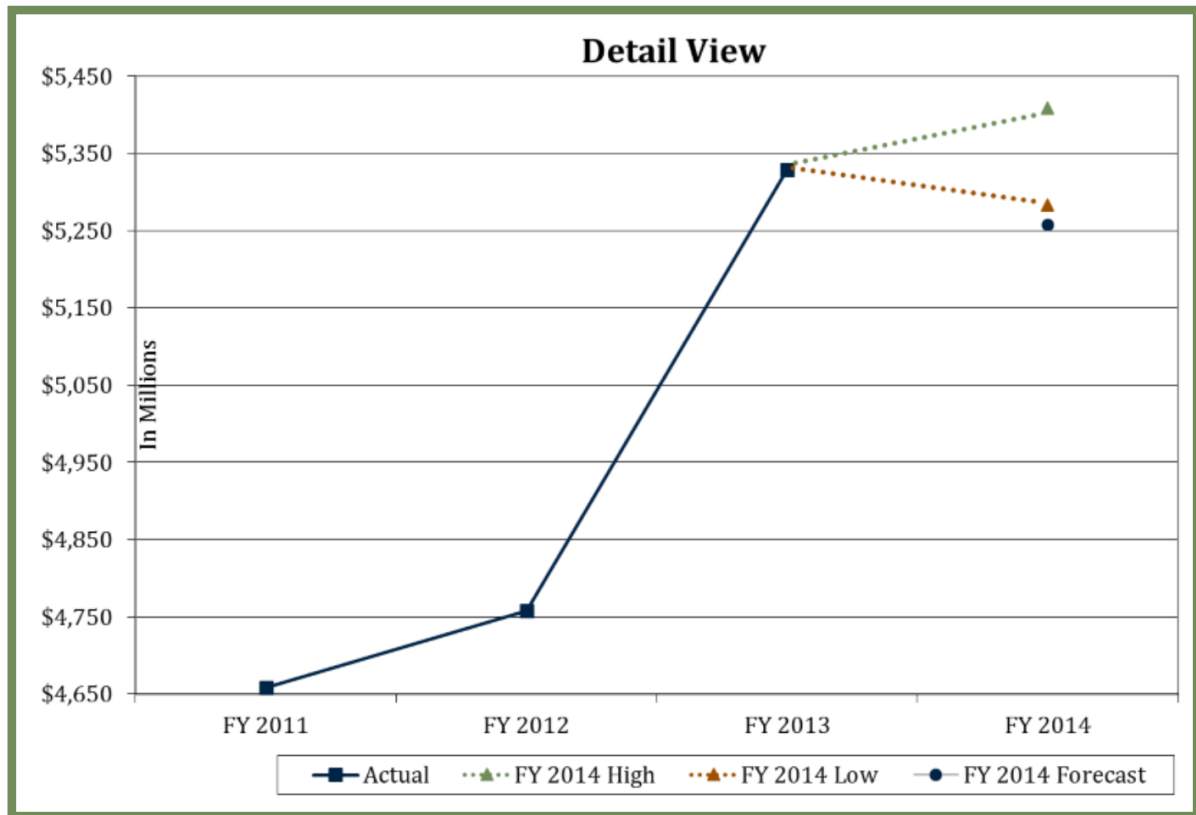
Fiscal Highlights

Utah's Revenue Continues to Grow - Andrea Wilko

Utah ended FY 2014 with a \$166 million General and Education Fund revenue surplus. The revenue surplus was due to better-than-expected growth in the Education Fund from above-target gross final payments and stronger-than-expected corporate balance sheets. General Fund came in above targets because of stronger-than-anticipated sales tax and severance taxes.

After expenditure adjustments and transfers to the General and Education Rainy Day Funds, the Disaster Recovery Fund, the Medicaid Rainy Day Fund, and the Industrial Assistance Fund, the FY 2014 budget surplus is \$112 million, \$7 million in General Fund and \$105 million in Education Fund.

Given consensus economic indicators developed by the Revenue Assumptions Working Group, we anticipate FY 2015 General and Education Fund revenues will be in the range of \$70 million to \$200 million above May 2014 Executive Appropriations Committee targets. We expect the Transportation Fund will be between \$10 million below to \$10 million above May targets.



Our current forecast for the Utah economy assumes that it will continue to move forward at a moderate pace; improving in key areas, such as labor and housing markets.

There is upside potential in a couple of areas.

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- Corporations have accumulated high balances which they could choose to invest in the economy resulting in stronger economic growth.
 - Productivity could rise faster than expected resulting in expanded output.

However, there are risks that could disrupt growth.

- Monetary policy changes could potentially lead to higher interest rates, which could impact the housing market recovery, the stock market, and other measures of wealth.
- Geopolitical risk could potentially impact consumer and investor confidence.
- Equity markets are at all time highs. If they collapse, wealth induced investment and consumption could decrease.

We remain optimistic that the Utah and U.S. economy will continue to grow modestly over the next 12 to 18 months. In particular, we expect Utah to remain a growth leader nationally.