LEGISLATIVE
FISCAL
ANALYST

Long-Term Budget Report
2024 Update

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Introduction

- "The best-laid plans of mice and men go oft awry..." - *Robert Burns*
- Is it not, nonetheless, better to be the mouse prepared for winter?
- In this spirit, the Utah Legislature directs the LFA to conduct long-term fiscal sustainability analyses:
- Year One – Revenue Volatility
- **Year Two – Long-Term Budget**
- Year Three – Budget Stress Test

The Intuition

A Balanced Budget…

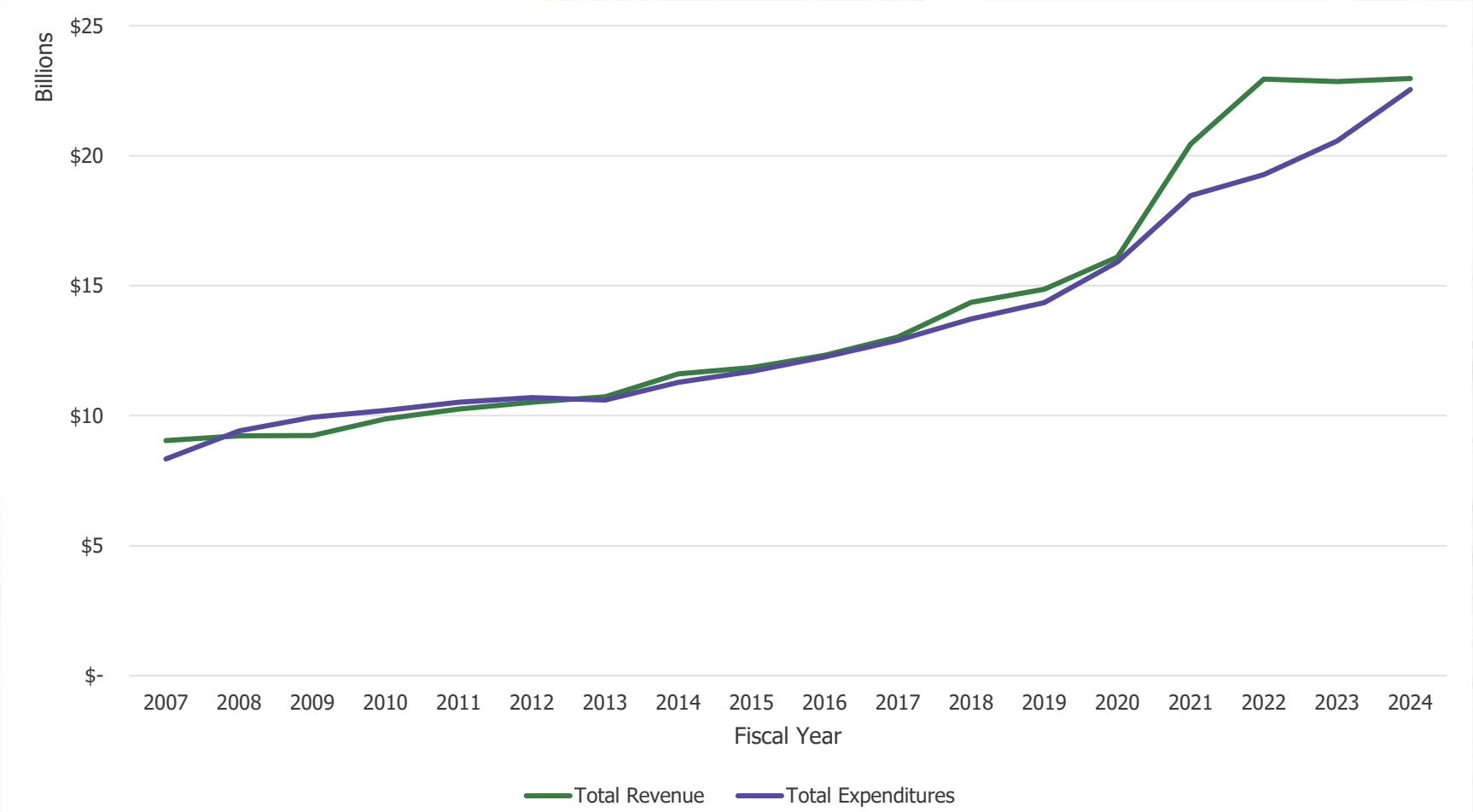
1. Is not a naturally occurring phenomenon
- *Can only come about through mindful, disciplined action*
2. Has a natural tendency towards imbalance
- *Is easily lost if left unattended*
3. **Should bridge short-term needs to long-term goals**

Report Overview

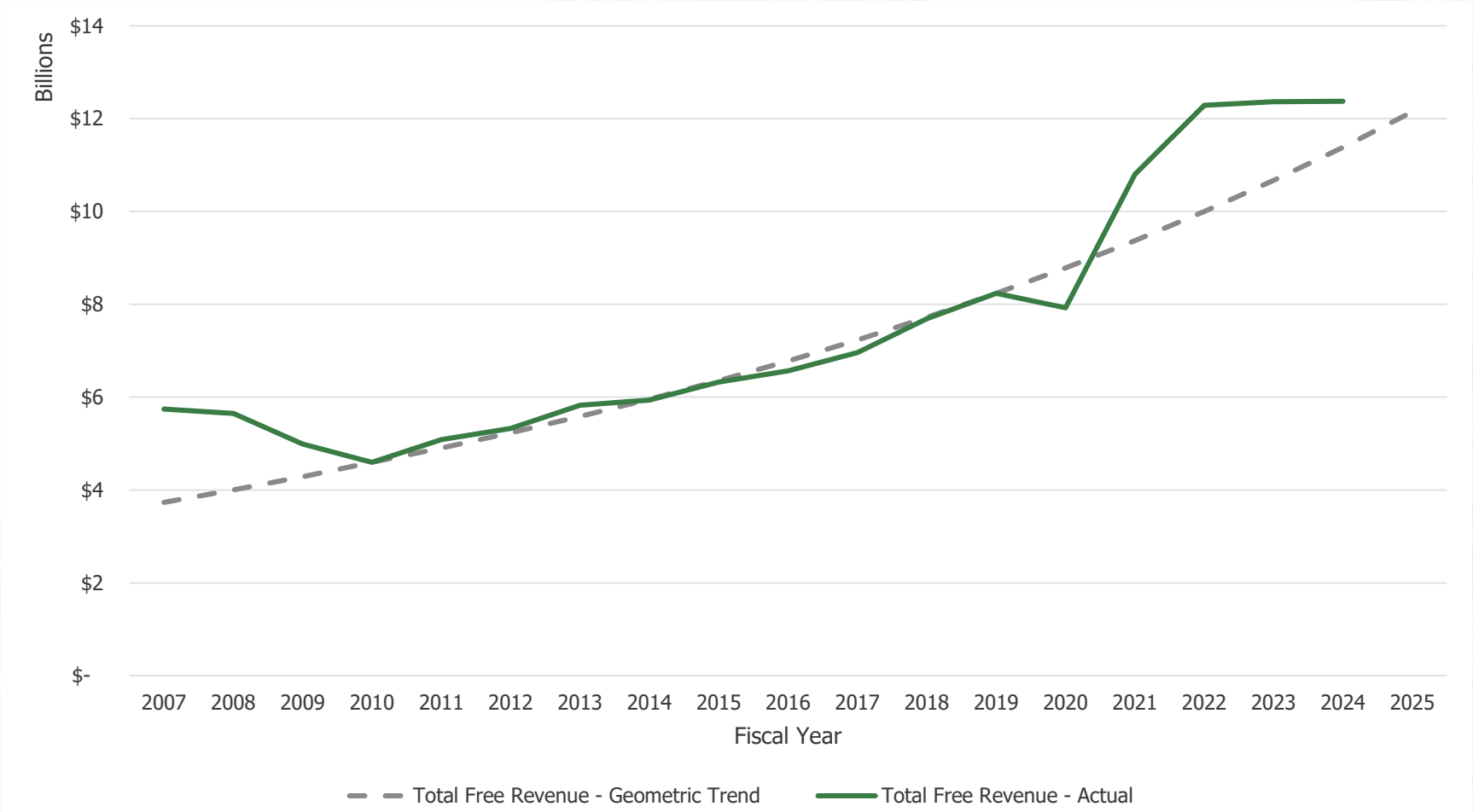
- On to the actual report
- Focus on the broad strokes of the budget
- Three-part approach:
  1. Analysis of historical revenues and expenditures
  2. Evaluation of the balance between these halves
  3. Development of five-year forecasts
- The goal is not to precisely predict revenue or expenditures
- The goal is to **assess the balance** into the future

Past to Present

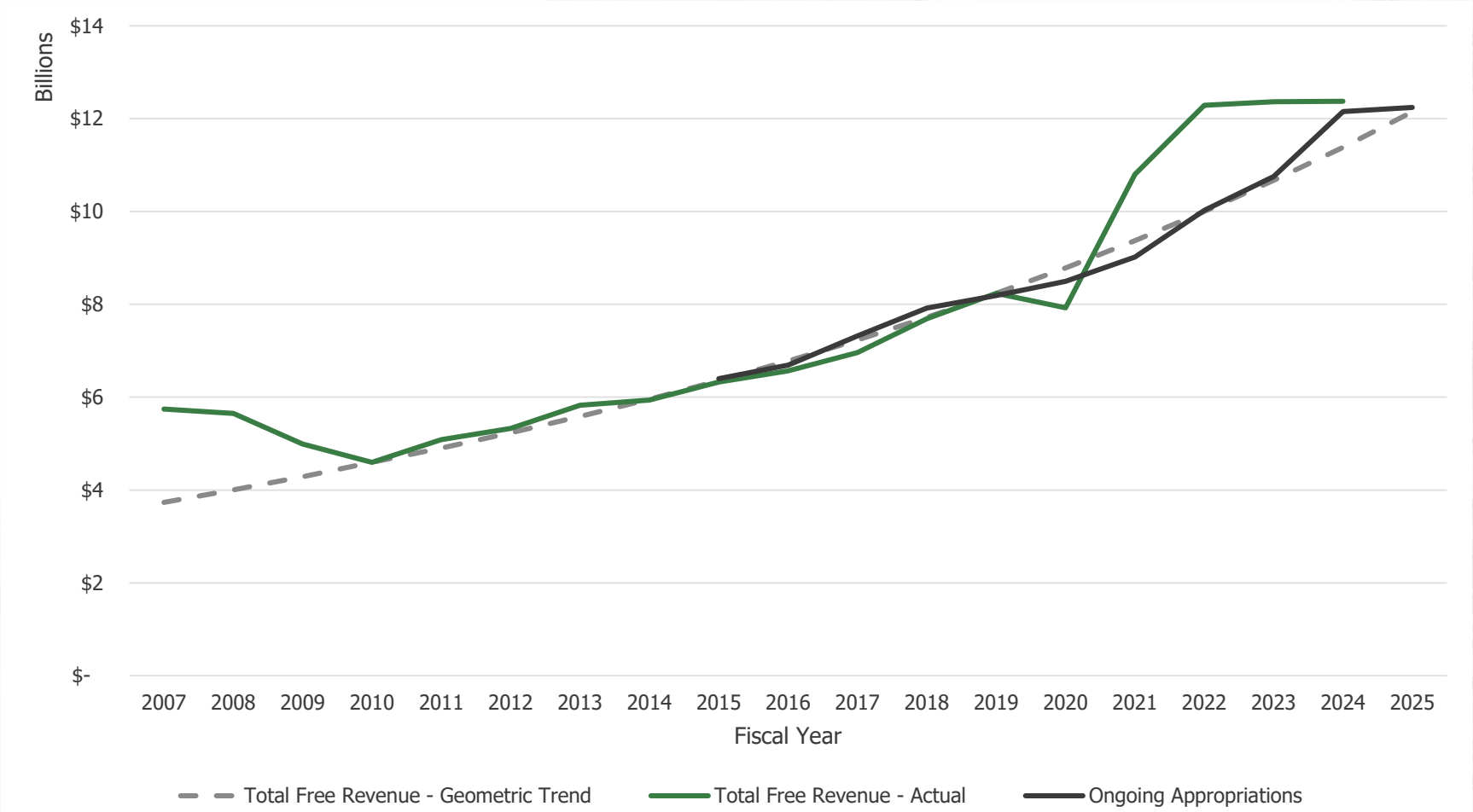
Statewide Total Revenue and Expenditures



Total “Free Revenue” and Trend



Total “Free Revenue” and Ongoing Appropriations



Present to Future

How the Next Five will be Unlike the Last Five

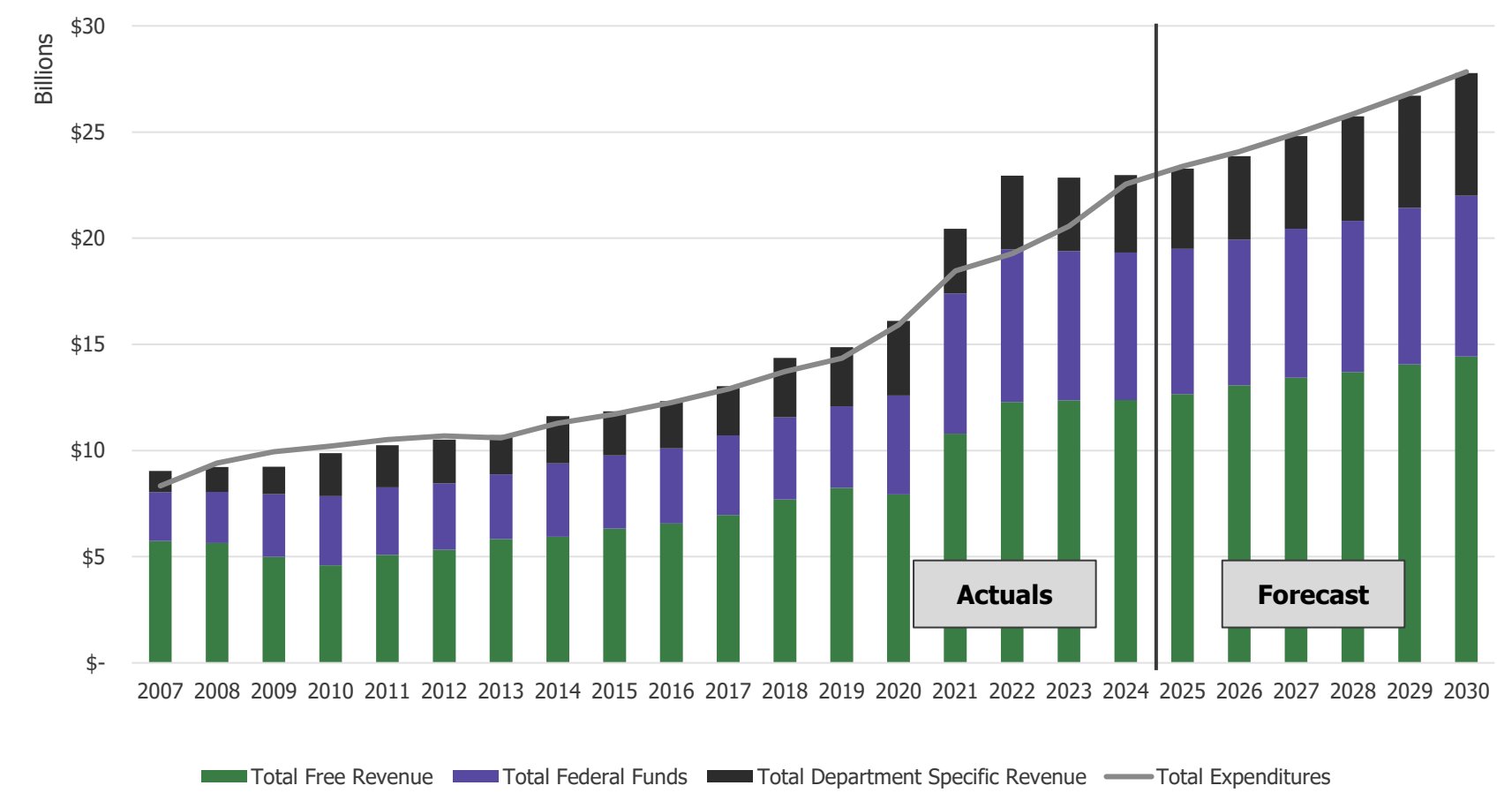
Central to these forecasts is a set of Major Drivers of the budget:

- The Absence of federal Stimulus
- Modest Population Growth
- Demographic Shifts
- Personal Income Normalization
- No Additional Income Tax Rate Reductions
- Sunsetting of Federal Tax Cuts and Jobs Act (TCJA) Provisions
- Moderate Inflation

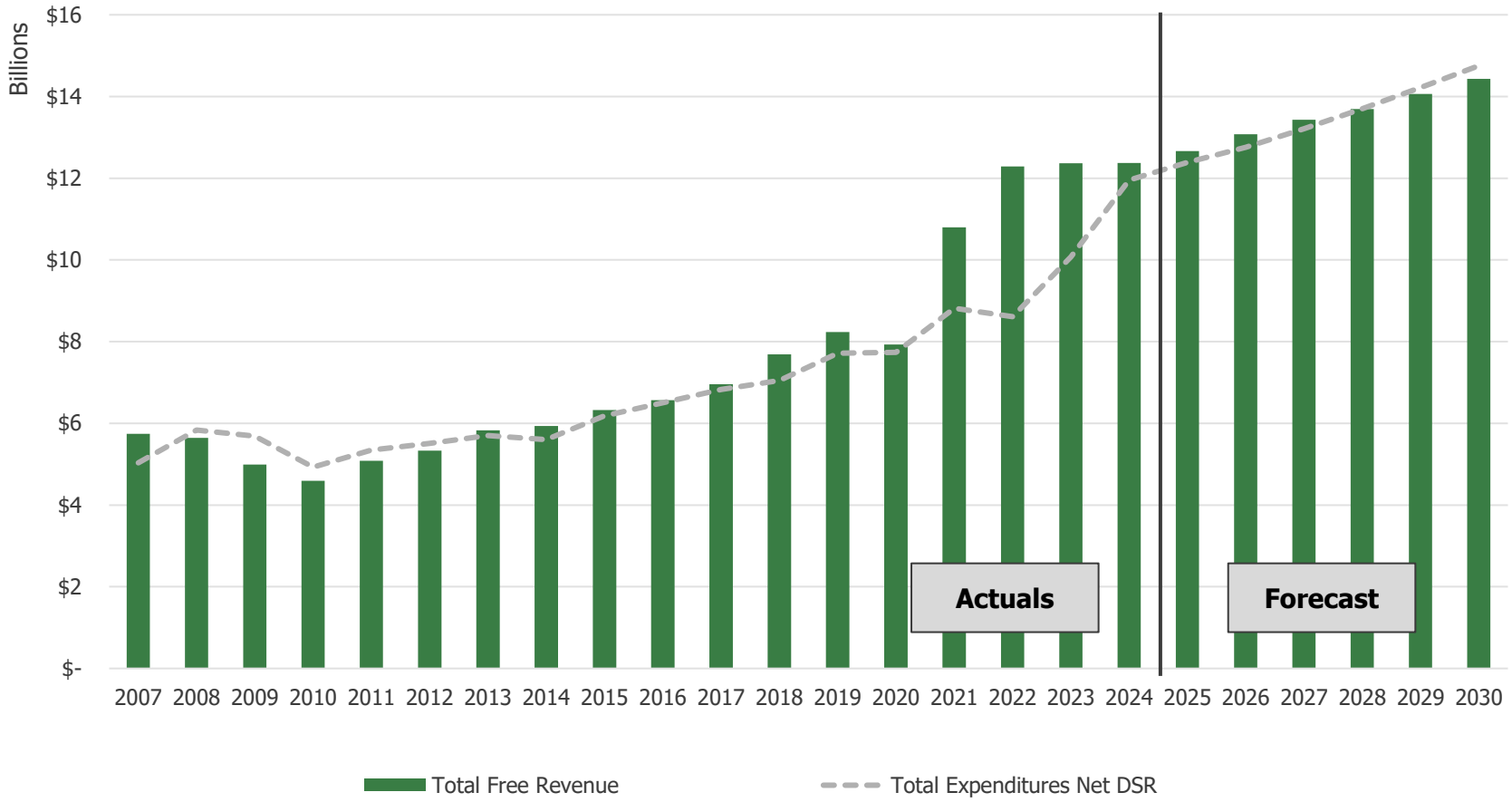
The Modeling Framework

- Auto-Regressive Integrated Moving Average with eXogenous regressors (ARIMAX)
- Technique incorporates both endogenous and exogenous variables
- Independent forecasts for major revenue sources and major expenditures utilizing the key factors identified
- No matching constraint imposed
- Methodology chosen with the explicit intent of exposing an imbalance if there was one to be found

Total Revenue and Expenditures – Forecasts



Free Revenue and Assoc. Expenditures – Forecasts



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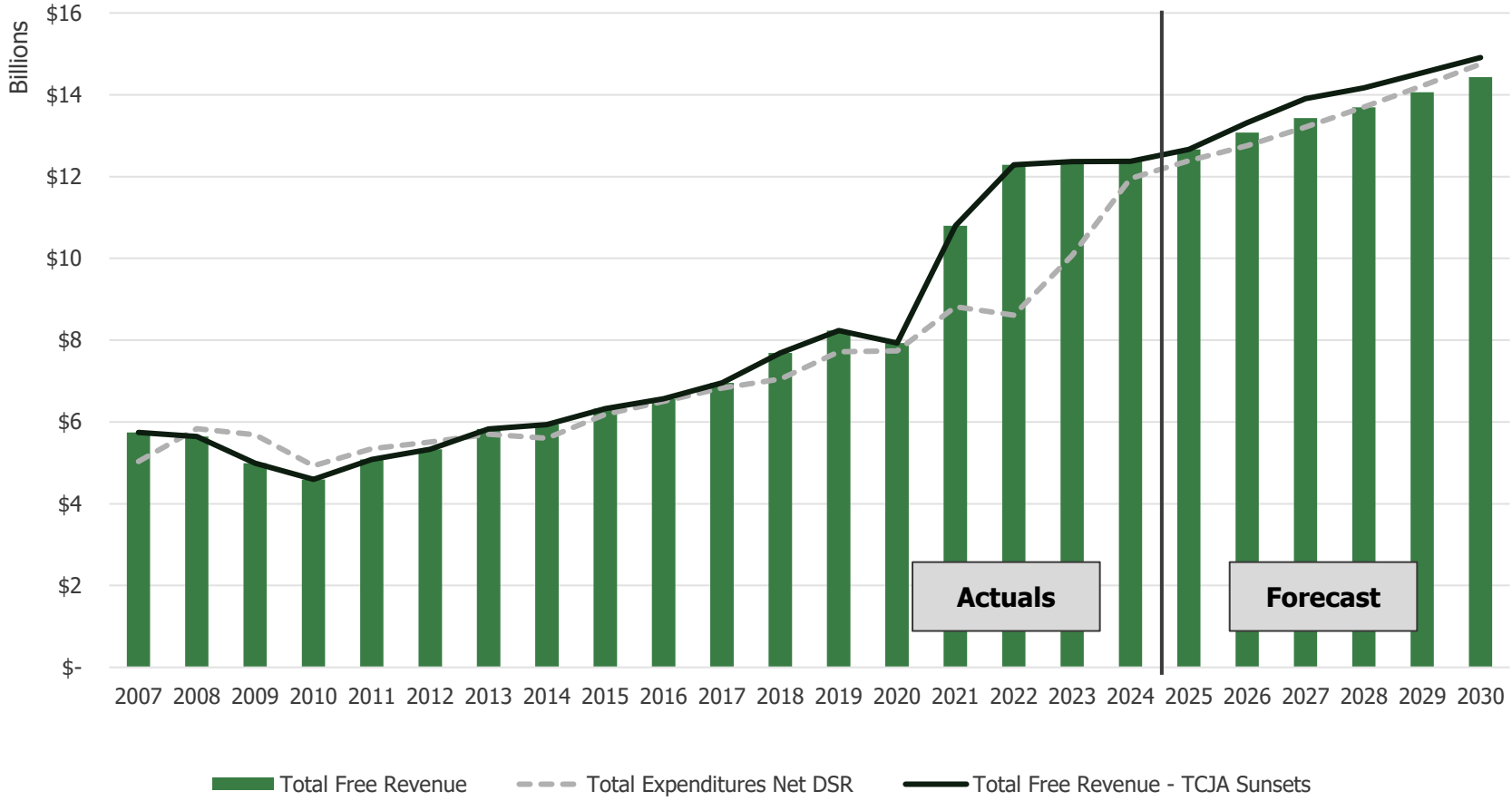
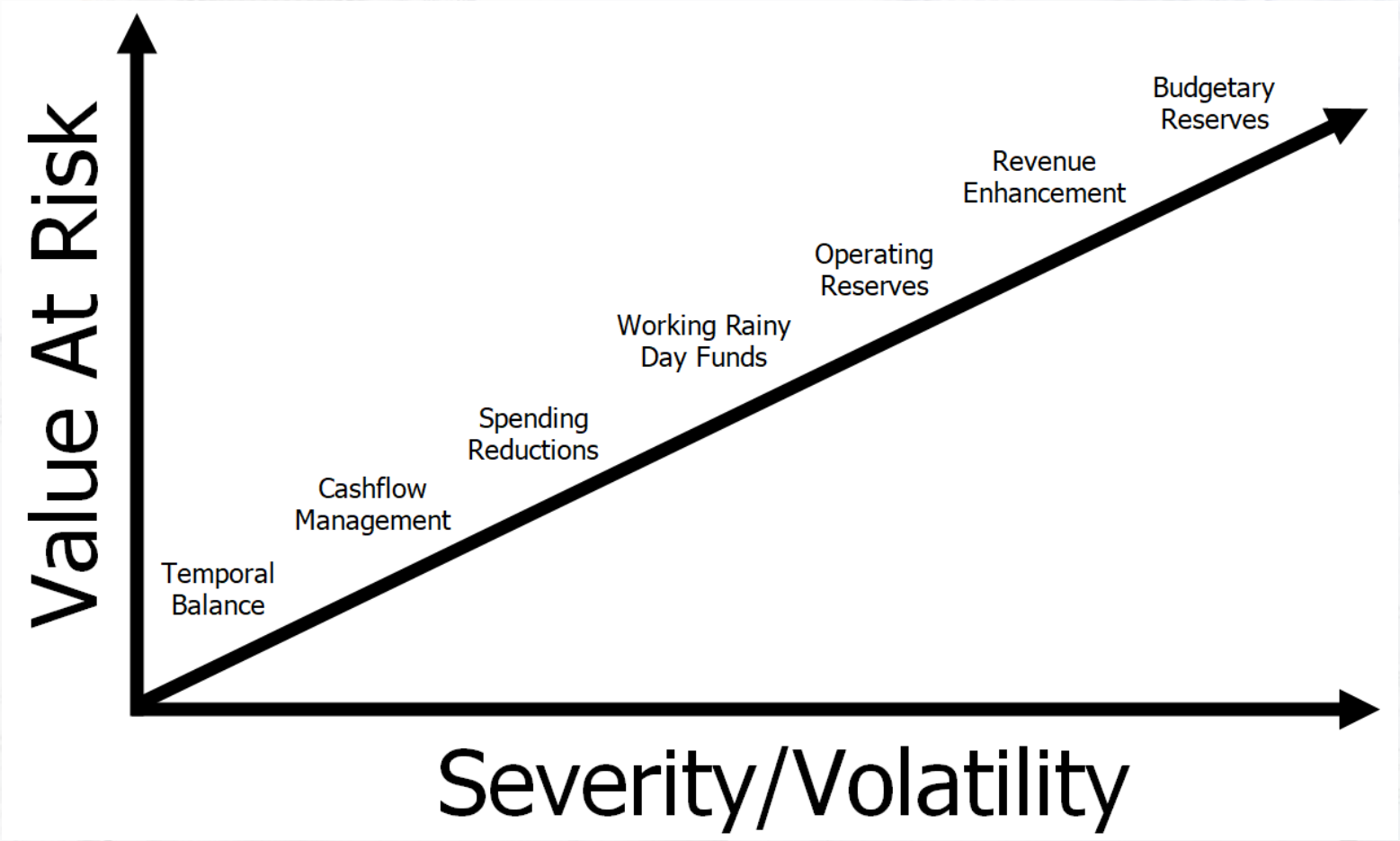


The Balancing Act – A Practitioner's Guide To Budgets

- These projections reflect principally the trend
- Any surplus or deficit would need to be addressed in the annual budget process
- Utah's Fiscal Toolkit provides the guide



What to Take Away From All This

- The purpose of this analysis is not to estimate how large the state budget will be in 2030
- It is to evaluate and assess the risks to **the balance** within the budget under the conditions expected over the next five years
- This analysis finds that the Long-Term Budget is projected to remain balanced overall through the end of the period
- Excluding department-specific sources, available revenue may fall behind associated expenditures in the final year of the forecast
- This result is not inevitable, but serves as an indication that prudent fiscal management will remain key to maintaining sustainable balance into the long-term

Thank you.

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