**Summary**

Each year the Office of the Legislative Fiscal Analyst (LFA) and Governor’s Office of Management and Budget (GOMB) calculate a fifteen-year trend for revenue collection by major tax type. They then compare point-in-time revenue estimates with the trend to determine to what degree current growth rates might be sustained over time. Legislative rule asks that appropriators consider whether above-trend revenue should be spent on one-time expenses. For fiscal year 2019, the Legislative Fiscal Analyst calculates General and Education Fund point estimates as $62 million above trend. LFA recommends the Legislature appropriate that amount – plus an additional $5 million – ongoing to fully-fund in FY 2019 higher education buildings that were phase funded in the 2017 General Session.

**Trend Analysis**

Utah law sections 36-12-13 and 63J-1-201 require an annual review of the fifteen-year revenue trends associated with major tax types.

Consistent with the 2016 version of this report and based on historical revenue figures, again this year analysts identified a revenue trend or growth in revenue that would have been expected absent any business cycle. They did so using a fifteen-year time series of collections by tax type. Analysts applied a Hodrick-Prescott filter to the data using a prudent lambda value of 25. HP filters help smooth variable data over time, but reflect cycles better than does a straight-line trend. The lambda value determines how flat or wavy an HP trendline might be. Lower lambda values produce flatter lines.

Analysts then compared the trend to FY 2019 consensus revenue estimates, and calculated that $62 million of projected General and Education Fund revenue is above-trend ($29 million General Fund and $33 million Education Fund). Table 2 on the next page summarizes trend and point estimates for each tax type in the General and Education Funds. The figures that follow Table 2 contain the actual or projected revenue by tax type, the associated trend, and the cycle component of the projected revenue. The cycle (bottom bar graphs) is the difference between the point estimate and the trend component of that point estimate.

Our economists also looked at straight-line trends in relation to point forecasts. As Table 2 and the subsequent figures show, using those straight lines, current General and Education Fund estimates would be nearly $499 million above trend.

**Treatment of Above-trend Revenue**

Legislative Joint Rule 3-2-402 directs the Legislature’s Executive Appropriations Committee to “consider treating above-trend revenue as one-time.”

During the 2017 General Session, appropriators approved construction of three new higher education buildings for which they provided only partial funding. Legislators planned to use future debt service savings and existing ongoing construction budgets to complete these buildings. Of the total $105 million in estimated construction costs for these buildings, $27 million was appropriated when the buildings were authorized. Table 1 on the following page details the buildings, their cost, and funding.

**Conclusion and Recommendation**

Trend analysis methodology consistent with that applied last year suggests that fall estimates for General and Education Fund revenue are $62 million above trend. Legislators could use that amount, plus about $5 million, to fund existing building commitments. Doing so would also free-up about $46 million in debt service savings that could help avoid future debt issuance for the new State Prison. The Legislative Fiscal Analyst recommends the Legislature appropriate $67 million from new ongoing revenue to Capital Development for these purposes.
## Table 1 – Phase Funded Buildings from the 2017 General Session

<table>
<thead>
<tr>
<th>Project</th>
<th>State Funding Request</th>
<th>FY 2018 Funding</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Utah Rehab Hospital</td>
<td>50,000,000</td>
<td>5,000,000</td>
<td>45,000,000</td>
</tr>
<tr>
<td>Dixie State University Human Performance Center</td>
<td>25,000,000</td>
<td>8,000,000</td>
<td>17,000,000</td>
</tr>
<tr>
<td>Weber Social Science Building</td>
<td>29,940,000</td>
<td>14,000,000</td>
<td>15,940,000</td>
</tr>
</tbody>
</table>

## Table 2 - Business Cycle Component of the Revenue Forecast

<table>
<thead>
<tr>
<th>Trend/Cycle of November Consensus</th>
<th>FY 18 Trend</th>
<th>FY 18 Cycle</th>
<th>FY 19 Trend</th>
<th>FY 19 Cycle</th>
<th>FY 18 Trend</th>
<th>FY 18 Cycle</th>
<th>FY 19 Trend</th>
<th>FY 19 Cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Fund (GF)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and Use Tax</td>
<td>1,929,883</td>
<td>31,023</td>
<td>2,018,707</td>
<td>18,619</td>
<td>1,809,597</td>
<td>31,023</td>
<td>1,841,536</td>
<td>195,790</td>
</tr>
<tr>
<td>Cable/Satellite Excise Tax</td>
<td>31,165</td>
<td>31,972</td>
<td>(62)</td>
<td></td>
<td>31,976</td>
<td>(527)</td>
<td>33,020</td>
<td>(1,110)</td>
</tr>
<tr>
<td>Liquor Profits</td>
<td>116,215</td>
<td>123,679</td>
<td>694</td>
<td></td>
<td>113,148</td>
<td>119,050</td>
<td>5,323</td>
<td></td>
</tr>
<tr>
<td>Insurance Premiums</td>
<td>124,021</td>
<td>131,769</td>
<td>(50)</td>
<td></td>
<td>118,248</td>
<td>122,663</td>
<td>9,056</td>
<td></td>
</tr>
<tr>
<td>Beer, Cigarette, and Tobacco</td>
<td>118,139</td>
<td>117,780</td>
<td>(3,933)</td>
<td></td>
<td>126,486</td>
<td>131,661</td>
<td>(17,144)</td>
<td></td>
</tr>
<tr>
<td>Oil and Gas Severance Tax</td>
<td>20,968</td>
<td>12,293</td>
<td>7,794</td>
<td></td>
<td>31,504</td>
<td>28,021</td>
<td>(3,483)</td>
<td></td>
</tr>
<tr>
<td>Metal Severance Tax</td>
<td>8,264</td>
<td>6,536</td>
<td>2,913</td>
<td></td>
<td>11,212</td>
<td>10,336</td>
<td>(876)</td>
<td></td>
</tr>
<tr>
<td>Investment Income</td>
<td>12,750</td>
<td>15,043</td>
<td>2,470</td>
<td></td>
<td>5,046</td>
<td>2,424</td>
<td>15,089</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>84,213</td>
<td>84,604</td>
<td>837</td>
<td></td>
<td>89,355</td>
<td>92,166</td>
<td>(6,725)</td>
<td></td>
</tr>
<tr>
<td>Property and Energy Credit</td>
<td>(5,696)</td>
<td>(5,632)</td>
<td>(135)</td>
<td></td>
<td>(5,834)</td>
<td>(5,804)</td>
<td>37</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal General Fund</strong></td>
<td>2,439,923</td>
<td>2,536,750</td>
<td>29,148</td>
<td></td>
<td>2,330,739</td>
<td>2,375,073</td>
<td>190,825</td>
<td></td>
</tr>
<tr>
<td><strong>Education Fund (EF)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual Income Tax</td>
<td>3,800,948</td>
<td>4,029,578</td>
<td>31,897</td>
<td></td>
<td>3,622,696</td>
<td>227,410</td>
<td>3,756,067</td>
<td>305,408</td>
</tr>
<tr>
<td>Corporate Tax</td>
<td>341,418</td>
<td>345,756</td>
<td>(1,308)</td>
<td></td>
<td>334,075</td>
<td>10,336</td>
<td>336,361</td>
<td>8,087</td>
</tr>
<tr>
<td>Mineral Production Withholding</td>
<td>17,254</td>
<td>15,260</td>
<td>1,882</td>
<td></td>
<td>20,889</td>
<td>(4,461)</td>
<td>20,500</td>
<td>(3,358)</td>
</tr>
<tr>
<td>Escheats &amp; Other</td>
<td>27,940</td>
<td>28,729</td>
<td>830</td>
<td></td>
<td>30,196</td>
<td>(1,367)</td>
<td>31,593</td>
<td>(2,034)</td>
</tr>
<tr>
<td><strong>Subtotal Education Fund</strong></td>
<td>4,187,561</td>
<td>4,419,324</td>
<td>33,300</td>
<td></td>
<td>4,007,856</td>
<td>222,507</td>
<td>4,144,522</td>
<td>308,102</td>
</tr>
<tr>
<td><strong>Subtotal GF/EF</strong></td>
<td>6,627,484</td>
<td>6,956,074</td>
<td>62,448</td>
<td></td>
<td>6,338,595</td>
<td>360,809</td>
<td>6,519,595</td>
<td>498,927</td>
</tr>
</tbody>
</table>
Figure 1 – Combined General and Education Fund Sources

Note: the dotted line represents the linear trend.
Figure 2 - Sales Tax Trend

Note: the dotted line represents the linear trend.

Measure Names
- Sales Tax Total
- Sales Tax Cycle
- Sales Tax Trend

Sales Tax Actual/Trend

Year

Sales Tax - Total

2005: -166,027,476
2006: -51,311,491
2007: 236,369,208
2008: 187,357,592
2009: 183,082,298
2010: 9,309,826
2011: 4,394,305
2012: 11,057,431
2013: 11,057,431
2014: 40,956,890
2015: 40,956,890
2016: 24,587,226

Sales Tax Cycle

-200M
-166,027,476
-51,311,491
236,369,208
187,357,592
183,082,298
9,309,826
4,394,305
11,057,431
11,057,431
40,956,890
40,956,890
24,587,226

Note: the dotted line represents the linear trend.
Figure 3 - Cable/Satellite Tax Trend

Note: the dotted line represents the linear trend.

Measure Names
- Cable Satellite Excise Tax
- Cable Tax Trend
- Cable Tax Cycle
Figure 4 - Liquor Profits Trend

Note: the dotted line represents the linear trend.

Measure Names
- Liquor Profits
- Liquor Profits Cycle
- Liquor Profits Trend
Figure 5 - Insurance Premiums Trend

Note: the dotted line represents the linear trend.

Measure Names
- Insurance Premium Tax
- Insurance Premium Tax Cycle
- Insurance Premium Tax Trend

Revenue Trend Report

Office of the Legislative Fiscal Analyst
December 6, 2017, 3:42 PM
Figure 6 - Beer, Cigarette, and Tobacco Tax Trend

Note: the dotted line represents the linear trend.

Measure Names
- Beer Cigarette Tobacco Tax
- Beer Cigarette Tobacco Tax cycle
- Beer Cigarette Tobacco Tax trend
Figure 7 - Oil and Gas Tax Trend

Note: the dotted line represents the linear trend.

Measure Names
- Oil Gas Tax
- Oil Gas Tax Cycle
- Oil Gas Tax Trend
Figure 8 - Metal Severance Tax Trend

Note: the dotted line represents the linear trend.

<table>
<thead>
<tr>
<th>Measure Names</th>
<th>Metal Severance Tax</th>
<th>Metal Severance Tax cycle</th>
<th>Metal Severance Tax trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metal Severance Tax cycle</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>-4,947,967</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>-1,126,096</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>-1,906,987</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>-6,382,027</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>-828,854</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>-828,854</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>-828,854</td>
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<tr>
<td>2012</td>
<td>-828,854</td>
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<td>2013</td>
<td>-828,854</td>
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<td>2018</td>
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<td></td>
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<tr>
<td>2019</td>
<td>-828,854</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Figure 9 - Investment Income Trend

Note: the dotted line represents the linear trend.

Measure Names
- Investment Income
- Investment Income cycle
- Investment income trend
Figure 10 - General Fund Other Trend

Note: the dotted line represents the linear trend.

Measure Names
- General Fund Other
- General Fund Other Cycle
- General Fund Other Trend
Figure 11 - Income Tax Trend

Note: the dotted line represents the linear trend.

Measure Names
- Income Tax Cycle
- Income Tax Trend
- Income Tax

Revenue Trend Report
Figure 12 - Corporate Tax Trend

Note: the dotted line represents the linear trend.

Measure Names
- Corporate Tax
- Corporate Tax Cycle
- Corporate Tax Trend
Figure 13 - Mineral Production Tax Trend

Note: The dotted line represents the linear trend.
Figure 14 - Education Fund Other Trend

Note: the dotted line represents the linear trend.

Measure Names
- Education Fund Other
- Education Fund Other Cycle
- Education Fund Other Trend
Figure 151 - Federal Funds Trend

Note: the dotted line represents the linear trend.

Measure Names
- Federal Funds
- Federal_Funds_cycle
- Federal_Funds_trend