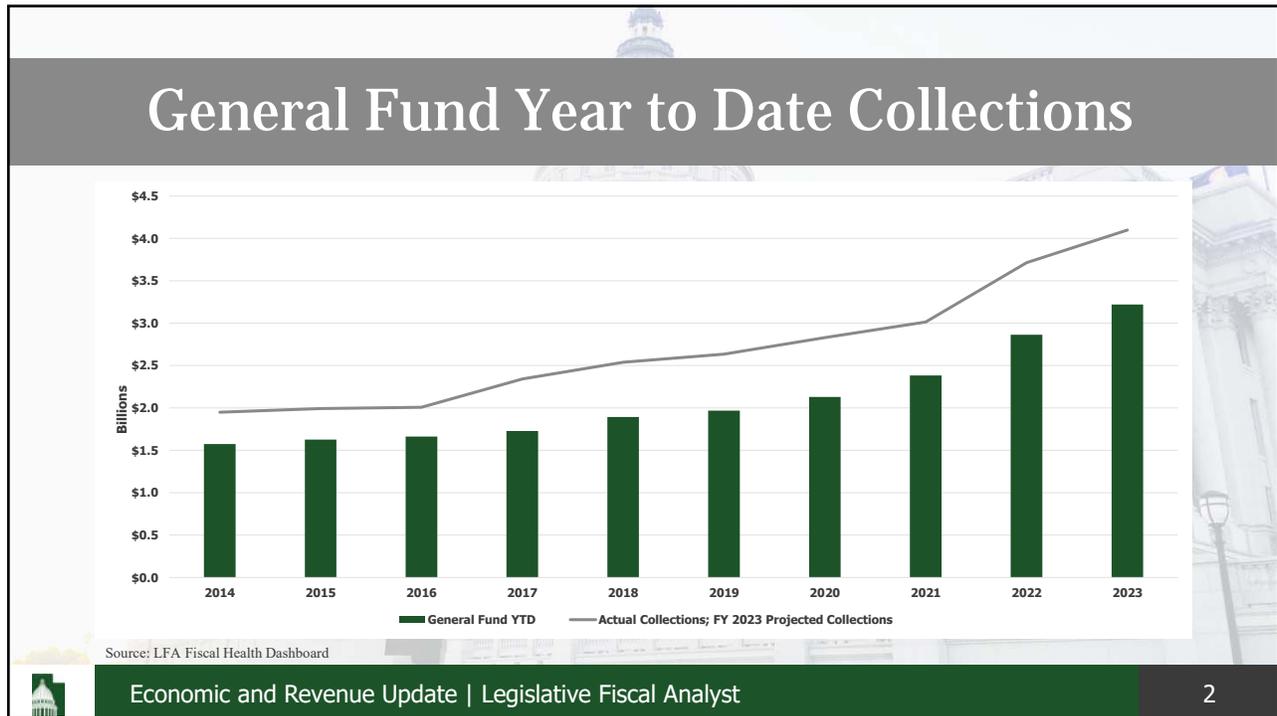




Economic and Revenue Collections Update – May 2023

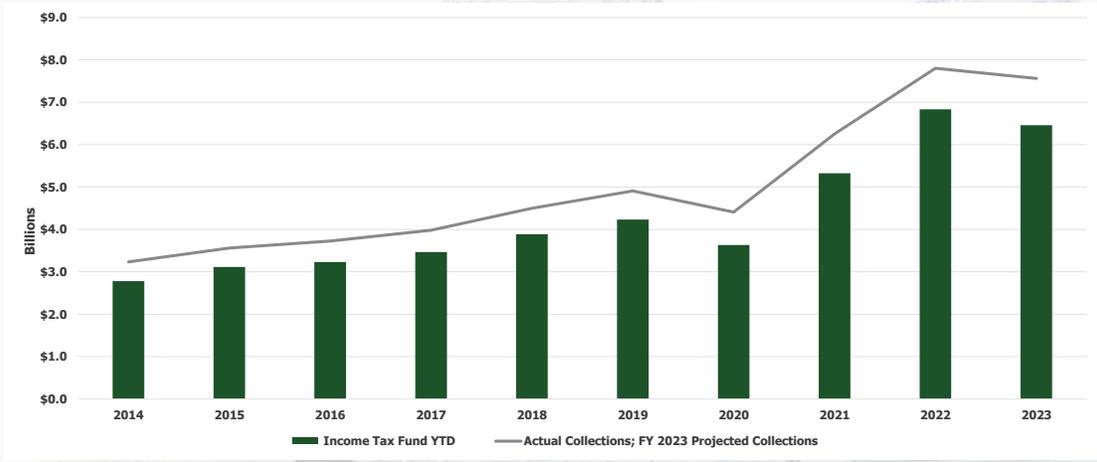
Bidusha Mudbhari, Travis Eisenbacher
Office of the Legislative Fiscal Analyst
May 16, 2023

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Income Tax Fund Year to Date Collections

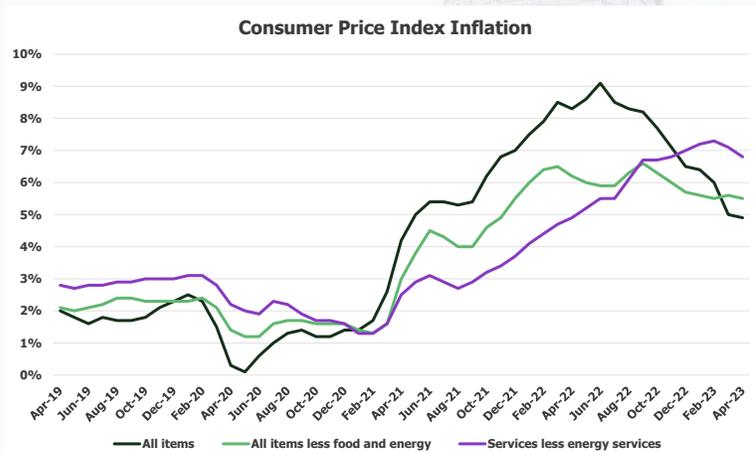


Source: LFA Fiscal Health Dashboard



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CPI Inflation – All Items



Source: Bureau of Labor Statistics

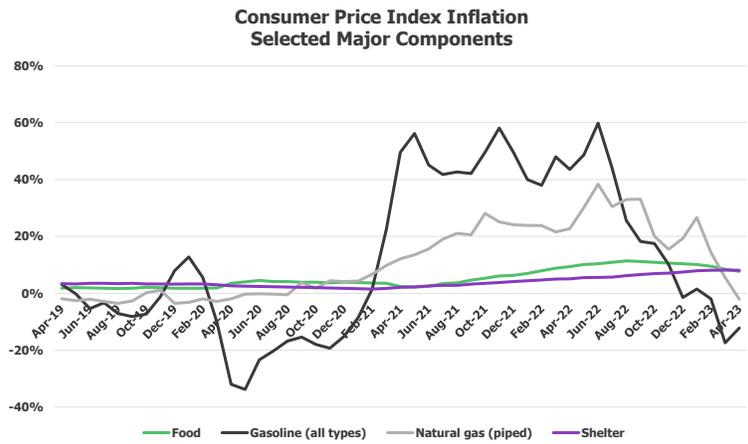


- Declining overall
- Ex. volatile food and energy declining more gradually
- Services remain elevated with shift in consumer behavior/cost of labor increases

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CPI Inflation – by Major Component

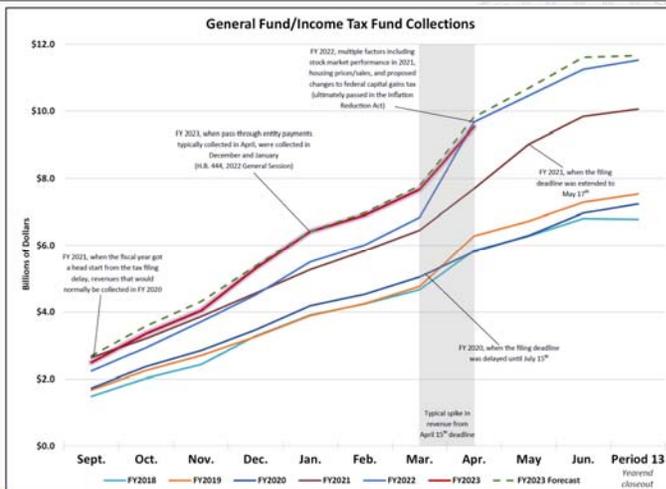
- Extremely volatile energy prices, declining rapidly
- Disinflation in Food prices, though still elevated
- Shelter continues to trend upward



Source: Bureau of Labor Statistics

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Highlighting Major Events in Collections

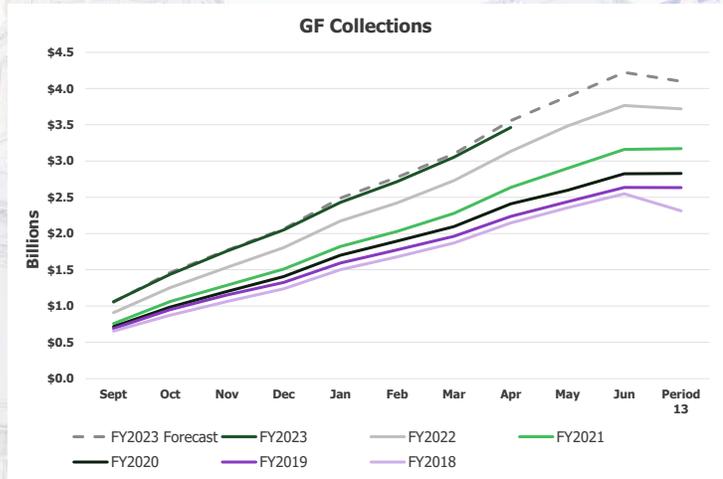


- After a period of relative stability, recent years have resulted in unusual circumstances
- Large changes related to timing/policy changes with income tax
- Federal actions in response to COVID had large impacts
- Skews YoY comparisons

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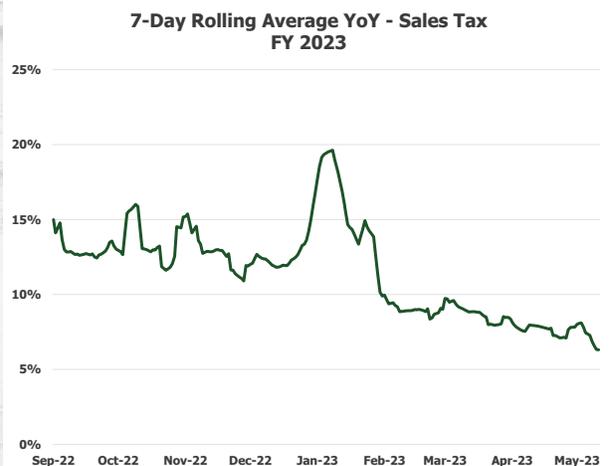
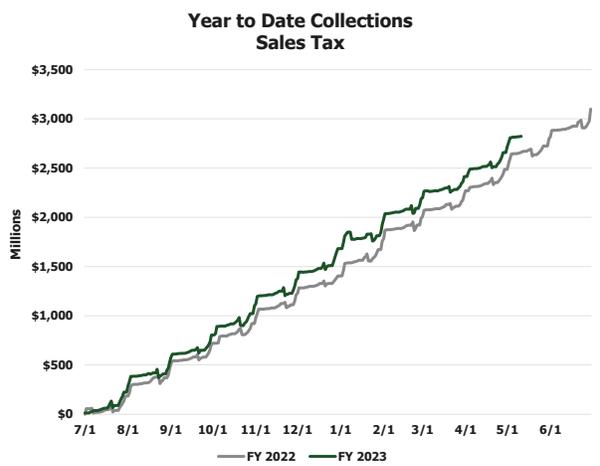
General Fund in Focus

- Stable, consistent growth YoY and month to month
- Slight seasonality related to sales tax base
- Yearly bump in January (Dec. sales) and Spring (home improvements)
- YoY comps work well



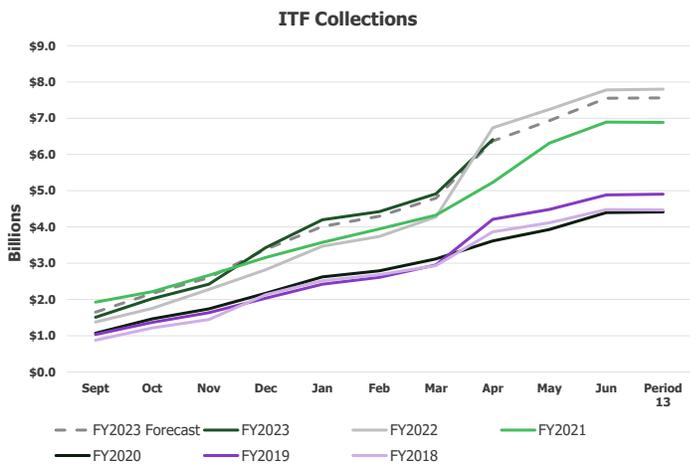
7

Sales Tax – Year to Date



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Income Tax Fund in Focus

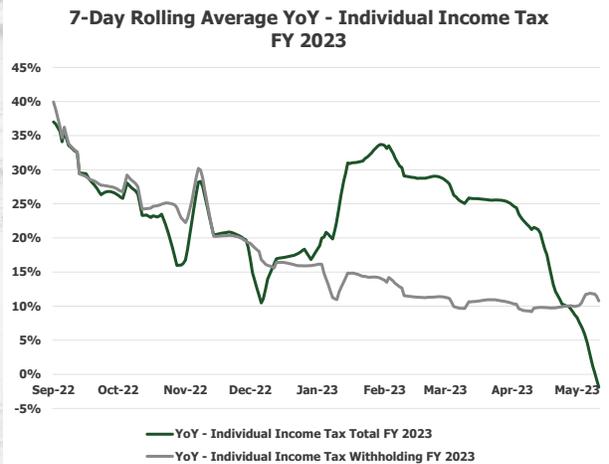
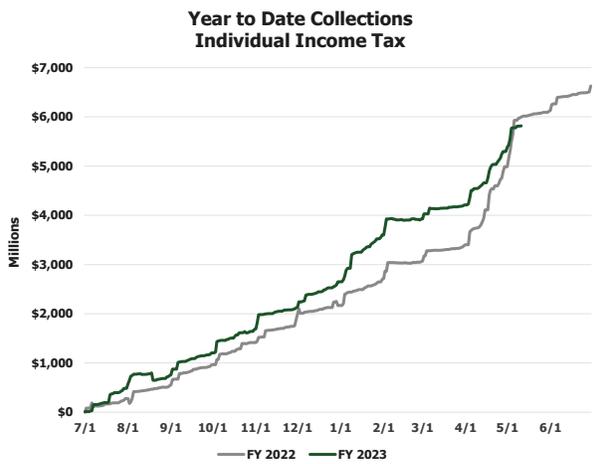


- Significant variability in growth YoY and MoM
- Seasonality around filing deadlines
- Bumps in October (extension filers), Dec./Jan. (corporate filers) and April
- YoY comps can be problematic



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Individual Income Tax – Year to Date



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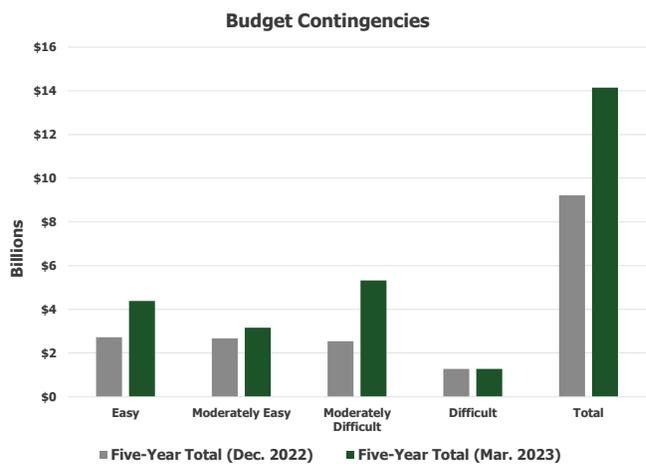
Decision Making Under Uncertainty

- Seasonality and unprecedented events pose challenges for forecasting
- Forecast error/variance is the result
- IIT – collections through March not a great indicator for year-end total (“April Surprise”)
- SALT payments now in December hold potential for early indication



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Prudent Budgeting - Buffers

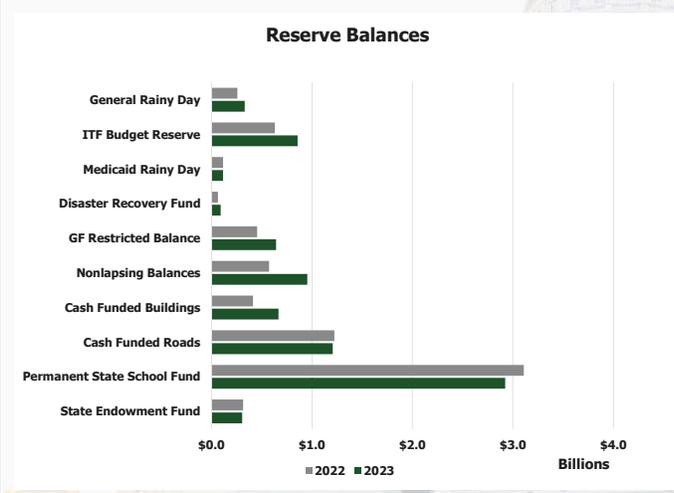


- What we do to compensate for that volatility
- Rainy Day Funds and Buffers
- Just over \$14B accessible over the next five years
- About half is relatively easily accessible
- Significant increases due to action taken in 2023 GS



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Prudent Budgeting – Rainy Day Funds



- Rainy Day Funds also expanded overall
- These sources of funding can help cover potential variance in forecast vs actual collections
- All in, the state is well prepared to weather an economic downturn

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Fiscal Health Dashboard

UTAH STATE LEGISLATURE

Budget Home / Fiscal Health Dashboard

Reserve indicators identify sources of funds that the State could potentially access in the case of a revenue shortfall or other emergency. Each source has legal restrictions on how those funds can be used. The indicators in the Budgetary Reserves category are the most readily accessible. Generally, when budget surpluses occur funds are automatically transferred to these "rainy day" accounts, the Legislature may appropriate additional funds to them as well. Operating Reserves are used by agencies for particular purposes, which are designated by statute or by intent language in appropriations acts. Working Rainy Day Reserves show cash amounts that are currently used to fund infrastructure projects, in the event of a shortfall, the State could use bonds to finance the infrastructure projects, freeing an equivalent amount of cash. The last category shows the principal amount in two endowment funds. Investment income generated from these funds is routinely disbursed to the General or Income Tax Funds for use on operating and capital expenses. The principal itself is constitutionally protected and would be difficult to access. Most of these indicators are updated once annually, when new data become available.

Category	Amount	Change
General Rainy Day	\$330.3 M	+28.6%
Income Tax Fund Budget Reserve	\$856.3 M	+35.9%
Medicaid Rainy Day	\$113.9 M	0%

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Revenue Snapshot

General Fund	Projected Growth	YoY	Projected Range in Collections				Jan-23	Feb-23	Mar-23	Apr-23
	Rate - February	Growth	Through 10 Months	Actual Collections	Year-End Forecast	Estimates (Annual)				
Sales & Use Tax	6.4%	6.4%	\$2,473,000,000 - \$3,023,000,000	\$2,800,441,465	\$3,297,805,000	8.9%	9.1%	8.1%	6.4%	
All Other Sources	28.9%	32.2%	\$600,000,000 - \$734,000,000	\$664,180,379	\$800,493,229	30.3%	29.2%	31.6%	32.2%	
Subtotal General Fund	10.2%	10.6%		\$3,464,621,844	\$4,098,298,229	11.9%	12.1%	11.8%	10.6%	
Sales & Use Tax Set-Asides	10.9%	10.4%	\$905,000,000 - \$1,107,000,000	\$957,128,018	\$1,207,400,759	13.8%	11.6%	11.3%	10.4%	
Income Tax Fund/Uniform School Fund										
Individual Income Tax	-1.6%	-5.0%	\$4,997,000,000 - \$6,108,000,000	\$5,633,708,311	\$6,663,306,667	24.5%	21.5%	18.0%	-5.0%	
Withholding		6.0%		\$4,234,586,682		5.6%	5.3%	5.2%	6.0%	
Final Payments (plus SALT Passthrough)		-27.6%		\$1,399,121,629					-27.6%	
Corporate Tax	-16.5%	-8.3%	\$587,000,000 - \$717,000,000	\$703,572,032	\$782,651,333	-9.5%	-11.2%	-11.6%	-8.3%	
All Other Sources	19.3%	96.1%	\$86,000,000 - \$105,000,000	\$75,196,868	\$114,556,667	80.1%	85.3%	76.5%	96.1%	
Subtotal Income Tax Fund	-3.1%	-4.8%		\$6,412,477,211	\$7,560,514,667	21.0%	18.3%	14.9%	-4.8%	
Subtotal GF/ITF/USF	1.2%	-1.5%		\$9,877,099,055	\$11,658,812,895	16.5%	14.9%	12.2%	-1.5%	
Transportation Fund										
Motor Fuel Tax	2.6%	3.1%	\$307,000,000 - \$376,000,000	\$330,941,628	\$409,781,671	-1.8%	0.9%	1.3%	3.1%	
Special Fuel Tax	8.4%	8.8%	\$141,000,000 - \$173,000,000	\$144,652,928	\$188,514,159	6.6%	3.2%	3.3%	8.8%	
Other	13.4%	9.7%	\$103,000,000 - \$126,000,000	\$105,309,562	\$137,709,667	12.3%	8.4%	10.5%	9.7%	
Subtotal Transportation Fund	6.0%	5.7%		\$580,904,118	\$736,005,497	2.5%	2.7%	3.4%	5.7%	
Total, GF/ITF/USF/TF	1.4%	-1.1%		\$10,458,003,173	\$12,394,818,392	15.6%	14.0%	11.6%	-1.1%	

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Thank you for listening!

- Any further discussion or questions?

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Recent Pew Article on Budget Stability

Pew

TOPICS PROJECTS FEATURES ABOUT GET INVOLVED SEARCH

How Today's Surpluses Can Help States Invest in Budget Stability

Multiple strategies allow policymakers to prepare for economic cycles and long-term needs

ARTICLE | April 13, 2023 | By: Jeff Chapman, Colin Foard & Corryn Hall | Read time: 6 min
Projects: State Fiscal Health, Public Sector Retirement Systems & Fiscal Federalism

Preparing for the unexpected

Rainy day funds

In recent years, higher-than-forecast revenue and other temporary factors have helped widespread growth in state rainy day funds, essential fiscal tools that help weather the ups and downs of the business cycle. Most state rainy day funds are at record levels, but this does not necessarily mean they would provide sufficient cushion in a downturn. To determine whether rainy day savings are large enough, policymakers can use [budget stress tests](#)—analytical tools that assess the size of the budget shortfalls states would face under



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